

Annual Report 2001

Dear Shareholders,

In many respects, 2001 was an eventful year but your Company came out with flying colours. The year under review witnessed a record order in-take and the highest ever invoicing in the history of your Company. The Management Team led by Mr. Satish Tandon deserves all praise for their outstanding performance in the face of adverse economic conditions both within the country and in the international arena.

On going through the Balance Sheet, you will observe the tremendous progress made by your Company on almost all the key parameters. I am confident that you would be pleased with the performance of the Company and also the dividend recommended by the Board of Directors.

Good performance is always backed by good governance and strong leadership. In this behalf, your Company has implemented the mandatory recommendations under the code of corporate governance.

The realignment of the business strategy which now offers the full array of the process and product solutions to meet the requirements of the customers in totality is likely to hold the Company in good stead despite a very adverse business scenario. I believe that by ensuring the success of our customers through quality products and innovative solutions and by optimising the performance of our customers' processes time and time again, we can achieve the ultimate objective of realising long-term shareholder value whilst taking into account the interests of other stakeholders.

The Principals have always extended the fullest co-operation to your Company and they clearly see the growth potential of the Indian operations. This prompted them to seize the opportunity extended to them during the year under review to increase their stake from 51% to 64%.

I would like to express my thanks to my colleagues on the Board for their support and co-operation and to wish BEST LUCK to Mr. Satish Tandon and his team for the future. I would also like to express my gratitude to the shareholders and all other stakeholders including employees and suppliers for their contribution to your Company's growth.



JOS BELLINKX





Managing Director's Message



Dear Shareholders,

It gives me immense pleasure and satisfaction when I look back at the Company's performance for the year ended 31st December, 2001. This performance has to be seen in the backdrop of the continued recessionary trend engulfing the Industry due to the sluggish economic scenario that prevailed through the year.

During the year 2001, the realignment of the business strategy to offer the full array of the process and product solutions to meet the requirement of the customer in totality yielded good results. The Company's two segments comprising of the Equipment Division and Process Technology Division accredited themselves quite capably in the changed business structure. Flexible marketing strategies and development of sales channels helped the Company achieve robust growth in order booking. Performance on the export front continued its forward march. The Parts and Service maintained its share of revenues. The year 2001 also saw the Company completing the execution of some of the prestigious projects. Though the margins came under pressure due to competition and certain other external factors, cost control and several other measures taken in line with the strategies boosted the profitability.

After the consolidation of the Company's operations through the merger of its subsidiaries, growth strategies have been put in place. Considerable emphasis will lay on exports, parts and service business, strategic alliances and continued development of sales channels while the strategy of widening the range of the core competencies of the Company will assume equal importance. I can see good potential for the Company's business in countries like Indonesia, Vietnam and certain other Asian and African countries. Revival of molasses/grain based distillery business is expected to provide good business for which the Company has acquired new technologies to add value to both the existing as well as new customers. With a comfortable order book position currently, business during this year is expected to be satisfactory.

The Company's principals in Sweden have expressed immense confidence in the Indian operations and are planning to use the Indian base extensively for their worldwide requirements.

As already indicated in my earlier messages, my greatest strength lies in the capabilities of my team. Needless to state that producing such outstanding performance year after year would not have been possible without the contribution of my team members. The importance of this human capital is being nurtured with great care and improvement in the Company's growth is a direct reflection of satisfied employees and in turn satisfied customers. I am sure this team will continue to achieve greater heights in the years to come.

My thanks are due to all our customers who have reposed faith in us, the shareholders of the Company for their continued trust and confidence and to all other stakeholders for their contribution to the Company's achievements. I would also like to convey my special thanks to the Board of Directors for their encouragement and guidance.

Satish Tandon

Alfa Laval (India) Limited

CHAIRMAN EMERITUS

Kamaljit Singh

DIRECTORS

Jos Bellinkx, *Chairman*

F.A.A. Jasdanwalla

B. Chakrabarti, *Nominee Director*

Satish Tandon, *Managing Director*

Cyrus J. Guzder

Ajay Joshi, *Director - Finance*

Peter Leifland

Yannick Richomme

SECRETARY

V. Chandrasekhar

BANKERS

Bank of India

Standard Chartered Grindlays Bank Ltd.

