



Reaching out for the well being of mankind

Annual Report 2009



Alfa Laval (India) Limited

Fruit beverage, water, foodstuff, oil, milk, chemicals, starch, pharmaceuticals, metals, paper,..... You name it. Alfa Laval is present in some form or the other helping these industries to refine and improve their products and to optimize the performance of their processes time and time again with the underlying commitment towards nature and environment thereby reaching out for the well being of mankind.





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Board of Directors

Chairman Emeritus
Kamaljit Singh



Giuseppe Falciola
Chairman

Associated with Alfa Laval Group since 1965 in various capacities. He is also associated with a couple of leading private equity firms as Senior Industrial Advisor.

Jose Hernanz
Managing Director

Associated with Alfa Laval Group since 1983. Served on very demanding managerial positions in various international locations. Before taking over as Managing Director of the Company in January 2010, he was the Managing Director of Alfa Laval Iberia SA responsible for Portugal and Spain.



Nish Patel
Non Executive Director

Associated with Alfa Laval Group since 1984. Worked in a managerial capacity in various functions, ultimately leading Alfa Laval Limited, United Kingdom as the Managing Director from 2001 to 2005. Was later the Managing Director of Alfa Laval (India) Limited from 2005 to 2009 before moving over to the Headquarters in Sweden.

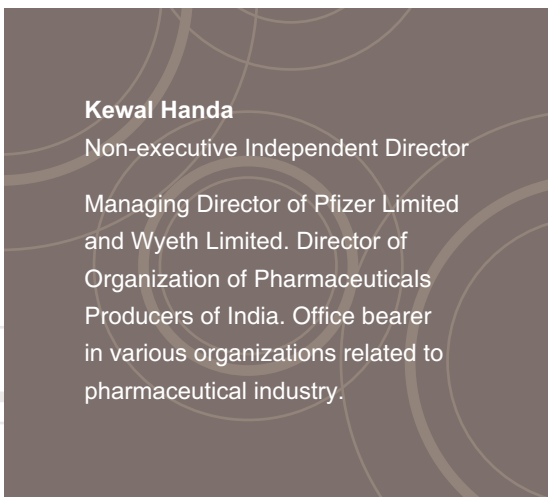




Ashok M Advani

Non-executive Independent Director

Chairman of Blue Star Limited.
Vice-Chairman of Blue Star Infotech Limited and Director of few other companies. Past President of Bombay Chamber of Commerce & Industry.



Kewal Handa

Non-executive Independent Director

Managing Director of Pfizer Limited and Wyeth Limited. Director of Organization of Pharmaceuticals Producers of India. Office bearer in various organizations related to pharmaceutical industry.



Ravi Krishnamurthi

Non-executive Independent Director

Presently employed with Bosch Ltd. as Vice President-Sales-Automotive After Market. Actively involved on the governing bodies of the various institutions related to automotive business.



Secretary

V. Chandrasekhar

Legal Advisers

Crawford Bayley & Co.

Auditors

S. R. Batliboi & Associates

Registered & Head Office

Mumbai-Pune Road,

Dapodi, Pune 411 012

Ph.: 020 - 2710 7100, 6611 9100

Fax: 020 - 2714 7711

Web: www.alfalaval.com

Bankers

- Bank of India
- Standard Chartered Bank
- Bank of Maharashtra
- Industrial Development Bank of India Limited
- The Hongkong and Shanghai Banking Corporation Limited

Manufacturing Sites

- Dapodi, Pune 411 012
- Gat Nos. 30 to 33 & 74 to 82,
Sarole Veer Road, Sarole 412 205,
Tal. Bhore, Dist. Pune
- E-7/ E-8, MIDC Estate,
Satara 415 004

Customer Service Center

Plot No. R-674, MIDC Rebale

TTC Industrial Area, Post Ghansoli,

Navi Mumbai 400 701

C-6, Industrial estate, S. No. 39, Kapparada
Village, Dwarakanagar, Visakhapatnam.

Share Transfer Agents

Link Intime India Private Limited

Block No. 202, 2nd Floor,

Akshay Complex, Dhule Patil Road,

Pune 411 001

Ph.: 020 - 2605 1629, 6250 3395

Fax: 020 - 2605 3503

E-mail: pune@linkintime.co.in

Sales & Service Network

Bangalore

Baroda

Chandigarh

Chennai

Dhaka, Bangladesh

Hyderabad

Indore

Jamshedpur

Kanpur

Kochi

Kolkata

Mumbai

Nagpur

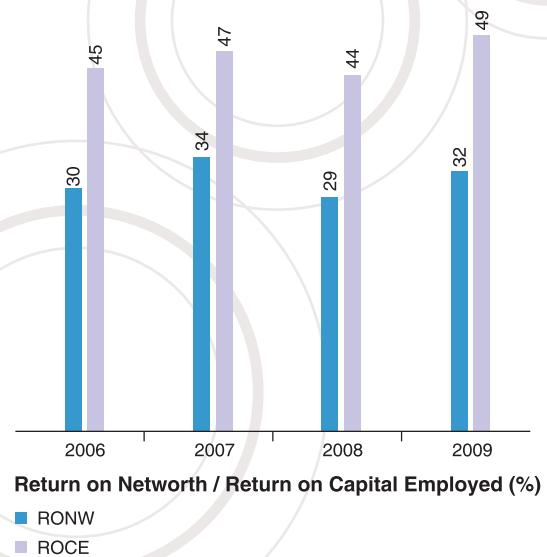
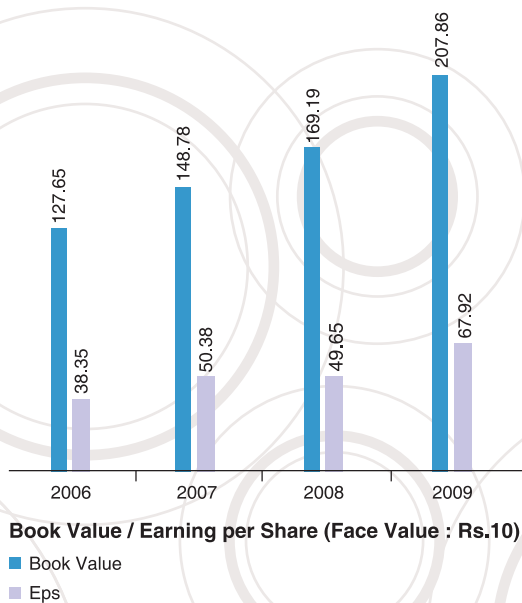
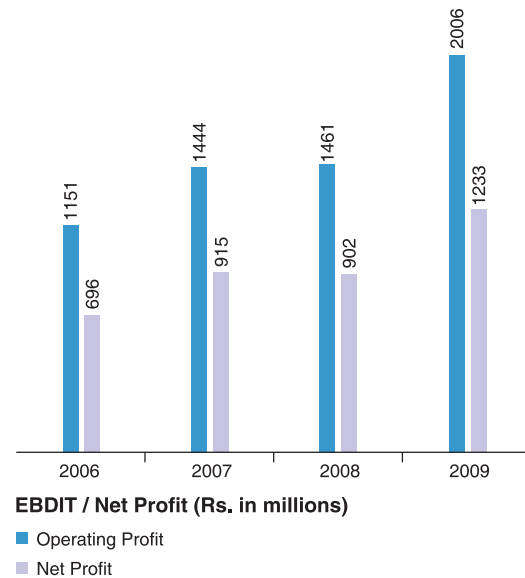
New Delhi

Pune

Raipur

Visakhapatnam

Financial highlights





Chairman's Communique

The capital goods sector will have a significant role to play in this transitional period and your Company will be one among those in this league trying to garner a fair share of business with its well suited products and process solutions.

Dear Shareholders,

The year 2009 heralded with the fright of the global economic downturn further denting the business climate. However, as the year moved on, the world economy gave tentative indications of improvement, though the pace of recovery could not be gauged with certainty because of mixed and conflicting signals. In that context, the economic recovery in India has been a revelation. While there is an optimism on further recovery, inflationary pressures and a possible upward movement of interest rates in the medium term - not to forget that major global economies are still struggling to stay afloat - could contain the revival process.

In the midst of this unstable economic situation, your Company delivered a remarkable performance reaching new highs on order booking and sales turnover. While this was on the expected lines, the substantial rise in profitability was achieved much because of the contribution of very specific factors and the profit protection plan in place. This underlines your Company's focus on Growing Profitably in this still tough international financial and business environment which calls for conservation of resources in order to be well placed to counter any adverse shift in the market conditions. This was the thought process which rode on the Board of Directors of your Company to maintain the dividend distribution for the year 2009 at the same level as the previous year.

The quick turnaround in the Indian economy so far, boosted by the Government response in the form of fiscal stimulus, has given rise to further optimism for a continued economic revival in the medium term. The recent budget, termed as progressive, is expected to consolidate the gains from the recovery process though the planned and phased roll back of stimulus, has raised concerns about the recovery losing momentum for some time. Added to this are the higher than expected inflation and the consequences thereof threatening to pose hurdles for a broad-based economic recovery. However, the resumption of investments, though on a slower pace, and rise in consumption are expected to drive up the manufacturing sector, already in a positive mode. The capital goods sector will have a significant role to play in this transitional period and your Company will be one among those in this league trying to garner a fair share of business with its well suited products and process solutions.

As you are now aware, Jose' Hernanz has succeeded Nish Patel at the helm of affairs of the Company with effect from 1st January 2010, following the latter's decision to move over to the Headquarters of Alfa Laval Group to take up a major assignment. I would like to take this opportunity to thank Nish for leading the Company to new and remarkable heights in the last four years. Jose' has a long association with Alfa Laval Group, where he has successfully served over the years in very demanding managerial positions in several international locations. With the wealth of experience behind him, he is well suited to lead the Company in its build-up to meet the challenges ahead. The message from the Managing Director has a clear direction on the way forward to emerge stronger and healthier in its pursuit of sustaining the performance on all key parameters.

The Principals continue to express strong confidence in the Indian operations and plans are afoot for further developing and extending the Indian manufacturing base for both domestic and worldwide requirements. With the quality and reliability established, more models of products are being sourced and your Company continues to derive the benefits in terms of knowledge, expertise and utilization of capacities.

The bar of corporate governance has been raised by Alfa Laval Group and your Company has already expressed its desire for compliance while at the same time adhering to the local norms in the same way.

I take this opportunity to thank all my colleagues on the Board for their extensive co-operation and professional contribution while conveying my best wishes to Jose Hernanz and his team for great success in the years to come. I would also like to thank all other stakeholders including the employees at all levels for their strong dedication and proficient support in this growth journey and expect this commitment to continue in the years ahead.



Giuseppe Falciola

A man with a mustache, wearing a dark pinstripe suit, a white shirt, and a red and blue striped tie, stands in an office. He is smiling and looking towards the camera. The office has a wooden desk, a black office chair, and a blue rug. The background shows a modern office interior with a white wall and a wooden panel. A large, semi-transparent circular graphic is overlaid on the bottom left of the image.

MD's thoughts

Our strategy of focusing on promising sectors has been encouraging and we intend to broaden this process to certain other upcoming sectors which are growth oriented while at the same time we will keep a tab on our costs and review the efficiencies so as to remain competitive.

Dear Shareholders,

It is my pleasure to share with you my thoughts on the progress of your Company and the road ahead.

At the outset, I am really delighted to lead the Indian operations as I see this a great opportunity to handle an intricate business setup.

Just to rewind, in the backdrop of an unstable business environment during 2009, your Company managed to stay ahead by crossing the eight billion rupee mark in sales turnover and the net profit zooming past the billion rupee mark. The order intake was sustained.

A relatively good performance in a difficult year!

This financial performance of your Company has raised the expectation levels and sustaining this growth momentum will be the key priority for the current year.

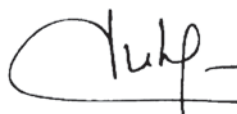
The current business environment is fragile and though the not so intense impact of global economic downturn on the Indian economy was felt, the recovery process is on course but factors relating to inflation and possible upward movement of interest rates are threatening to briefly disrupt the positive trend. Notwithstanding this uncertainty, for me, the optimism about the Indian market is mounting and is exhibiting a tremendous growth potential. The Indian industry is looking for newer technologies in their processes not only to reduce the costs of operations but also to improve its effectiveness towards other aspects. This, I reckon as a huge business opportunity for your Company's products and process solutions while the customers could benefit from the value additions ranging from savings on energy and reduction of emissions which are of much significance today. Our strategy of focusing on promising sectors has been encouraging and we intend to broaden this process to certain other upcoming sectors which are growth oriented while at the same time we will keep a tab on our costs and review the efficiencies so as to remain competitive.