Bank of Maharashtra

The United Western Bank Ltd.

The Hongkong and Shanghai Banking Corporation Ltd.

LEGAL ADVISERS

Crawford Bayley & Co.

AUDITORS

S. R. Batliboi & Co.

REGISTERED & HEAD OFFICE

Mumbai Pune Road,

Dapodi,

Pune - 411012

Phone: (020) 7107100, 4116100

Fax: (020) 7147711

Home Page: www.alfalaval.com

WORKS

Dapodi, Pune 411012

E-7/ E-8, MIDC Estate
Satara - 415004

Gat No. 30 to 33 & 74 to 82
Sarole Veer Road,
Tal. Bhor Dist. Pune
Pune - 412206

SALES & SERVICE NETWORK

Bangalore

Baroda

Chandigarh

Chennai

Dhaka, Bangladesh

Hyderabad

Indore

Jaipur

Jamshedpur

Kanpur

Kochi

Kolkata

Mumbai

New Delhi

Nagpur

Pune

Raipur

Vishakhapatnam

CUSTOMER SERVICE CENTER

Plot No. R-674, MIDC Rebale

TTC Industrial Area, Post Ghansoli,

Thane - 400 701

As a measure of economy the practice of distributing copies of the Annual Report at the Annual General Meeting has been discontinued. Members are, therefore, requested to bring their own copies of the Report to the Meeting.



NOTICE

Notice is hereby given that the 64th Annual General Meeting of the Shareholders of Alfa Laval (India) Limited will be held at Hotel Le Meridien, RBM Road, Pune 411 001, on Tuesday, 28th May, 2002 at 3.00 p.m. to transact the following business:

1. To receive, consider, and adopt the audited Balance Sheet as at 31st December, 2001, the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors.
2. To declare the final dividend for the year ended 31st December, 2001.
3. To appoint a Director in the place of Mr. Jos Bellinkx who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr. Peter Leifland who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider, and, if thought, fit, to pass, with or without modifications, the following resolution as an ordinary resolution:-

RESOLVED that consent of the Company be and it is hereby accorded, pursuant to the provisions of Sections 198, 309 and other applicable provisions, if any, of the Companies Act, 1956, to the revision in the terms of remuneration of Mr. Satish Tandon, Managing Director of the Company, with effect from 1st January, 2002, as under : -

1. A basic salary of Rs.1,85,000/- [rupees one lakh eightyfive thousand only] per month;
2. A commission based on performance, as may be approved by the Board of Directors of the Company, subject to a ceiling of an amount equal to 40% of the annual basic salary of Mr. Satish Tandon;
3. Perquisites:
 - i) Housing :
 - a] a fully maintained rent free furnished residential accommodation;
 - b] reimbursement at actuals, of gas, electricity and water charges;
 - ii) Medical Reimbursement :

Reimbursement of expenses incurred by Mr. Satish Tandon for himself and his family, subject to a ceiling of one month's basic salary in a year or three months' basic salary over a period of three years;
 - iii) Leave Travel :

Leave travel allowance for himself and his family once in a year in accordance with the rules of the Company;

Explanation:

Family means, spouse and the dependent children of Mr. Tandon.
 - iv) Insurance :

In accordance with the rules of the Company;
 - v) Club fees :

Fees and subscription of clubs. These will, however, not include admission and life membership fees.

- vi) Provision of a chauffeur driven car and telephone at residence;
- vii) Contributions to Provident Fund, Superannuation or annuity fund in accordance with the rules of the Company to the extent these put together do not exceed 27% of the basic salary of Mr. Tandon;
- viii) Gratuity - not exceeding half a month's salary for each completed year of service;
- ix) Other allowances aggregating Rs.28,135/- per month.
- x) Encashment of accumulated leave at the end of the tenure as per the rules of the Company;

The expenditure incurred by the Company on the aforesaid perquisites shall be valued as per the Income-Tax Rules, 1962, as amended from time to time;

RESOLVED FURTHER that in the event of absence or inadequacy of profits in any financial year during the tenure of Mr. Satish Tandon as Managing Director of the Company, the remuneration as specified above, shall be paid as minimum remuneration for such year to Mr. Tandon;

AND RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to do all such acts, matters, deeds and things including entering into a supplementary agreement with Mr. Satish Tandon as may be necessary or expedient to give effect to this resolution."