The constant expansion of manufacturing facilities over the years are paving the way for introduction of newer models of products besides catering to the

increased requirements of the Principals. Expansion of service facilities for proximity to the Customer and quick response is another significant development towards the corporate mission of your Company.

Your company is in existence for more than 70 years and is truly entrenched in the business with a long list of cherished customers and suppliers. Going forward, I would like to extend this relationship with my team for boosting the business performance. Towards this end continued development of human resources both technically and managerially would form the fulcrum of your Company sustaining the tradition of growing profitably.

I would take this opportunity to express my gratitude to the Board and the Principals for reposing faith in my leadership and look forward to the continued support from the customers and other stakeholders for sustaining the growth.



Jose Hernanz

Directors' Report

Continuing to Grow Profitably

Dear Members,

The Board of Directors have pleasure in presenting herewith their 72nd Annual Report together with the Audited Accounts of the Company for the year ended 31st December, 2009.

Operations and Financial Results

The sound order backlog at the commencement of the year provided a momentum but with the uncertain market environment continuing to haunt the order intake, to begin with, had a wobble before recovering in the later stages of the year with large value orders to record a positive growth. While the Equipment Division and Group Manufacturing Unit operations witnessed a downturn, the Process Technology Division continued its surge to make up for the shortfall to push the order intake for the year to Rs.9,799.41M

as against the previous year's order intake of Rs.9,499.85 M. This positive development, though marginal, reflected on the sales turnover for the year which increased to Rs.8,875.73 M (2008:Rs.7,993.06 M) registering a double digit growth year on year basis. With the other income being constant, the total income for the year was at Rs.8,990.98 M (2008:Rs.8,108.87 M). Considering the uncertain market environment, the Company did engage itself in controlling the costs besides enhancing the production efficiencies as a part of its profit protection plan. While these steps definitely were significant to the Company's journey on the path of growing profitably, some factors, recurrence of which cannot always be expected, were particularly instrumental to the noteworthy growth in the profitability. The financial performance of the Company for the year 2009 was as under:-

(Rs. in million)

Particulars	2009	2008
Gross profit for the year after meeting all operating expenses but before depreciation, interest and taxation	2,006.79	1,461.01
Less:		
a) Interest	5.25	3.26
b) Depreciation	129.56	99.18
	134.81	102.44
Profit before tax	1,872.00	1,358.57
Less: Provision for taxation		
a) Income tax	653.79	435.81
b) Deferred tax	(24.93)	19.13
c) Prior period tax (reversal)/expense	4.00	10.00
c) Wealth tax	0.10	0.11
d) Fringe Benefit tax	5.26	11.84
	638.21	456.89
Profit after taxation	1,233.79	901.68
Profit and loss account balance brought forward	1,301.85	1,022.33
Profit available for appropriation	2,535.64	1,924.02

Dividend

The Board of Directors of the Company recommend a dividend of Rs. 25/- per equity share (250%) for the year ended 31st December, 2009 which together with the dividend distribution tax will absorb an amount of Rs. 531.17 M (2008:Rs.531.17 M) out of the distributable surplus.

Appropriations

After setting aside the amount of Rs. 531.17M (2008:Rs.531.17M) for dividend including dividend distribution tax and after transferring an amount of Rs. 124 M (2008:Rs.91 M) to General Reserve, the balance amount of Rs. 1,880.07M (2008:Rs.1,301.85 M) is being retained in the Profit and Loss account.

Foreign Exchange Earnings And Outgo

Against the backdrop of a decline in the exports from the Group Manufacturing Unit operations, the exports during the year under review were Rs.2,415.76 M as against Rs.2,798.51 M in the previous financial year. The Company secured significant orders for direct exports during the year. This has given an impetus to the Company's foray in the export market and the inquiries received by the Company are being pursued in right earnest to build on the gains thereof. The export of high speed separators, decanters and flow products to the Principals is expected to start flowing as and when the global business climate starts improving.

Details of foreign exchange spent and earned are given in Schedule 15 forming part of the Accounts under Note Nos. 20 (ix) and 20 (x) respectively.

Prospects

The current order books are at Rs.6,548 M continues to be healthy. The recovery in the industrial sector is evident but uncertainty over shadows the pace of recovery in view of the

factors leading to inflation and probable rise in interest rates, which could briefly derail the reviving economy. On the positive side, business optimism expressed by the industry are indicative of larger investments thereby generating greater business opportunities for the Company to sustain a higher growth in order intake. Again, the resounding order backlog at the beginning of the year would contribute, in a big way, to the sales revenues for the current year. However, since a majority of the Company's business is Projects intense, the timing of the receipt of fresh orders executable during the year together with the scheduled implementation of the orders on hand would assume much significance for the Company to meet the targets set for 2010. Overall, the performance of the Company during the current year is expected to move along as the revival of the economy gathers pace barring unforeseen contingencies.

Over the past few years, the Company has built up capacity additions involving substantial capital expenditure. Consequently, in the last two years, capital expenditure was concentrated on bridging the gaps for enhancing the effectiveness of enlarged production capacity besides development of infrastructure to achieve optimum productivity. During the current year, a sizeable capital expenditure is proposed of which major portions are earmarked for the air handling unit factory and development of infrastructure to boost the productivity.

Conservation of Energy

Energy conservation is being pursued with considerable focus and commitment by the Management. Translucent roofing sheets fixed in the factory sheds enable sufficient natural light dispensing with the need for lights driven by electricity during daytime. The lighting system at all places carry energy efficient fittings to reduce energy consumption. The evaporative cooling system with insulated roof in place of air

conditioners is helping the Company to reduce the load on the power infrastructure. Awareness on power savings has been spread throughout the Company by way of appropriate signboards at prominent locations. Besides, the provision of power factor panels in the circuit has not only ensured quality power for the factory sites but has also led to considerable savings in the energy bills. Efforts are continued to monitor the power consumption with a view not only to generate savings in the energy bills but also to eliminate the wastage of energy in all forms.

Absorption of Technology

The Company has been periodically introducing newer models of decanters, separators and heat exchangers while phasing out their older models for a variety of applications. The recent capacity additions are paving the way for addition to product ranges with suitable technological inputs from the Principals. State-of-the-art product and process technologies successfully absorbed over the last five years include those in respect of separators for wine, brewery, milk, blood plasma, animal fat, bio-diesel application, edible oil applications, fuel oil and lube oil for marine applications, mineral oil applications, life science, workshop oil, latex separators, bowl parts, decanters for olive oil applications, cost efficient plate heat exchangers and welded heat exchangers. Indigenization of certain high value critical components is an ongoing and eternal process. Considerable cost savings to that extent has been achieved during the year.

Employees

Information as per Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended from time to time, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to

all shareholders of the Company excluding the information relating to the statement of particulars of employees. Any shareholder interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Company Secretary for a copy.

Employee relations continue to be cordial.

Directors

M/s. Ashok M Advani and Ravi Krishnamurthi retire by rotation, and being eligible, offer themselves for re-election.

Mr. Ray Field resigned from the Board with effect from 31st December 2009 as he wanted to devote a considerable time and attention to the other activities of Alfa Laval Group. The Board place on record their warm appreciation of the contribution made by Mr. Ray Field during his tenure as a Director.

Mr. Nish Patel having decided to take up an important assignment in Sweden within Alfa Laval Group, has left the Company on 31st December 2009. The Board whilst acknowledging the contribution made by Mr. Nish Patel towards the growth of the Company, place on record their appreciation of the services rendered by Mr. Nish Patel during his tenure as Managing Director. However, in order to facilitate a smooth transition, the Board desiring a continuance of his association with the Company, appointed Mr. Nish Patel as a Non-Executive Director with effect from 1st January, 2010 in the casual vacancy caused by the resignation of Mr. Ray Field.

Mr. Jose Hernanz who was appointed as Additional Director, in the first instance, was appointed as the Managing Director of the Company with effect from 1st January 2010 subject to necessary statutory approvals. The Company conducted a postal ballot process in December 2009 in accordance with Section

192 A of the Companies Act, 1956 read with The Companies (Passing of Resolution by Postal Ballot) Rules, 2001 and obtained the approval of the shareholders of the Company to the appointment of Mr. Jose Hernanz as a Director and as the Managing Director of the Company and to the terms of his remuneration.

Directors' Responsibility Statement

In accordance with the requirements of Section 217(2AA) of the Companies Act, 1956, the Board of Directors confirm that:-

In the preparation of the annual accounts for the year ended 31st December, 2009, the applicable accounting standards had been followed along with proper explanation relating to material departures;

The accounting policies, which have been selected, have been applied consistently and judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st December, 2009 and of the Profit of the Company for the year ended on that date;

Proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

The annual accounts for the year ended 31st December, 2009 have been prepared on a going concern basis.

Auditors

The Auditors, M/s. S.R. Batliboi & Associates, Chartered Accountants, retire, are eligible for re-appointment and have expressed their willingness to serve, if re-appointed.

Corporate Governance

In terms of the Listing Agreement, Management Discussion and Analysis Report is annexed and forms part of the Annual Report. A report on Corporate Governance along with the Auditors' Certificate on its compliance is also annexed forming part of the Annual Report.

Acknowledgement

The Board places on record their appreciation of the contribution of employees at all levels, customers, suppliers and all other stakeholders towards the performance of the Company during the year under review.

For and on behalf of the Board of Directors,

Giuseppe Falcicola
Chairman

Place : Pune

Dated : 24th February, 2010



Ten Years Overview

(Rs. in Million)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Sales & Other Income	2495.6	3027.4	3055.9	3919.6	5279.6	5878.4	6061.8	7132.9	8108.9	8996.9
Profit before Interest, Depreciation & tax	426.7	627.4	725.7	915.9	1253.2	1065.4	1151.9	1444.1	1461.0	2006.4
Net Profit after tax for the year	389.4	379.9	453.5	650.4	785.1	648.6	696.4	914.9	901.7	1233.4
Share Capital	181.6	181.6	181.6	181.6	181.6	181.6	181.6	181.6	181.6	181.6
Reserves & Surplus	1302.4	1346.9	1455.3	1570.3	1850.1	1980.9	2136.6	2520.3	2890.8	3593.1
Shareholders' Funds	1484.0	1528.5	1636.9	1751.9	2031.7	2162.5	2318.2	2701.9	3072.4	3774.7
Loan Funds	40.1	64.3	65.7	65.8	64.7	64.7	62.6	187.7	53.7	46.0
Total Capital Employed	1524.1	1592.8	1702.6	1817.7	2096.4	2227.2	2380.8	2889.6	3126.1	3820.7
Gross Block	669.8	941.2	1010.5	973.0	1088.9	1270.9	1276.8	1411.0	1794.6	1807.8
Depreciation	372.1	573.0	635.1	610.4	669.9	705.4	703.7	736.7	799.8	830.0
Net Block	297.7	368.2	375.4	362.6	419.0	565.5	573.1	674.3	994.8	977.8
Net Current Assets	589.5	627.6	608.7	864.4	1124.0	1173.5	1397.6	1822.7	1713.9	155.6
Dividend	181.6	336.0	345.0	454.0	454.0	454.0	454.0	454.0	454.0	454.0
Dividend Per share (Rs.)	10	18.50	19	25	25	25	25	25	25	25
Book Value of Shares (in Rs.) (Face value Rs.10)	81.72	84.17	90.14	96.47	111.88	119.08	127.65	148.78	169.19	207.86
Earning per share (in Rs.)	13.38	20.92	24.97	35.81	43.23	35.71	38.35	50.38	49.65	67.92
Return on Shareholders' Funds	18.65%	24.85%	27.70%	37.12%	38.64%	29.99%	30.04%	33.86%	29.35%	32.68%
No. of shareholders	16737	13386	12560	12172	11647	11059	12585	11279	11456	9835

Moving ahead for sustainable success

Management Discussion And Analysis Report

Industry structure & Development

The Indian economy which came under strain already during second part of the previous year triggered by the global slowdown, moved into 2009 at a reduced intensity as evidenced by the decelerated growth of industrial production. The negative impact of these adverse conditions was especially felt during the first part of the year while some positive and mainly domestic factors helped it to regain some of the lost ground. With the signs of economic recovery coming to the fore much earlier than expected, the manufacturing sector registered a smart growth from the second tertial of 2009 with an improvement in the performance of most of the sectors. The financial stimulus package announced by the Government was helpful and while the forecasts on further recovery in the market conditions are optimistic, rising inflationary pressures mainly due to supply side factors and mixed signals on the interest rates could pose some hurdles in the revival journey. While the Indian industry in general has seen an improvement with the manufacturing sector leading the pack, the deceleration in the agricultural growth, dampened by a deficient rainfall, could act as a drag on the overall growth of the Indian economy which is already in the thick of inflationary pressures.

The Indian capital goods industry with its strategic importance to the economic independence and which has evolved over the years in terms of competitiveness, witnessed a downturn towards the end of 2008 and this had a pronounced effect on the index of industrial production which

declined rapidly since then. Though there have been some signs of consolidation in the industrial sector recovery, the performance of the capital goods sector has been scratchy as the order inflow has not been as robust as in the past. India, being one of the emerging market economies, is quite well aware of the importance of a strong domestic capital goods industry with its own advantages and certain initiatives in the pipeline like the Goods and Services Tax should enable the industry to sharpen its competitiveness for reaching greater heights.

Despite a tough market environment during a major part of 2009, the Company managed to hold its own with good business from some of the industrial sectors that continued to invest despite an adverse business climate. Besides, the continuous technological innovation, as a part of the Company's efforts to develop products more suited to the ever changing customer needs, served as a solid platform for enabling the Company to navigate through difficult times.

Opportunities

Equipment Division

Equipment Division, responsible for the sale of high speed separators, heat exchangers, self cleaning filters and flow equipment caters to the requirements of marine and ship building, diesel based power plants, comfort cooling and refrigeration, food processing, automobile sector and its ancillaries, pharmaceutical and bio-tech industries and other allied industries for the domestic market. The Division also accounts for

Comfort Cooling

Experts in keeping absolutely cool. On offer are products designed for efficient cooling systems with considerable potential for savings in operational costs.



Air Handling Units



the export of high speed separators, decaners and flow equipment to the Principals and/or their end users.

The Comfort cooling and refrigeration market segment faced some demand contraction during 2009 mainly due to the global melt down and this trend is expected to continue through this year considering the prolonged sluggishness in the establishment of shopping malls, multiplexes, IT parks etc. However, the business opportunities could continue to emanate from the food processing industries and related cold storage needs having regard to the current situation on food output and a higher need for preservation. Foreseeing growth in this sector, the Company has introduced air handling units which are ideal for a wide range of specialized applications like meat storage, agricultural produce and processing rooms etc. The emphasis on developing infrastructure, including airports, power, railways,

road and ports is gaining momentum and the pace of approval of such projects is also improving which should present some good business opportunities for the Company's equipment.



AHU Assembly Unit Inauguration

Though there could be some shrinkage in the business opportunities, the technological strengths, the environment friendliness of the Company's innovative products should enable the Company to gain some mileage in the current scenario.

Signs of recovery seen in the automobile industry and infrastructure spending by the Government and the corporates have created a good demand for the steel industry and large investments

are foreseen. This should augur well for the products on offer from the Fluids and Utility market segment. The vibrant automobile sector has cheered up the auto ancillary sector paving the way for a good demand for the Company's separation and heat exchange equipment. The fact that the automobile and steel sectors moved forward appreciably even during the adverse business climate was encouraging, then the current market environment showing positive signs should continue to provide some good business opportunities for the Company's products in this segment. However, on the flip side, the stagnancy in the field of hydraulic power packs, gear manufacturing and furnace cooling could deride some of the potential gains of this segment.



The Food industry has been growing and this trend is expected to continue which will call for increased investments. Modernization of automated dairies is on the upswing while the Indian pharmaceutical industry and personal care market is looking for a sizeable growth. These growth areas demand a high standard of hygiene and safety which is provided by a variety of equipment such as pumps, valves, tank equipment and installation materials from the Sanitary range of products. As such, even in times of adversity as in 2009, the business continued to flow and in the current recovery cycle, it is expected that the proposed investments in the above growth areas would present some good business opportunities for the Company's products.

The Marine and Diesel market segment not only in India but across the globe, faced a very rough

Marine & Diesel

Systems based on our core products have a permanent place in these industries with their consistent performance benefitting the installation as such, people around and above all the environment.



EcoStream-
Bilge Water Separator



weather during 2009. Despite signs of industrial recovery, the situation for this industry has not really changed for the better. The shipbuilding industry continues to be on the downward slide and no major activities are foreseen in the immediate future. The demand for diesel power is slack considering the high costs associated with its running and maintenance. Investments by Indian Navy have been on the decrease and even confirmed contracts were withdrawn during 2009. Under the circumstances, the Company is pinning its hopes on some breakthrough products like Ballast water treatment, fresh water generators etc., to soften the impact of adverse business climate for this segment.

Though the year 2009 was a moderate one for the Company's heat exchangers, filtration equipment and crank case ventilation products, the continued thrust for modernization in certain areas of interest for the Company to meet the stringent pollution norms could provide some good business opportunities for the said products through the original equipment manufacturers during the current year.

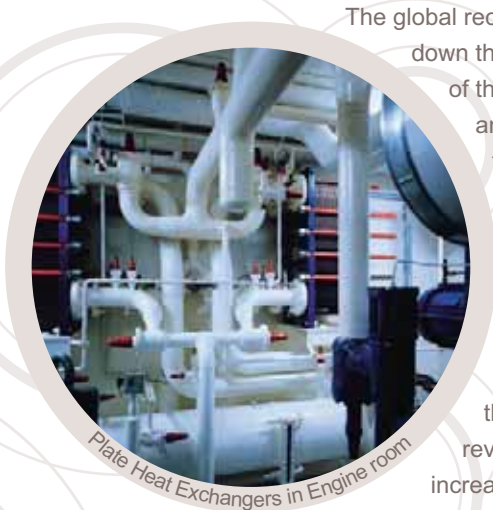


Plate Heat Exchangers in Engine room

The global recession brought down the order inflow of the separators and decanters from the Principals during 2009 despite healthy order books at the beginning of the year under review aided the increase in the sales volumes. The volume of export of separators, decanters and flow equipment to the Principals would start flowing with the improvement in the global business climate while the capacity additions would pave

the way for introduction of newer models of decanters and separators for the domestic market too.

Process Technology Division

The Process Technology Division of the Company leverages the three core technologies of separation, heat exchange and fluid handling with the Company specific Drying and Evaporation technology, local fabrication expertise and project engineering skills to offer products and engineered solutions to various industries like Edible Oil Processing, Brewery, Starch, Metals, Paper, Food Processing, Distillery, Chemical and Pharmaceutical, Bio-technology etc.



Fresh Water Generator

Despite the high level of uncertainty during the year, the order inflow in this Division was better than expected. Overall, this Division showed a good growth over the previous year mainly on account of large orders in the natural resources business. With the signs of revival of the economy, investment activity is expected to pick up which could give an impetus to the growth of the businesses in this segment.

The Food industry in general has been growing and investments are made continually to expand production facilities with state of the art technology to match international quality and standards.

The brewery industry has been in consolidation mode for some time now. However, with the continuous rise in per capita consumption of beer along with a constant growth in the demographics with its distribution more oriented towards the

Food

Produced by nature – processed by Alfa Laval,
Key supplier of products and process solutions to
food Industry.



Clara 80



urban middle class and modern retail formats getting more visible, the market is expected to get bigger for the existing players to think of modernization and expansion but the uncertainty over large greenfield brewery projects persists. The Company, being a renowned supplier in this field, expects to garner its share of business in such expansion and modernization projects.

The edible oil refinery business has been quite rewarding for the Company for some time now. With the increasing rate of consumption, the demand for edible oil is accelerating but with peak capacities already established, investments could be on a lower scale in the short to medium term.

The dairy industry in India has been witnessing rapid growth and the scope for value added

products is on the rise. With the Government's focus on improving the output of processed foods, in particular, dairy products, the dairy industry is expected to enhance their investments on processing

plants where the Company is well placed to seize the opportunities coming its way.

The fruit processing industry is nicely shaping up and with various incentives lined up by the Government for this sector, a substantial growth is foreseen. With the Company already establishing good reference plants in this field, additional investments in the areas of fruit processing could boost the Company's prospects. The scheme of mega food parks has been initiated and certain other policy initiatives including rationalization of

tax structure for the food industry, in particular, are in place paving the way for investments to flow in and for some business opportunities for the Company's products and process solutions.

The Process Industry market segment catering to industries like Chemical, Petrochemical, Paper, Metals etc., continues to be one of the biggest

contributors to the growth of the Company's

business over the past few years. Oil and gas sector is growing rapidly and is expected to provide considerable investment avenues and the Company will

look forward to consolidate

its strong presence in these industries with its innovative equipment. Business opportunities are also foreseen for the evaporation plants in paper, distillery and metal industries besides a spectrum of other process industries with emphasis on environmental and energy saving considerations.

With the Government aiming to substantially enhance the power generation, this area will attract large investments. It is expected that the private sector would play a greater

role in power generation besides an increase in foreign investments in this sector. Nuclear energy will also be a proposition to deal with in order to augment power generation. It is also believed that strategies are being devised to encourage the usage of solar energy for a variety of purposes so



Fruit Processing Plant



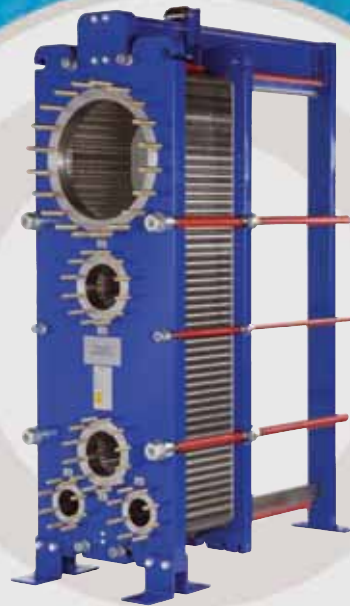
Flow Products



Oil Refinery Installation

Process Industry

Ever growing market needing highly specialized product needs. A range of equipment provided for savings on energy and operational cost.



AlfaCond - plate condenser



as to minimize the dependence on conventional energy. The Company caters to this sector quite actively and with well established products to serve this industry, it is well positioned to seize the business opportunities notwithstanding the intense competition.

With the crude prices gradually moving up and with indications of further upward movement, the call for alternate fuels is set to gain ground. With the private sector evincing greater interest for setting up fuel ethanol plants and the South East Asian markets looking up, the prospects of a regular flow of business opportunities seem likely. The Company's established presence together with a better technology should hold it in good stead for availing of the business opportunities in this sector.



Spiral condensers

Products and process solutions provided by the Company to handle environment related applications have been well accepted. With the environmental issues gaining prominence, large investments are projected and the Company's

decanters play a major role in the disposal of industrial wastes as well as in the sewage treatment in an efficient manner thereby finding a place in the local municipalities' sites through the contractors. The growth in this business during the year under review was encouraging and the Company is hopeful of a sustained growth in this sector.

The Company has some high quality process equipment like fermenters besides its separators

and decanters for niche process applications for the Life Science sector. The Indian pharmaceutical industry and bio-technology sector are expected to witness enormous growth in the coming years with increased consumer spending on health care. Going by the projected developments in these sectors, the Company could bank upon its quality products for garnering sizeable business opportunities though under intense competition.

Parts & Service

The Company's Parts and service activity continues to be a focus area as it not only helps in optimizing the performance of the installed equipment but is also a key driver to the continuous association with the customer. During the last 2 years, this Division has successfully implemented certain key projects like development of customer installed base, supply chain, service support tools etc., with a view to continuously enhance the performance of its various activities. With the distribution centre taking care of the parts supply, emphasis is on activities mainly aimed at growing service business in a bigger proportion to Parts



Fuel Ethanol Plant

sales and to reflect the customer satisfaction thereon. As planned, a new service centre came into operation during 2009 at Visakhapatnam to primarily serve the Company's large



Evaporator

Energy & Environment

Well established products, modules and systems offered by Alfa Laval for efficient handling of wastes and optimization of costs in these high capital intensive industries.