6. To consider, and, if thought, fit, to pass, with or without modifications, the following resolution as an ordinary resolution:-

"RESOLVED that consent of the Company be and it is hereby accorded, pursuant to Sections 198, 309 and other applicable provisions, if any, of the Companies Act, 1956, to the revision in the terms of remuneration of Mr. Ajay Joshi, Director – Finance of the Company, with effect from 1st March, 2002, as under :-

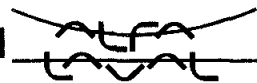
1. A basic salary of Rs.74,000/- [rupees seventyfour thousand only] per month;
2. A commission based on performance, as may be approved by the Board of Directors of the Company, subject to a ceiling of an amount equal to 30% of the annual basic salary of Mr. Ajay Joshi;
3. Perquisites :
 - i) Housing :
 - a] a fully maintained rent free furnished residential accommodation;
 - b] reimbursement at actuals, of gas, electricity and water charges;
 - ii) Medical Reimbursement :

Reimbursement of expenses incurred by Mr. Ajay Joshi for himself and his family, subject to a ceiling of one month's basic salary in a year or three months' basic salary over a period of three years;
 - iii) Leave Travel :

Leave travel allowance for himself and his family once in a year in accordance with the rules of the Company;

Explanation :

Family means, the spouse and the dependent children of Mr. Ajay Joshi;



iv) Insurance :

In accordance with the rules of the Company;

v) Club Fees :

Fees and subscription of a maximum of two clubs. These will, however, not include admission and life membership fees;

vi) Provision of a chauffeur driven car and telephone at residence;

vii) Contributions to Provident Fund, Superannuation or annuity fund in accordance with the rules of the Company to the extent these put together do not exceed 27% of the basic salary of Mr. Ajay Joshi;

viii) Gratuity - not exceeding half a month's salary for each completed year of service;

ix) Other allowances aggregating upto Rs.9,250/- per month;

x) Encashment of accumulated leave at the end of the tenure as per the rules of the Company;

The expenditure incurred by the Company on the aforesaid perquisites shall be valued as per the Income-Tax Rules, 1962, as amended from time to time;

RESOLVED FURTHER that in the event of absence or inadequacy of profits in any financial year during the tenure of Mr. Ajay Joshi as Wholetime Director of the Company, the remuneration as specified above, shall be paid as minimum remuneration for such year to Mr. Joshi;

AND RESOLVED FURTHER that the Board of Directors of the Company be and they are hereby authorised to do all such acts, deeds and things including entering into a supplementary agreement with Mr. Ajay Joshi as may be necessary or expedient to give effect to this resolution."

7. To consider and, if thought, fit, to pass, with or without modifications, the following resolution as a special resolution:-

"RESOLVED, pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification thereto or any re-enactment thereof for the time being in force), that the Articles of Association of the Company be amended in the following manner:-

Article 24 be substituted by the following Article:-

"Notwithstanding anything contained in these Articles, the Company shall be entitled to buy-back/purchase the equity shares issued by the Company from the holders thereof from the open market or otherwise in any lots, out of the free reserves of the Company and/or from the proceeds of any issue of shares made by the Company specifically for the purpose, and/or from such other sources as may be permitted by law, on such terms, conditions and in such manner as may be permitted by law from time to time. The equity shares of the Company so bought back/purchased shall be extinguished."