Decanter Centrifuge



Southern and Eastern customer bases. The business plan for the medium to long term envisages –

- Enhancement of reconditioning capacities and less turnaround time on repair/reconditioning to seize additional service/reconditioning potential;
- Establishment of new service centres to improve proximity to customers regionally;
- Servicing of all brands of equipment;
- Performance agreements with customers to enhance commitment;
- Creation of business opportunities through installed base mapping

This should provide the Company a competitive edge over the other service providers. Besides, the country wide continuously growing and technically competent service network providing proximity to the customer place is enabling a prompt attention to the needs of the customer.



Segmentwise performance Equipment Division

The uncertain global economic environment that had set in at the beginning of the year had its effect on the order intake of the Equipment Division both in the domestic market and the export market. In the domestic market, however, it staged a recovery in the later half of the year on the back of some good orders bagged by Fluids and Utility and the Sanitary Equipment market segments. The total order intake of Equipment Division for the year

marginally declined to Rs.1,703.29 M as against Rs.1,765.55 M for the previous year. The sales revenue at Rs.1,633.89 M, however, moved up by about 6% on the foundation of a sound order book at the beginning of the year. In the wake of uncertainties in the global economy, the order intake of high speed separators, decanters and flow equipment by the Principals for the year was lower by about 8% while the sales revenues were almost at the same level as the previous year aided by a strong order backlog at the commencement of the year. With the year witnessing a good order intake at the later stages, the aggregate order book of the Division at just above Rs. 2 billion at the end of the year is reasonably good. With the customers holding back investments on stocking of Parts for replacement and maintenance jobs, Parts and service business registered a marginal growth in order intake while the sales revenues grew by about 10% year on year on service activity. This could be termed as a satisfactory performance under the circumstances.

Total revenue of the Equipment Division for the year ended 31st December, 2009 was Rs.3,949.67 M representing about 44% of the total revenues. This segment earned a profit before unallocated expenses and tax of Rs.836.09 M. The capital employed for this segment was Rs.1,570.65 M.

Process Technology Division

The Process Technology Division began the year with a healthy order backlog and had a relatively better year. With the inflow of large value orders in the later half of the year, the order intake during



Parts & Service

For efficient and uninterrupted operation of the equipment.
Moving closer to customer for a speedy response.



Spare Parts Stocking



the year at Rs.5,570.61 M registered a growth of about 12% over the last year. The healthy order backlog at the beginning of the year also boosted the sales revenues to Rs.4,780.72 M for the year registering a growth of about 27% year on year. At the same time, the inflow of large value orders as above has ensured a healthy order backlog at the end of the year which stood at Rs.4,440.53 M, a growth of about 21% over the last year. While the Edible oil refining business once again stood out with a good growth in both the order intake and the sales revenues, the Process Industry market segment, on the back of some large value orders, contributed significantly to the order intake and sales revenues for the year just gone by. While Environment market segment performed creditably, Energy, Life Science and the beverages market segments made some useful contribution to the order intake and the sales

revenues of the Process Technology Division.

Considering the slowdown in the industrial sector, certain routine investments were held back which included stocking of spare parts for replacement and maintenance jobs. As a

result, the order intake and the sales revenues in the Parts business for the year for this Division were marginally lower as compared to the previous year.

Total revenue of the Process Technology Division for the year ended 31st December, 2009 was Rs.4,926.06 M representing about 56% of the total revenues. This segment earned a profit before unallocated expenses and tax of

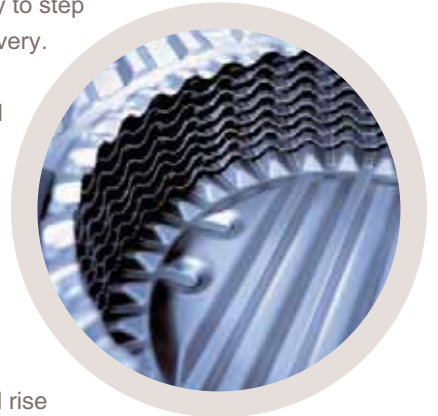
Rs.1,230.17 M. The capital employed for this segment was Rs.828.66 M.

Outlook

The industrial sector recovery which began in the later half of the year is showing signs of consolidation but at the same time is uncertain on the pace of its recovery. Concerns have been expressed in different quarters over the continuation of by the Government of the fiscal stimuli though however, indications are strong for prolongation of these concessions so as to enable the economy to step up the pace of recovery.

The business optimism expressed by industry reflects brighter prospects for the industrial sector but a number of downside risks to growth and upside risks to inflation and rise in interest rates need to be acknowledged and reckoned for any business proposal. The input prices are also firming up driving up the pressure on the margins. However, over the years, the Company has spread its net far and wide bringing into its fold a wider spectrum of market sectors for its equipment and process solutions and value additions which augur well for the Company and its market position. The research and development activities of the Principals are paving the way for introduction of newer models and products from time to time which should aid in market penetration especially in difficult market conditions.

Notwithstanding the economic recovery, the current year, like the year under review, would continue to be a testing year for achieving the targeted order intake though the resounding order backlog would help in shoring up the





Guests at Service Centre Inauguration

sales revenues unless the negative factors have an overwhelming influence on the timing of implementation of projects by customers including those which have already reached the execution stage.

Risk and Concern

The Company's business mix is more oriented towards the Projects business though over a period of time, the components business has come a long way to be almost in the same proportion. However, the stakes in the Projects business continue to be high considering the long gestation period which brings along the inherent risks like variations in input prices, adverse development at customers' end leading to project delays, prolonged project management, performance issues etc. Though every care is taken to mitigate the impact of any adverse element, the inherent nature of projects business cannot be devoid of such elements.

The buoyancy in investment activity is very significant to the capital goods industry as the business development of the Company as a supplier of equipment and process solutions depends a lot on the capital expenditure programme charted out by the corporations and entrepreneurs. The business climate holds the key for the uninterrupted capital expenditure programme. In the event of an uncertain business environment as witnessed in the recent past and the consequent deferment of projects could cause a downturn in the Company's business. Besides, business from certain sectors feature prominently in the Company's business agenda and any reversal of business cycle in such sectors could cause an imbalance in the Company's business volumes unless offset by a significant rise in volumes from other sectors catered to by the Company.

Though the Company's products and process solutions are technically well proven and the

Company is a leading player in most of the business segments, the competition is quite handful. The local companies forge tie-ups with the technology providers from abroad to enhance their profile in the market whereas the international companies, benefitting from the reduced import duties, pose a stern challenge for the Company in their race for improvement of market share. The favourable economic situation in India is also attracting foreign investments from global competitors, some of whom are setting up their own manufacturing facilities to enhance their market presence. Though the Company's technological capabilities are well acknowledged and accepted in the market, the pricing still assumes a lot of significance and wins over technology. Managing increased external as well as local competition assumes significant managerial attention despite the Company's distinct advantages of presence, technology and brand reputation.

Fluctuation in the price of inputs poses a challenge for cost estimation of projects. While any unexpected increase in the price of inputs during the project execution does not always enable the Company to change the commercial terms, the reverse gives the customers a stick to seek renegotiation of signed contracts.

A small part of the risk emanates from the piracy angle mainly in the Parts business which at times spreads to the components business also.

Though this aspect is continuously monitored and encountered at the right stage, the procedures to minimize and/or to eliminate the effect of such piracy take an unduly long time during which the Company stands to be deprived of some business opportunities.

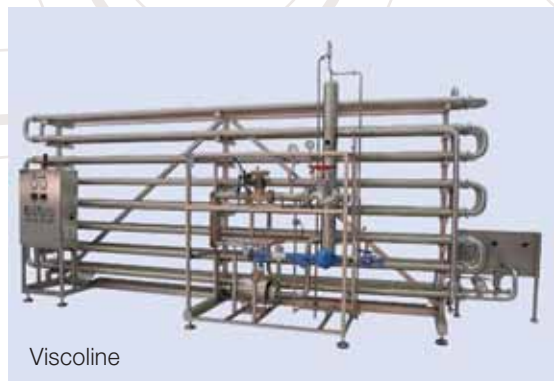
The Company's exports, major portion of which accounts for supplies to the Principals, now constitute almost about one-third of the total sales turnover. In this scenario, the developments in global economy are always the driving force behind the export performance of the Company. It has already been seen in the year under review that any unfavourable market development brings down the volumes and unless the volumes from the domestic market offsets such shortfall, the situation could act as a drag on the performance of the Company as a whole.

The currency risk is an inherent part of doing exports business and with its entrenched volatility especially with the exchange rates firmly integrated with the happenings in the global markets, the Company is exposed to the risk of forex loss in an adverse movement despite the Company's well defined and conservative forex management policy.

After a short period of calmness, the signs of industrial recovery is opening up the job market scenario. With a good order backlog situation and expecting this to grow further, it becomes imperative to retain the Company's skilled and



Clara 250



Viscoline



trained manpower. However, as has been the general trend, well trained and experienced work force is an easy target for poaching of managerial talent. Though the Company has put in place several initiatives to attract, retain and develop the talent, the risk of talent migration will persist considering the demand potential for trained personnel from reputed companies.

Financial performance vis a vis operational performance

I. Financial performance:

Total income for the year under review was at Rs.8,996.86 M. The profit before interest, depreciation and tax was Rs.2,006.42 M. After providing Rs.5.25 M for interest, Rs.129.57 M for depreciation and Rs.638.21 M for taxation, the net profit for the year was Rs.1,233.39 M. While the book value of the Company's shares improved to Rs.207.85, the earning per share rose to Rs.67.92. The return on shareholders' funds and the return on total capital employed was 32.67% and 49.58% respectively.

II. Operational performance

The new order inflow excluding the export orders from the Principals at Rs.7,407.20 M recorded a growth of over 7% over the previous year order intake which considering the market situation for the year under review, could be viewed positively. More importantly this growth was achieved with contribution from a majority of market segments.

The total order backlog of Rs.6,602.57 M at the year end was 17% higher on year on year basis. Sales revenues moved up to Rs.8,819.64 M from Rs.7,907.00 M reflecting an increase of about 11% over the previous year with the Process Technology Division spearheading the growth. Export turnover remained subdued due to the developments in the global economy. The Parts and Service business also remained subdued in the wake of uncertain business environment. However, the operating profit to sales turnover at Rs.1,827.1 M registered a smart jump of about 3% over the previous year mainly due to a constant check on costs and other corrective steps.

While a few of the market segments registered significant growth in order intake, the other market segments significantly contributed to the overall order inflow thereby ensuring a healthy order backlog at the end of the year which will not only help shore up the sales revenues for the current year but also give a momentum for furthering the order book position given the signs of consolidation in industrial recovery. A new facility to assemble air handling units was established at Sarole to cater to the needs of industrial refrigeration. Going ahead, it is proposed to set up a dedicated factory for complete manufacture of air handling units going by the demand projections and acceptance of the product. A sizeable capital expenditure is proposed for the current year mainly for the air handling unit factory besides bridging the gaps for enhancing the effectiveness of the existing production capacities and development of infrastructure to achieve optimum productivity.

The Company has also been consistently striving towards improvement in the standards of environment, occupational health and safety and in this direction higher standards of certification have been achieved enhancing the image of the organization in the eyes of all stakeholders.

The "PRIME" (Process Improvement and Movex

enhancement) project is well on course to provide a seamless working environment and enhance the efficiency of the processes in the light of the expanding requirements. It will not only help improving the Company's position in implementing other global tools but also help to serve the Company's customers in a more efficient manner.

The Company continued its efforts to strengthen the organization on the technical section side as well as on field sales area not only to meet the ongoing requirements but also to achieve the objective of further growth.

Internal control system & their adequacy

The Company has established an adequate system of internal controls commensurate to the size and nature of the Company's business. The internal control system, while ensuring protection of company's assets and adherence to the rules and guidelines, is focussed on processes to ensure integrity of the Company's financial accounting and reporting processes and compliance with the company's legal obligations. The Company's project to fine tune its ERP system and processes towards this end is well on course to achieve the desired objective.

The Company engages independent internal Auditors who conduct periodical audits to ensure adequacy of internal control systems, adherence to management policies and compliance with the law and regulations of the country. The Reports of such audits are sent to the Management which studies and takes corrective actions where appropriate and are further placed before the Audit Committee for their review. From time to time, the Company arranges for audit of some of the key business processes and the recommendations coming out of this process are taken for implementation in right earnest. The Company also intends to strengthen the internal audit system to cover not only the transactions but also the key processes.

The Audit Committee, chaired by an independent Director conducts periodical meetings with the Management, internal auditors and representatives of the Company's statutory auditors to review the internal audit programme, recommendations of the Statutory Auditors and the Management's responses thereto.

Material development in HR front

During the year under review 97 new employees including 49 Graduate Trainee engineers joined the Company. However, in view of resignations at different management levels and a few retirees, the Company's overall head count as at 31st December 2009 was 1212.

The Company undertook several initiatives to retain and nurture the talent available in the organization.

The performance development tool for all managerial cadre employees to identify the career development and training needs for the managers across all functions was updated and the requirements were addressed through training programmes like adEPT, Knowledge Sharing etc.

Employee Attitude Survey titled "Compass" was undertaken with participation by all the employees including Blue Collar workmen with the objective of building strong teams across all functions in the organization to enhance efficiency. Besides, the process to seek employee feedback for





Adept Training

improvement was continued by the Managing Director during the year under review.

Initiatives like SKIP meetings were undertaken with active support from the key Divisional Managers and Line Managers across all functions to gather employees' feedback about their function, role and responsibilities and also to ascertain their level of satisfaction and career development.

ALPC (Alfa Laval Production Concept) tool was another of such initiative undertaken mainly for the employees in the Operations Division with a view to create a Global Operations culture to achieve a more stable and predictable output and to build competence for multitasking.

The compensation structure and the positions are aligned to the market through participation in surveys conducted by leading consultants.

The Company continues to provide for welfare measures to the employees at a sizeable cost

besides encouraging the recreational activities on an extended level.

The industrial relations remained cordial at all locations of the company. During the year under review, wage agreement with the workmen union at Pune was signed. The various Unions continue to interact with the Management to nurture conducive work environment.

Cautionary statement

This report contains some forward looking statements based on the data available with the Company and on certain assumptions having regard to the economic conditions, government policies, political developments within and outside the country, factors governing the selling and marketing of its equipment. The Company does not guarantee the accuracy of the assumptions and the projected performance of the Company in future. Actual results may differ from those expressed or implied herein.

REPORT ON CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PHILOSOPHY

The Company's philosophy as stated in its earlier reports, is to adhere to the values of good governance on a consistent basis aimed at creation of long term sustainable value for all its stakeholders, be it internal or external, while meeting its relevant obligations. The Company is also guided by the corporate governance rules laid down by Alfa Laval Group in the conduct of its business. The Company Management places considerable emphasis on compliance therewith aimed at providing good governance.

1. BOARD OF DIRECTORS

A. Composition:

The business of the Company is managed by the Managing Director subject to the superintendence and direction of the Board of Directors. The composition of the Board of Directors of the Company is in conformity with the Code of Corporate Governance under the Listing Agreement. Details of the Board of Directors and their directorships / memberships in Committees of other companies (excluding the Company) are as under:-

Name of Director	Category	No. of Directorships in other companies including private limited companies / foreign companies		Committee Memberships	
		Chairman	Member	Chairman	Member
Mr. Giuseppe Falciola ¹	Non-Executive	1 ²	—	—	—
Mr. Ashok M. Advani	Non-Executive & Independent	1	1	—	2
Mr. Kewal Handa	Non-Executive & Independent	—	3	—	3
Mr. Ravi Krishnamurthi	Non-Executive & Independent	—	1	—	—
Mr. Nish Patel ³	Non-Executive	—	—	—	—
Mr. Ray Field ⁴	Non-Executive	—	9 ²	—	—
Mr. Jose Hernanz ⁵	Managing Director Executive	—	—	—	—

1 Nominated by the Promoter under Article 146 of the Articles of Association

2 Represents foreign companies

3 Ceased to be Managing Director with effect from 31st December, 2009 and appointed as Non-Executive Director with effect from 1st January, 2010

4 Resigned with effect from 31st December, 2009

5 Appointed as Managing Director with effect from 1st January, 2010

B. Attendance of Directors at Board Meetings

Five Board Meetings were held during the financial year on 25th February, 2009, 28th April, 2009, 29th July, 2009, 27th October, 2009 and 16th December, 2009 and the particulars of attendance of the Directors are as under:-

Name of Director	No. of Board Meetings attended	Attendance at AGM held on 28th April, 2009
Mr. Giuseppe Falciola	5	Present
Mr. Ashok M. Advani	5	Present
Mr. Kewal Handa	4	Present
Mr. Ravi Krishnamurthi	4	Present
Mr. Ray Field	2	Absent
Mr. Nish Patel	5	Present

C. Code of Conduct

The Board of Directors of the Company have laid down a Code of Conduct for all its members and Senior Management personnel of the Company who have affirmed their compliance therewith.

Sd/-
Managing Director

2. AUDIT COMMITTEE

A. Composition:

The Company's Audit Committee comprises of 4 Non-executive Directors. Mr. Kewal Handa is the Chairman of the Committee while M/s. Ashok M Advani, Ravi Krishnamurthi and Giuseppe Falciola are its Members.

The Company Secretary acts as the Secretary to the Committee. The Managing Director, Vice President - Finance, Sr.General Manager-Finance and Accounts, the Internal Auditors and the Statutory Auditors attend the Meetings on invitation. The Committee met four times during the year 2009 and the particulars of attendance were as under:-

Name of Director	Category	No. of meetings attended
Mr. Kewal Handa	Non-executive(Independent)	3
Mr. Ashok M. Advani	Non-executive(Independent)	4
Mr. Ravi Krishnamurthi	Non-executive(Independent)	3
Mr. Giuseppe Falciola	Non-executive	4

B. Terms of reference

The terms of reference for the Audit Committee as specified by the Board of Directors of the Company consist of the following:-

- a) Oversight of the Company's financial reporting process and the disclosures of its financial information to ensure that the financial statements are credible.
- b) Recommending the appointment and removal of external auditor, fixation of audit fee and approval for payment for any other services.
- c) Reviewing with Management the annual financial statements before submission to the Board focusing primarily on;
 - i) Any change in accounting policies and practices
 - ii) Major accounting entries based on exercise of judgement by Management.
 - iii) Qualifications in draft audit report
 - iv) Significant adjustments arising out of audit
 - v) The going concern assumption
 - vi) Compliance with accounting standards
 - vii) Compliance with stock exchange and legal requirements concerning financial statements
 - viii) Any related party transactions i.e. transactions of the Company of material nature, with promoters or the Management, their subsidiaries or relatives etc. that may have potential conflict with the interest of Company at large.
- d) Reviewing with the Management, external and internal auditors, and the adequacy of internal control systems.
- e) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- f) Discussion with internal auditors on any significant findings and follow up thereon.
- g) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- h) Discussion with external auditors before the audit commences, nature and scope of audit and also post-audit discussion to ascertain any area of concern.
- i) Reviewing the Company's financial and risk management policies.
- j) To look into the reasons for substantial defaults in the payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- k) Any other functions as may be stipulated by any law / Government guidelines.
- l) Such other functions as may be specified by the Board of Directors of the Company from time to time.

During the year under review, the Audit Committee besides considering the unaudited quarterly financial results and audited annual financial results and recommending to the Board of Directors of the Company for its adoption and approval, discussed various topics relating to the Company's operations including inventory, provisions relating to debtors and creditors, indirect tax compliance, receivables, C forms and Accounts Payables. The Committee also discussed the audit plan and its methodology, Statutory Auditors' observations on various accounting issues and the Management's response thereon and the adequacy of internal controls and systems.



3. REMUNERATION COMMITTEE

A. Composition:

As all decisions regarding the remuneration of executive and non-executive Directors are taken by the entire Board of Directors of the Company ("the Board"), no formal Remuneration Committee has been constituted.

B. Remuneration policy:

The Managing Director of the Company is paid remuneration as per the terms approved by the Board and confirmed by the shareholders of the Company. The remuneration structure comprises of basic salary, performance related bonus, perquisites and allowances. In terms of a recent legislation mandating the benefit of provident fund to expatriates, the Managing Director, being an expatriate, is included in the Company's provident fund scheme. The performance related bonus to the Managing Director is determined on the basis of the performance of the Company with reference to various parameters including in particular, order intake, capital management etc., subject to an overall ceiling of a specific percentage of his annual basic salary. The Board reviews the basic salary of the Managing Director annually and also decides on the performance related bonus payable to him.

Remuneration paid / payable to the Managing Director for the year ended 31st December, 2009:

(Rupees in '000)

Name of the Managing Director	Salary	Commission*	Contribution to Provident fund	Other perquisites and allowances	Total
Mr. Nish Patel	1882	753	113	678	3425

* subject to adoption of the audited accounts at the 72nd Annual General Meeting.

Service contract is entered into with the Managing Director in terms of the resolutions governing his appointment and the approval of the Central Government. In terms of the said service contract, a written notice of not less than six months is required to be given by the Managing Director to leave the services of the Company. The Company shall be entitled to determine the agreement by giving a written notice of not less than six months or salary in lieu of the notice period or such other amount in accordance with the statutory provisions in this behalf. The service contract entered into with the Managing Director does not contain any provision for payment of severance fees.

The Company has no stock option scheme.

The eligible non-executive Directors draw remuneration in the form of commission which is determined by the Board and distributed equally amongst them. The resident Non-executive Directors are also paid sitting fees for attending each meeting of the Board and of the Committees thereof as specified by the Board. Each of the resident Non-executive Directors are paid Rs.10,000/- per meeting of the Board and of the Audit Committee attended while the Chairman of the Audit Committee is paid Rs.20,000/- per meeting attended considering his responsibility and involvement. The eligible members of the Investors Grievance Committee are paid Rs.2,000/- each per meeting attended.

The details of remuneration paid / payable to the eligible Non-executive Directors for the years ended 31st December, 2009 and 31st December, 2008 are as under:-

(Rs. in '000)

Sr. No.	Name of Director	2009		2008	
		Commission #	Sitting fees	Commission	Sitting fees
1.	Mr. Giuseppe Falciola	800	–	700	–
2.	Mr. Ashok M. Advani	800	106	700	64
3.	Mr. Kewal Handa	800	100	700	100
4.	Mr. Ravi Krishnamurthi	800	70	700	90
5.	Mr. Satish Tandon (upto 27.02.2008)	–	–	–	22

subject to adoption of the audited accounts at the 72nd Annual General Meeting.

4. INVESTORS' GRIEVANCE COMMITTEE

The Investors' Grievance Committee comprising of Mr. Giuseppe Falciola, Mr. Ashok M. Advani and Mr. Nish Patel (with the Chairman of the meeting to be elected from amongst the members of the Committee) looks into redressal of shareholder and investor complaints. The Company Secretary acts as the Secretary to the Committee.

The Committee met 3 times during the year 2009. All queries like non-receipt of annual reports, dividend, transfer of shares, new share certificates, change of address etc., were resolved to the satisfaction of the shareholders / investors.

In relation to the counterfeiting of transfer deeds in relation to 1749 equity shares of the Company in physical form and the dematerialisation request forms in relation to 1330 equity shares in dematerialized form for which investigation by the Economic Offences Wing of the Mumbai Police are pending, all cases except 148 shares have been resolved to the satisfaction of the shareholders / investors concerned.

Mr. V. Chandrasekhar, Company Secretary, has been designated as the Compliance Officer.

5. GENERAL BODY MEETINGS

Annual General Meeting

The last three Annual General Meetings of the shareholders of the Company were held as under:-

Year	Venue	Date	Time
2007	Hotel Sun-n-Sand 262, Bund Garden Road, Pune 411001	21st June, 2007	3.00 P.M.
2008	Hotel Sun-n-Sand 262, Bund Garden Road, Pune 411001	30th April, 2008	3.00 P.M.
2009	Hotel Sun-n-Sand 262, Bund Garden Road, Pune 411001	28th April, 2009	3.00 P.M.

At the 69th Annual General Meeting held on 21st June, 2007, special resolution in relation to payment of commission to the non-executive Directors was passed unanimously on a show of hands.



The Company conducted a postal ballot process in December 2009 for seeking approval of the shareholders of the Company to the ordinary resolutions relating to –

- a) Appointment of Mr. Jose Hernanz as a Director and
- b) Appointment of Mr. Jose Hernanz as Managing Director of the Company with effect from 1st January, 2010 and the terms of his remuneration.

Mr. SV Deulkar, Practising Company Secretary was appointed as the Scrutinizer for conducting the postal ballot process in a fair and transparent manner.