8. To consider and, if thought, fit, to pass, with or without modifications, the following resolution as a special resolution:-

"RESOLVED, pursuant to Section 163 of the Companies Act, 1956 (hereinafter called "the Act"), that the Company hereby approves that the Register of Members, Index of Members, copies of all Annual Returns under Section 159 of the Act together with copies of certificates and documents required to be annexed thereto under Section 161 of the Act or any one or more of them shall, with effect from June 1, 2002, be kept at the office of M/s. Intime Spectrum Registry Ltd., 260, Shanti Industrial Estate, Sarojini Naidu Road, Mulund (West), Mumbai 400 080, instead of at the Registered Office of the Company;

RESOLVED FURTHER that the Registers, Index, Returns, Books, Certificates and Documents of the Company required to be maintained and kept open for inspection by the Members and/or any persons entitled thereto under the Act, be kept open for such inspection, at the place where they are kept, to the extent, in the manner and on payment of the fees, if any, specified in the Act between the hours of 11.00 a.m. and 1.00 p.m. on any working day (except Saturday) and except when the registers and books are closed under the provisions of the Act."

9. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

Dated : 27th March, 2002

By Order of the Board of Directors
Alfa Laval (India) Limited

Regd. Office:

Mumbai-Pune Road
Dapodi, PUNE - 411 012

V. Chandrasekhar
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The relative Explanatory Statement pursuant to Clause 49 of the Listing Agreement and Section 173 of the Companies Act, 1956, in respect of the business under items 3 to 8 set out above is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from **Tuesday 14th May, 2002 to Tuesday 28th May, 2002, both days inclusive.**
4. The dividend, when declared, will be paid on or after 28th May, 2002 to those Members whose names appear in the Company's Register of Members on 28th May, 2002. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited.
5. Members holding shares in physical form are requested to intimate the changes, if any, in their registered addresses, to the Company's Share Department at Mustafa Building, 7A, Sir Phirozshah Mehta Road, Mumbai 400 001 or to their respective Depository Participants in case of shares held in electronic form.
6. Members holding shares in physical form may inform the Company's Share Department at Mustafa Building, 7A, Sir Phirozshah Mehta Road, Mumbai 400 001, their bank details for printing on the dividend warrants while Members holding shares in electronic form may give instructions regarding bank accounts in which they wish to receive their dividend, to their respective Depository Participants.
7. Pursuant to Section 205A of the Companies Act, 1956, as amended, dividend for the financial year ended 31st March, 1996 and thereafter which remain unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund established by the Central Government. Shareholders who have not yet encashed the dividend warrants for the financial year ended 31st March, 1996 or any subsequent financial years are requested to send their claims to the Registered Office of the Company at Dapodi, Pune 411 012. **It may be noted that once the unclaimed dividend is transferred to the Fund as above, no claim shall be entertained in respect thereof.**



**Explanatory Statement
(Pursuant to Section 173 of the Companies Act, 1956
and the Listing Agreement)**

Item 3

Mr. Jos Bellinkx joined the Board of Directors of the Company ("the Board") on 1st February, 1996 and was elected as Chairman of the Board on 29th May, 2000. He is also a Member of the Audit Committee constituted by the Board.

Mr. Jos Bellinkx is a Chemical Engineer and acquired a degree in Marketing Management from Kingston Regional Management School of London. He has also undergone a course in Management at Harvard Business School and a Management course on Executive Development at IMD in Lausanne. He has been associated with Alfa Laval Group since 1964. During his tenure of service, he has held several responsible positions and had participated in major strategic restructuring with the assistance of external agencies. Between 1993 and 2000 he was the Executive Vice President with the regional responsibilities of Europe, Africa, Latin America, Middle East and India. He was greatly involved in the major restructuring of the Company during 1997. He retired from Alfa Laval Group in 2001 but continues to be the Chairman of the Board of Directors of the Company. Besides his professional activities, he is also connected with a number of social and economic organisations in his native country of Belgium.

Besides the Company, he is not a Member of the Board of Directors of any other company in India. However, he is a member of the Board of Directors of the following companies abroad:-

1. SAGRESA NV, Belgium
2. Nestan NV, Belgium
3. DSEC, SA, Belgium

Item 4

Mr. Peter Leifland joined the Board of Directors of the Company on 29th May, 2000. Mr. Peter Leifland holds a Degree in Law besides a Masters Degree in European Law and Politics from the Brussels University. He has also undergone a Management course on Executive Development at IMD in Lausanne. He has been associated with Alfa Laval Group since 1985 and held various responsible positions and in 1997 he became the Senior Vice President of Alfa Laval Group. Presently he is a member of the Alfa Laval Group Management and in his position as Executive Vice President he has the regional responsibilities of Latin America, Asia, Oceania, India, Middle East and South Africa. Besides the Company, he is not a Member of the Board of Directors of any other company in India.