The ballot forms received between 28th December 2009 and 29th January 2010 were scrutinized by the Scrutinizer and a report indicating the results of the postal ballot process was submitted to the Chairman on 30th January, 2010. In terms of the said report, the abovesaid ordinary resolutions were duly passed by the shareholders of the Company with the requisite majority.

As indicated in the postal ballot notice dated 16th December, 2009, the results of the postal ballot were declared on 1st February 2010 and the abovesaid ordinary resolutions are deemed to be passed with the requisite majority on 1st February, 2010.

No extraordinary general meeting was convened during the last 3 years.

6. DISCLOSURES

There had been no materially significant related party transactions with the Directors or the Management, subsidiaries or relatives of Directors during the year 2009 that have a potential conflict with the interests of the Company at large.

There have neither been any instance of non-compliance on any matter related to the capital market during the last three years nor any penalty, stricture have been imposed on the Company by Stock Exchanges or by Securities and Exchange Board of India or by any other statutory authority.

While the Company has not formally established a mechanism for employees of the Company to report to the Management about any actual or suspected violation of the Company's code of conduct or the Business Principles or concern about unethical behavior, the employees are free to access the Management or the Audit Committee to report any such instances.

The Management has effectively implemented a risk management framework which is applied to activities and processes of the business and communicated throughout the organisation. The Board periodically reviews the risk assessment and minimization procedures to ensure that executive management controls risk through means of a properly defined framework.

The Company has complied with the mandatory requirements of clause 49 of the Listing agreement as presently applicable. The report on the extent of adoption of non-mandatory requirements is appearing at item "8 P" hereunder.

7. MEANS OF COMMUNICATION

The Company publishes its quarterly and annual financial results in leading newspapers such as Indian Express, Hindu Business Line, Business Standard and Lokmat and certain other leading dailies. These results are also displayed on the Company's website www.alfalaval.com as also on the website created by SEBI. During the year under review the Company did not make any presentations to the institutional investors and / or analysts but did have a few conference calls with the analysts. The Management Discussion and Analysis Report forms part of the Annual Report.

8. GENERAL SHAREHOLDER INFORMATION

A. Annual General Meeting

Date and Time	: April 28, 2010 at 3.00 p.m.
Venue	: Hotel Sun-n-Sand Bund Garden Road, Pune 411 001

B. Financial calendar 2010

First quarter results	April 2010
Second quarter results	July 2010
Third quarter results	October 2010
Annual results	February 2011

C. Dates of Books Closure : 14th April, 2010 to 28th April, 2010 (both days inclusive)

D. Dividend payment date : On or after 28th April, 2010 but within the statutory time limit

E. Listing on Stock Exchanges : The Company's equity shares are listed on Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd. The listing fees for the year 2009-2010 have been paid to the above Stock Exchanges.

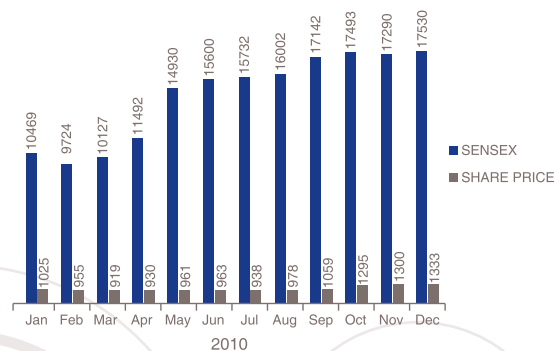
F. Stock Code : **Stock Exchange** **Code**
Bombay Stock Exchange Ltd. 505885
National Stock Exchange of India Ltd. ALFALAVAL

G. Stock Price data:

Month	Bombay Stock Exchange Ltd (in Rs.)		National Stock Exchange of India Ltd (in Rs.)	
	High	Low	High	Low
January 2009	1025.00	900.00	1045.00	890.20
February 2009	955.20	857.00	1000.00	810.00
March 2009	919.70	847.15	885.00	816.00
April 2009	930.05	846.00	942.95	845.00
May 2009	961.00	830.00	1000.00	844.00
June 2009	963.95	875.00	969.90	765.00
July 2009	938.00	850.05	930.00	802.10
August 2009	978.00	890.50	991.00	866.20
September 2009	1059.90	952.10	1070.00	951.15
October 2009	1295.00	1021.50	1389.00	1015.20
November 2009	1300.00	1152.00	1300.00	1130.00
December 2009	1333.95	1180.00	1335.00	1187.20

H. Stock Performance

BSE SHARE PRICE (HIGH) VS. SENSEX (HIGH)



I. Registrar and Share Transfer Agents

The Company's Registrar and Share Transfer Agents are M/s. Link Intime India Private Limited, Block No. 202, 2nd floor, Akshay Complex, Near Ganesh Temple, Off : Dhole Patil Road, Pune 411 001.

J. Share Transfer System

The share transactions are approved by the Company Secretary periodically in terms of the authority granted by the Board of Directors of the Company, with a view to expedite the process of approving the related share transactions. The summary of share transactions approved by the Company Secretary are placed before the Board of Directors of the Company at the succeeding Board Meetings for confirmation. All the bonafide applications for transfer / transmission / transposition besides the requests for issue of new share certificates and rematerialisation received during the year 2009 have been approved. The Company intends to continue this practice in future also.

The applications for transfer of shares received by the Company / Company's Registrar and Share Transfer Agents in physical form are processed and registered within 30 days of receipt of the documents valid in all respects. Shares under objection are returned within a week's time.

K. Shareholding pattern

The distribution of shareholding as on 31st December, 2009 was as under:-

Range	No. of shareholders	% of total shareholders	No. of shares held	% of shareholding
1 to 500	8872	90.21	818,558	4.51
501 to 1000	545	5.54	390,568	2.15
1001 to 2000	308	3.13	432,385	2.38
2001 to 3000	52	0.53	128,813	0.71
3001 to 4000	30	0.31	104,289	0.57
4001 to 5000	11	0.11	47,875	0.26
5001 to 10000	13	0.13	82,958	0.46
10001 and above	4	0.04	16,155,037	88.96
Total	9835	100.00	18,160,483	100.00

The categories of shareholding as on 31st December, 2009 were as under:-

Category	No. of shares held	% of shareholding
Foreign company-Alfa Laval Corporate AB, Sweden (Promoter)	16,120,281	88.77
Non-resident individuals / FIIs / OCBs / Foreign Mutual Funds	38,700	0.21
Banks / Financial Institutions, Insurance Companies and Mutual Funds	8,909	0.05
General Public including domestic companies	1,992,593	10.97
TOTAL	18,160,483	100.00

None of the Directors hold shares in the Company.

L. Dematerialisation of Shares and liquidity

The equity shares of the Company which are in compulsory demat list with effect from 29th November, 1999, are available for trading under National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The identification number allotted to the Company's equity shares is INE427A01017. As on 31st December, 2009 total of 17,672,220 equity shares of the Company (including 16,120,281 equity shares held by Alfa Laval Corporate AB, Sweden), forming 97.31% of the total paid-up equity share capital, stands dematerialised.

M. Outstanding GDRs / ADRs / Warrants or any convertible instruments, conversion date and likely impact on equity

: Not applicable

N. Plant locations

i) Manufacturing facilities

: Mumbai, Pune Road,
Dapodi, Pune 411 012.

E-7/E-8, MIDC Estate,
Satara 415 004

Gat Nos.30 to 33 and 74 to 82
Sarole Veer Road,
Sarole 412 205, Tal.Bhor,
Dist. Pune.

ii) Customer Service Centre

: Plot No.R-674,
TTC Industrial Area
MIDC Rebale, Post Ghansoli,
Thane 400 701

C6, Industrial Estate,
S.No.39, KapparadaVillage,
Dwarakanagar
Visakhapatnam

O. Address for correspondence

The addresses for correspondence are as under:

For information on
Share transactions
In electronic form
and physical form
and general
correspondence

: Link Intime India Private Limited
Block No.202, 2nd floor,
Akshay Complex
Near Ganesh Temple
Off: Dhole Patil Road
Pune 411 001
Phone: 020 26050084, 26951629
Fax: 020 26053503
Email: pune@linkintime.co.in

For dividend
and unresolved
complaints on any
matter relating to
share transactions

: Shareholders can contact the Registered Office
of the Company at Mumbai Pune Road, Dapodi,
Pune 411 012.

CP Balakrishnan,
Executive – Legal & Secretarial
Email: cp.balakrishnan@alfalaval.com

OR

V. Chandrasekhar,
Company Secretary
Email: chandrasekhar.v@alfalaval.com

Phone : 020-27107181
Fax : 020-27107188
Email : alil.investorservice@alfalaval.com



P. Non-mandatory requirements

i) Chairman of the Board

The present Chairman is a foreign national and non-executive Director. All the expenses in connection with his official visits to India are paid by the Company.

ii) Remuneration Committee

No formal Remuneration Committee has been constituted by the Board of Directors of the Company.

iii) Shareholder rights

The Company publishes its quarterly financial results in leading newspapers as specified hereinabove. The results are also displayed on the Company's website www.alfalaval.com. No separate communication on the quarterly results or any significant events is sent individually to the shareholders of the Company.

For and on behalf of the Board of Directors,

Place: Pune
Date: 24th February, 2010

Giuseppe Falciola
Chairman

AUDITORS' CERTIFICATE

To
The Members of Alfa Laval (India) Limited

We have examined the compliance of conditions of corporate governance by Alfa Laval (India) Limited for the year ended on December 31, 2009, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For S. R. BATLIBOI & ASSOCIATES
Chartered Accountants

Per **Govind Ahuja**
Partner
Membership No.: 48966

Place : Mumbai
Date : February 24, 2010

NOTICE

Notice is hereby given that the 72nd Annual General Meeting of the Shareholders of Alfa Laval (India) Limited will be held at Hotel Sun-n-Sand, 262, Bund Garden Road, Pune 411 001, on Wednesday, 28th April, 2010 at 3.00 p.m. to transact the following business:-

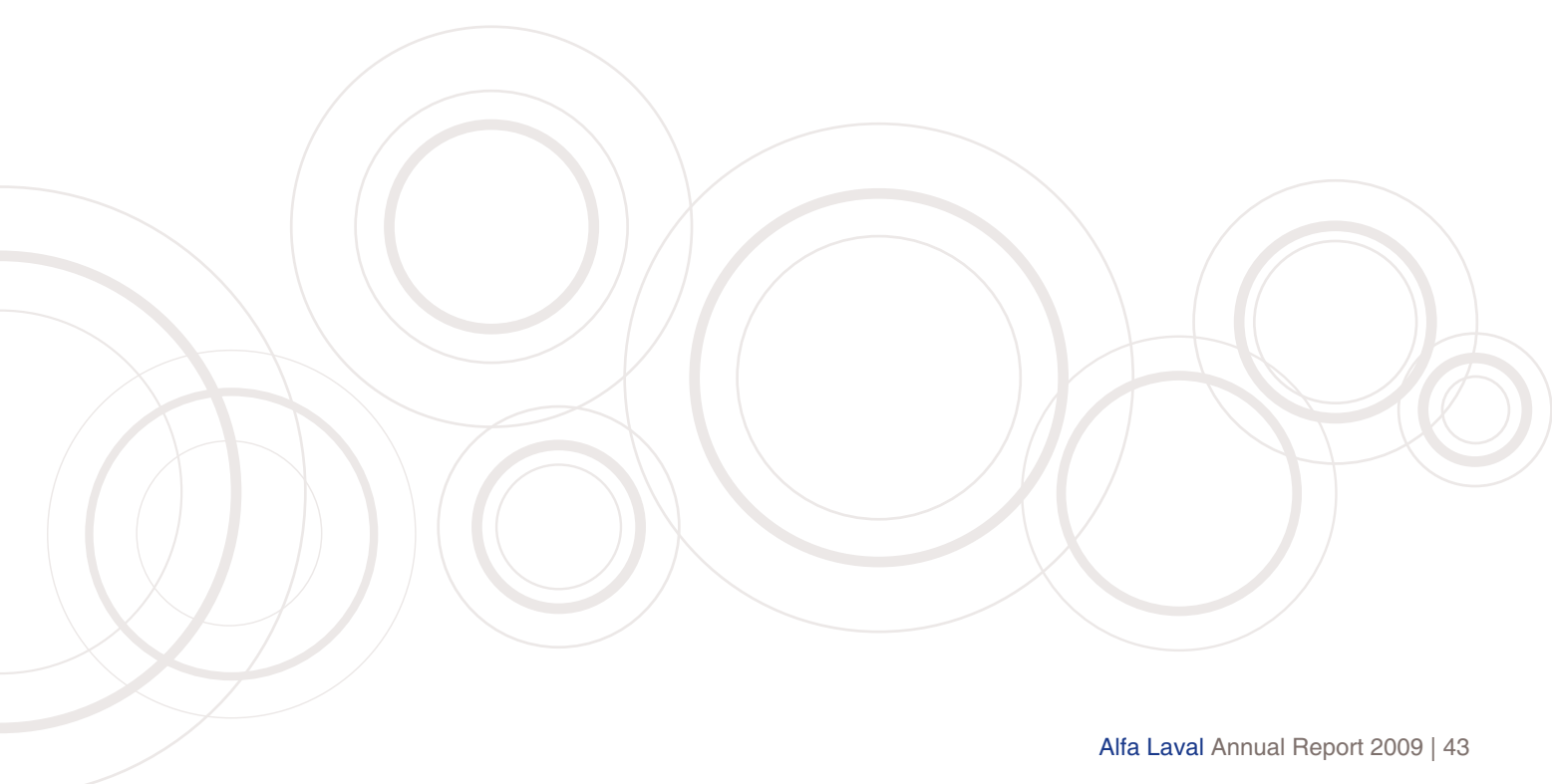
1. To receive, consider, and adopt the audited Balance Sheet as at 31st December, 2009, the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors.
2. To declare a dividend for the year ended 31st December, 2009.
3. To appoint a Director in the place of Mr. Ashok M. Advani who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr. Ravi Krishnamurthi who retires by rotation and being eligible, offers himself for re-appointment.
5. 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.

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

V. Chandrasekhar
Company Secretary

Dated : 24th February, 2010

Regd. Office:
Mumbai-Pune Road
Dapodi, PUNE - 411 012



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 Register of Members and Share Transfer Books of the Company will remain closed from 14th April, 2010 to 28th April, 2010, both days inclusive.
3. Shareholders who have not yet encashed the dividend warrants in respect of the final dividend for the year ended 31st December, 2002 or of the dividend in respect of 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 the dividend remaining unclaimed or unpaid for more than a period of 7 years will be transferred to the Investor Education and Protection Fund established by the Central Government and upon such transfer, no claim shall be entertained in respect thereof.
4. In terms of clause 49 of the Listing Agreement, the information relating to directors retiring by rotation and seeking reappointment is as under:-

Mr. Ashok M. Advani

Mr. Ashok M. Advani retires by rotation and being eligible has offered himself for reappointment.

Mr. Ashok M. Advani is a Science graduate from Mumbai University, an Electrical Engineer from MIT, USA supported by a Masters degree in Business Administration from the Harvard Graduate School of Business Administration.

He joined Blue Star in 1969 and held a variety of senior positions in manufacturing and finance in the Company before he took over the Company's affairs as Chairman & Chief Executive in 1984. In 2009, Mr. Advani was designated as Executive Chairman.

He has been a member of the Local Advisory Board of The Chase Manhattan Bank and is a past President of the Bombay Chamber of Commerce & Industry. Besides, Mr. Advani is the Vice Chairman of Blue Star Infotech Limited.

Mr. Ashok M. Advani does not hold any share in the Company.

None of the Directors except Mr. Ashok M. Advani is interested in this item of business.

Mr. Ravi Krishnamurthi

Mr. Ravi Krishnamurthi retires by rotation and being eligible has offered himself for reappointment.

Mr. Ravi Krishnamurthi has a Masters Degree in Physics with specialisation in Solid State Physics supported by Masters degree in Business Administration. In addition, he holds a Law degree from the University of Delhi and is also a Diploma holder in Company Law from Indian Law Institute, an affiliate of Supreme Court of India.

After a stint of 12 years with Tata Iron & Steel Company Limited, Mr. Ravi Krishnamurthi joined Bosch Limited (then known as Motor Industries Company Limited) sometime in 1987. After serving in various managerial positions, Mr. Ravi Krishnamurthi took over as Head of Country Sales of the Power Tools Division with the additional responsibility as Head of the Packaging Technology Division in 1997. In 2005, he took additional charge as Business Head of After Market and Blaupunkt Car Radio Division and is credited with raising the turnover from Rs. 6000 million in 2005 to Rs. 12000 million in 2009.

Mr. Ravi Krishnamurthi also plays an active part on the governing bodies of the various institutions related to the business.

Mr. Ravi Krishnamurthi does not hold any share in the Company.

Besides the Company Mr. Ravi Krishnamurthi is a member of the Board of MHB Filter India Private Limited.

None of the Directors except Mr. Ravi Krishnamurthi is interested in this item of business.

Auditors' Report

To
The Members of Alfa Laval (India) Limited

1. We have audited the attached Balance Sheet of Alfa Laval (India) Limited ('the Company') as at December 31, 2009 and also the Profit and Loss account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - v. On the basis of the written representations received from the directors, as on December 31, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2009;
 - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **S.R. BATLIBOI & ASSOCIATES**
Chartered Accountants

per **Govind Ahuja**
Partner
Membership No.: 48966

Place : Mumbai
Date : February 24, 2010



Annexure referred to in paragraph 3 of our report of even date

Re: Alfa Laval (India) Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year, but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and nature of its assets. As informed, no material discrepancies were identified on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) According to information and explanations given to us, there are no companies, firms or other parties to be covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(iii) (a) to (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the Company.
- (v) According to information and explanations given to us, there are no companies, firms or other parties to be covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(v) (a) and (b) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, sales-tax, wealth-tax, service tax, income-tax, customs duty, excise duty, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities *though there have been delays in the deposit of withholding Income taxes.*

Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are unable to comment on the same.

- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs. in millions)	Period to which the amount relates	Forum where dispute is pending
Bihar Finance Act, 1981	Demand on recovery of sales tax on inter state sales	11.61	1992-93 to 1998-99	Tribunal of Commercial Taxes, Bihar.
Central Sales Tax Act, 1956	Demand on assessment under rule 9-A	106.22	2002-03 and 2005-2006	Commissioner of Sales Tax (Appeals) LTU, Pune
Service Tax under Finance Act, 1994	Demand of expenses reimbursement	1.41	2002-03	Commissioner of Excise (Appeals), Pune

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) The Company did not have any borrowings from financial institutions and banks and it has not issued any debentures. Therefore, the provisions of clause 4(xi) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to information and explanations given to us, there are no companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(xviii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **S. R. BATLIBOI & ASSOCIATES**
Chartered Accountants

per **Govind Ahuja**
Partner
Membership No.: 48966

Place : Mumbai
Date : February 24, 2010



Balance Sheet as at December 31, 2009

(Rs. in million)

	Schedule Number	2009	2008
SOURCES OF FUNDS			
1. Shareholders' Funds			
Share Capital	1	181.60	181.60
Reserves and Surplus	2	3,593.07	2,890.85
		3,774.67	3,072.45
2. Loan Funds			
Unsecured Loans (Schedule 15, Note 23)		46.06	53.67
TOTAL		3,820.73	3,126.12
APPLICATION OF FUNDS			
1. Fixed Assets	3		
Gross Block		1,807.76	1,794.64
Less: Accumulated Depreciation / Amortisation		830.00	799.79
Net Block		977.76	994.85
Capital work-in-progress (including Capital Advances)		23.58	54.89
		1,001.34	1,049.74
2. Investments (Schedule 15, Note 14)	4	1,233.85	354.52
3. Deferred Tax Asset (Net) (Schedule 15, Note 6)		32.89	7.95
4. Current Assets, Loans and Advances			
Inventories	5	1,759.94	2,025.65
Sundry Debtors (Schedule 15, Note 16)	6	1,766.14	1,681.79
Cash and Bank Balances	7	395.05	352.36
Other Current Assets	8	284.18	220.44
Loans and Advances (Schedule 15, Note 16)	9	603.37	391.97
		4,808.68	4,672.21
Less:			
Current Liabilities and Provisions :			
Current Liabilities	10	2,516.19	2,433.45
Provisions	11	739.84	524.85
		3,256.03	2,958.30
Net Current Assets		1,552.65	1,713.91
TOTAL		3,820.73	3,126.12
Notes on Accounts	15		

The Schedules referred to above and notes on accounts form an integral part of the Balance Sheet.

As per our report of even date
For **S.R.BATLIBOI & ASSOCIATES**
Chartered Accountants

Per **Govind Ahuja**
Partner
Membership No. 48966

For and on behalf of the Board
JOSE HERNANZ
Managing Director

V. CHANDRASEKHAR
Company Secretary

GIUSEPPE FALCIOLA
Chairman

ASHOK M. ADVANI
KEWAL HANDA
RAVI KRISHNAMURTHI
NISH PATEL
Directors

Place : Mumbai
Date : February 24, 2010

Place : Pune
Date : February 24, 2010

Profit and Loss Account for the year ended December 31, 2009

(Rs. in million)

	Schedule Number	2009	2008
INCOME			
Sales and Services (Gross)		9,159.15	8,422.13
Less: Excise Duty		283.42	429.07
(including Secondary and Higher Education Cess)			
Sales and Services (Net)	12	8,875.73	7,993.06
Other Income	13	121.13	117.42
		8,996.86	8,110.48
EXPENDITURE			
Manufacturing and Other expenses	14	6,990.44	6,649.47
		6,990.44	6,649.47
PROFIT BEFORE DEPRECIATION, INTEREST AND TAX			
		2,006.42	1,461.01
Less: Depreciation / Amortisation		129.57	99.18
Less: Interest (Schedule 15, Note 19)		5.25	3.26
PROFIT BEFORE TAX			
		1,871.60	1,358.57
Provision for Tax			
Current Tax (Schedule 15, Note 21)		653.79	435.81
Deferred Tax (Credit) / Expense		(24.94)	19.13
Earlier year Tax Expense / (Reversal)		4.00	(10.00)
Wealth Tax		0.10	0.11
Fringe Benefit Tax		5.26	11.84
		638.21	456.89
PROFIT AFTER TAX			
		1,233.39	901.68
Profit and Loss Account balance brought forward		1,301.85	1,022.34
PROFIT AVAILABLE FOR APPROPRIATION			
		2,535.24	1,924.02
Appropriations:			
Interim Dividend		—	181.60
Proposed Final Dividend		454.01	272.41
		454.01	454.01
Tax on Dividend		77.16	77.16
		531.17	531.17
Transfer to General Reserve		124.00	91.00
Balance carried to Balance Sheet		1,880.07	1,301.85
Number of Equity Shares outstanding during the year		18,160,483	18,160,483
Basic and Diluted Earnings Per Share (in Rs.)		67.92	49.65
Face value of Rs. 10 each (Schedule 15, Note 13)			
Notes on Accounts	15		

The Schedules referred to above and notes on accounts form an integral part of the Profit and Loss Account.

As per our report of even date
For **S.R.BATLIBOI & ASSOCIATES**
Chartered Accountants

Per **Govind Ahuja**
Partner
Membership No. 48966

Place : Mumbai
Date : February 24, 2010

For and on behalf of the Board
JOSE HERNANZ
Managing Director

V. CHANDRASEKHAR
Company Secretary

Place : Pune
Date : February 24, 2010

GIUSEPPE FALCIOLA
Chairman

ASHOK M. ADVANI
KEWAL HANDA
RAVI KRISHNAMURTHI
NISH PATEL
Directors

Schedules forming part of the Accounts as at December 31, 2009

		(Rs. in million)	
		2009	2008
1. SHARE CAPITAL			
Authorised:			
20,000,000 (previous year 20,000,000) equity shares of Rs. 10 each		200.00	200.00
Issued:			
18,160,567 (previous year 18,160,567) equity shares of Rs.10 each of which 84 (previous year 84) equity shares whose ownership and title are under dispute have been kept in abeyance in view of the court order dated March 21, 1990.		181.61	181.61
Subscribed and Paid up:			
18,160,483* (previous year 18,160,483) equity shares of Rs.10 each, fully paid up of which:		181.60	181.60
a) 441,845 9/10 (previous year 441,845 9/10) equity shares of Rs.10 each have been allotted as fully paid up pursuant to contracts without payment having been received in cash;			
b) 29,988 (previous year 29,988) equity shares of Rs.10 each have been allotted as fully paid up, pursuant to the right exercised by a lender of converting a part of the loan advanced by them to the Company;			
c) 8,822,989 (previous year 8,822,989) equity shares of Rs.10 each have been allotted as fully paid up Bonus shares by way of capitalisation of general reserve and securities premium.			
* includes 16,120,281 (previous year 13,934,014) equity shares of Rs.10 each held by Alfa Laval Corporate AB, Sweden the Holding Company			
		181.60	181.60
2. RESERVES AND SURPLUS			
a) Securities Premium		404.97	404.97
b) General Reserve			
Balance as per last Account		1,184.03	1,093.03
Add: Transfer from Profit and Loss Account		124.00	91.00
		1,308.03	1,184.03
c) Profit and Loss Account Balance		1,880.07	1,301.85
		3,593.07	2,890.85

Schedule forming part of the Accounts as at December 31, 2009 (Contd.)