Item 5

The Board of Directors of the Company ("the Board") reviewed the terms of remuneration of Mr. Satish Tandon at their meeting held on 27th March, 2002 and revised the same as indicated in the resolution at item 5 of the accompanying Notice subject to the consent of the Shareholders of the Company under the provisions of the Companies Act, 1956.

The service contract between the Company and Mr. Satish Tandon together with a draft supplementary agreement between the Company and Mr Ajay Joshi are available for inspection by the members at the Registered Office of the Company between 10 a.m. and 12 noon on any working day (except Saturday).

The resolution set out at item 5 of the accompanying Notice together with this explanatory statement are and should be read as an abstract under section 302 of the Companies Act, 1956. The Board commends the resolution at item No.5 of the accompanying notice for the approval of the Members.

Save and except the interest of Mr.Satish Tandon in varying his terms of remuneration, as aforesaid, no other Director of the Company is concerned or interested in this item of business.

Item 6

The Board of Directors of the Company ("the Board") at their meeting held on 27th March, 2002 reviewed the terms of remuneration of Mr. Ajay Joshi and revised the same as indicated in the resolution at Item 6 of the accompanying Notice, subject to the consent of the Shareholders of the Company under the provisions of the Companies Act, 1956.

The service contract between the Company and Mr. Ajay Joshi together with a draft supplementary agreement between the Company and Mr. Ajay Joshi are available for inspection by the members at the Registered Office of the Company between 10 a.m. and 12 noon on any working day (except Saturday).

The resolution set out at item 6 of the accompanying Notice together with this explanatory statement are and should be read as an abstract under section 302 of the Companies Act, 1956. The Board commends the resolution at item No. 6 of the accompanying notice for the approval of the Members.

Save and except the interest of Mr. Ajay Joshi in varying his terms of remuneration, as aforesaid, no other Director of the Company is concerned or interested in this item of business.

Item 7

Consequent to the amendment to the Companies Act, 1956, the Company is permitted to purchase its own shares in accordance with the provisions contained in Section 77A of the Companies Act, 1956 provided such buy-back is authorised by the Articles of Association of the Company. As the present Article relating to the matter is not in consonance with the amended provisions of the Companies Act, 1956, it is proposed to substitute Article 24 with the Article contained in item 7 of the accompanying Notice subject to the approval of the Shareholders of the Company.

A copy of the existing Memorandum and Articles of Association of the Company together with the proposed alteration is available to the Shareholders of the Company for inspection at the Registered Office of the Company between 10.00 A.M. and 12 Noon on any working day (except Saturday) upto the date of the 64th Annual General Meeting.

The Board commends the resolution at item no. 7 of the accompanying Notice for the approval of the Shareholders.

None of the Directors of the Company is concerned or interested in this item of business except as a shareholder.

Item 8

In view of the impending rule to be notified by the Securities and Exchange Board of India (SEBI) deciding to ban in-house share transfer work carried out by the Company and the requirement to appoint the registrars providing demat connectivity as the registrars to do the physical share accounting also, it is proposed to appoint Intime Spectrum Registry Ltd., Mumbai as the full fledged registrars and share transfer agents of the Company. This will be done with effect from 1st June, 2002.

The approval of the shareholders is required to be obtained for the aforesaid arrangement. An advance copy of the proposed special resolution set out in the accompanying notice will be delivered to the Registrar of Companies, Pune as required under Section 163 of the Companies Act, 1956.

The Board commends the resolution at Item No. 8 of the accompanying notice for approval of the shareholders.

None of the Directors of the Company is concerned or interested in this item of business.

Dated : 27th March, 2002

By Order of the Board of Directors
Alfa Laval (India) Limited

Regd. Office:

Mumbai-Pune Road
Dapodi, Pune 411 012

V. CHANDRASEKHAR
Company Secretary