3. FIXED ASSETS

(Rs. in million)

DESCRIPTION	GROSS BLOCK			DEPRECIATION / AMORTISATION				NET BLOCK	
	As at January 1, 2009	Addition during the Year	Deduction during the Year	As at December 31, 2009	For the Year	On deletion	As at December 31, 2009	As at December 31, 2009	As at December 31, 2008
A. Tangible Assets									
Free Hold Land	45.84	—	—	45.84	—	—	—	45.84	45.84
Leasehold Land	2.45	—	—	2.45	0.03	—	0.50	1.95	1.98
Building and Roads	288.14	8.05	—	296.19	9.90	—	85.44	210.75	212.60
Plant and Machinery	1,360.90	114.11	110.45	1,364.56	113.75	97.23	678.76	685.80	698.66
Furniture and Fixtures	57.69	3.64	0.52	60.81	3.98	0.47	28.56	32.25	32.64
Vehicles	9.69	—	1.71	7.98	1.09	1.65	7.10	0.88	2.03
Sub-Total (A)	1,764.71	125.80	112.68	1,777.83	128.75	99.35	800.36	977.47	993.75
B. Intangible Assets									
Computer Software	29.93	—	—	29.93	0.82	—	29.64	0.29	1.10
Sub-Total (B)	29.93	—	—	29.93	0.82	—	29.64	0.29	1.10
Total (A+B)	1,794.64	125.80	112.68	1,807.76	129.57	99.35	830.00	977.76	994.85
Previous Year	1,411.04	426.18	42.58	1,794.64	99.18	36.13	799.79	994.85	—
C. Capital work in progress									
Capital work in progress								16.12	46.88
Capital Advances								7.46	8.01
Sub-Total (C)								23.58	54.89
Grand Total (A+B+C)								1,001.34	1,049.74

Notes:

- Freehold land includes 1330 sq.m. of land (cost Rs Two Thousand) acquired by the Government for which compensation is disputed and has not been accepted by the Company.
- Plant & Machinery includes office equipment, computer equipment, durable tools, jigs & patterns.
- Fixed Assets of the value of Rs. 71.38 million (WDV Rs. 4.38 million) previous year Rs. 38.64 million (WDV Rs. 6.14 million) have been discarded during the year.



Schedule forming part of the Accounts as at December 31, 2009 (Contd.)

				(Rs. in million)	
	No. of units	Face Value Rs.	2009	2008	
4. INVESTMENTS (Schedule 15, Note 14)					
Long Term Investments (At cost)					
Other than Trade					
1) In Government and Trust Securities					
Unquoted					
6/7 Years National Savings Certificates					
[(deposited with Government authorities) face value Rs.1000]			0.001*	0.001*	
2) In Bonds					
Unquoted					
6.60% Tax free ARS Bonds UTI 2009	(-)	100	—	34.37	
(Redeemable at Par)	(330,000)				
Quoted					
NABARD Deep Discount Bonds 2019	1,000	20,000	9.65	—	
	(-)				
3) In Units of Mutual Funds					
Quoted					
HDFC Standard Life – Liquid Plus plan	1,000,000	10	10.00	—	
	(-)				
HDFC FMP 18 M October 2009 – Series XI – Growth	1,500,000	10	15.00	—	
	(-)				
HDFC Floater-WP – Growth	2,275,757	10	35.00	—	
	(-)				
ICICI Prudential Flexible Plan – Growth	387,085	100	65.05	—	
	(-)				
Kotak Floater Long Term – Growth	2,440,470	10	35.00	—	
	(-)				
Reliance Fixed Horizon fund XIII-Series 4 – Growth	3,000,000	10	30.00	—	
	(-)				
SBNPP FTP 367 days Series 8 Super Instl Plan – Growth	1,000,000	10	10.00	—	
	(-)				
Tata FMP Series 25 Scheme A – Super High investment plan – Growth	1,000,000	10	10.00	—	
	(-)				
			219.70	34.37	
Current Investments (At lower of cost and market value)					
Other than trade					
4) In Units of Mutual Funds					
Quoted					
AIG India Treasury Plus Fund – Dividend	2,003,199	10	20.05	20.00	
	(1,998,227)				
Bharti Axa Treasury Plus Institutional Plan – Dividend	—	1,000	—	10.37	
	(10,373)				
Birla Sunlife Short Term Fund Institutional Plan – Dividend	—	10	—	35.33	
	(3,530,733)				
Birla Sunlife Cash Plus Institutional – Dividend	(-)	10	—	10.03	
	(928,293)				
Birla Sunlife Liquid Plus Institutional – Dividend	(-)	10	—	30.00	
	(2,997,961)				
Birla Sun Life Savings Fund – Institutional Plan – Dividend	11,077,494	10	110.85	—	
	(-)				
Carried Forward			350.60	140.10	

Schedule forming part of the Accounts as at December 31, 2009 (Contd.)

			(Rs. in million)	
	No. of units	Face Value Rs.	2009	2008
4. INVESTMENTS (Contd.)				
Brought Forward			350.60	140.10
Canara Rebeco Interval Fund series 2 Qtrly Plan 1 – Dividend	– (2,047,856)	10	–	20.48
DSP Black Rock Liquid Plus Institutional Plan – Dividend	– (34,981)	1,000	–	35.01
DSP Black Rock Money Manager Fund-Institutional Plan – Dividend	36,464 (–)	1,000	36.49	–
DSP Black Rock Strategic Bond Fund Institutional – Dividend	46,253 (10,004)	1,000	46.43	10.04
DWS Insta Cash Plus Fund Regular Plan – Dividend	– (970,962)	10	–	10.00
HDFC Cash Management Fund Savings Plus – Dividend	2,609,046 (2,492,150)	10	26.17	25.00
HDFC Floating Rate Income Fund – STP-WP – Dividend	6,664,260 (–)	10	67.18	–
IDFC Money Manager Fund – Treasury Plans B & C – Dividend	10,857,296 (–)	10	108.88	–
J M Money Manager Fund – Super Plus Plan – Dividend	– (5,022,962)	10	–	50.26
Kotak Flexi Debt scheme Institutional – Dividend	– (995,272)	10	–	10.00
Kotak Floater Long Term – Dividend	8,896,371 (–)	10	89.67	–
Kotak Floating rate plan – Dividend	3,310,337 (–)	10	33.37	–
Prudential ICICI FMP Series 34 – 15 Months – Growth Scheme	– (2,000,000)	10	–	20.00
Reliance Liquid Plus Fund Institutional Plan – Dividend	– (34,914)	1,000	–	35.00
Religare Ultra short term Fund – Institutional plan – Dividend	16,125,005 (–)	10	161.50	–
SBI-SHF Ultra Short Term Fund – Institutional plan – Dividend	10,866,887 (–)	10	108.73	–
Tata Floater Fund-Institutional plan – Dividend	9,616,272 (–)	10	96.51	–
Templeton India Ultra Short Bond Fund-Institutional Plan – Dividend	10,819,645 (–)	10	108.32	–
			1,233.85	355.89
Less: Provision in Diminution in value of investments			–	1.37
			1,233.85	354.52
Notes:				
Aggregate cost of investments				
a) Aggregate amount of quoted investments (Market value Rs. 1,237.05 million, (previous year Rs. 323.33 million))			1,233.85	321.52
b) Aggregate amount of unquoted investments			0.001*	33.00
* denotes Rs. 1000				

Schedules forming part of the Accounts as at December 31, 2009 (Contd.)

		(Rs. in million)	
		2009	2008
CURRENT ASSETS, LOANS AND ADVANCES			
CURRENT ASSETS			
5. INVENTORIES (At lower of cost and net realisable value)			
(i)	Stores, Spare Parts and Consumable Tools	20.14	12.82
(ii)	Raw Materials, Bought-Out Components	924.93	1,186.35
	[Includes in transit Rs. 76.77 million (previous year Rs.174.17 million) and materials lying with third parties Rs. 11.62 million (previous year Rs.138.17 million)]		
(iii)	Manufactured Components	81.05	91.26
(iv)	Work-In-Progress	222.32	184.94
(v)	Finished Goods [includes in transit Rs.80.25 million (previous year Rs.66.61 million) and materials lying with third parties Rs. Nil (previous year Rs.1.43 million)]	441.91	463.89
(vi)	Trading Goods	69.59	86.39
		<u>1,759.94</u>	<u>2,025.65</u>
6. SUNDRY DEBTORS (Schedule 15, Note 16)			
Unsecured			
(i)	Debts outstanding for a period exceeding six months		
	– Considered good	395.29	314.03
	– Considered doubtful	43.46	24.68
		<u>438.75</u>	<u>338.71</u>
(ii)	Other debts		
	– Considered good	1,370.85	1,367.76
		<u>1,809.60</u>	<u>1,706.47</u>
	Less: Provision for doubtful debts	43.46	24.68
		<u>1,766.14</u>	<u>1,681.79</u>

Schedules forming part of the Accounts as at December 31, 2009 (Contd.)

		(Rs. in million)	
		2009	2008
7. CASH AND BANK BALANCES			
(i) Cash on hand		0.43	0.93
(ii) With Scheduled Banks:			
– On Current Accounts		175.70	123.80
– On Deposit Account [Deposits amounting to Rs. 0.31 million (previous year Rs.0.31 million) are pledged with outside parties]		0.31	115.31
– On Exchange Earner's Foreign Currency Account		206.53	96.88
– On Unclaimed Dividend Account:		12.07	15.34
(iii) With Non-Scheduled Banks			
– On Current Accounts		0.01	0.10
(Balances with Standard Chartered Bank Ltd, Dhaka. Maximum amount outstanding at any time during the year is Rs. 0.29 million (previous year Rs. 0.21 million))			
		<u>395.05</u>	<u>352.36</u>
8. OTHER CURRENT ASSETS			
(i) Interest Accrued on Investments		–	1.00
(ii) Interest Accrued on Inter-Corporate Loan		0.77	–
(iii) Claims and Other Receivables		211.51	193.78
(iv) Unamortised Premium on forward exchange contracts		8.85	1.11
(v) Unbilled Revenue (Schedule 15, Note 5)		63.05	24.55
		<u>284.18</u>	<u>220.44</u>
9. LOANS AND ADVANCES (Schedule 15, Note 16 and Note 17)			
Unsecured, considered good unless otherwise stated			
(i) Advances recoverable in cash or in kind or for value to be received		187.58	182.36
(ii) Inter-Corporate Loan		284.60	–
(iii) Balance with Customs and Excise authorities		102.40	135.26
(iv) Advance Income Tax and Tax Deducted at Source [(Net of Provisions) (Schedule 15, Note 22)] [Including advance Fringe Benefit Tax Rs. 2.27 million (previous year Rs. 0.18 million) (Net of Provisions)]		28.79	74.35
		<u>603.37</u>	<u>391.97</u>



Schedules forming part of the Accounts as at December 31, 2009 (Contd.)

		(Rs. in million)	
		2009	2008
10. CURRENT LIABILITIES			
(i)	Sundry Creditors:		
(a)	Due to Micro and Small Enterprises (Schedule 15 Note 15)	8.35	8.57
(b)	Due to Creditors other than Micro and Small Enterprises (Schedule 15, Note 17)	1,213.17	1,414.50
(ii)	Advances from Customers	892.58	769.46
(iii)	Due to Customers (Schedule 15, Note 5)	363.54	209.95
(iv)	Investor Education and Protection Fund shall be credited by unclaimed dividend amount (if and when due)	12.06	15.33
(v)	Other Liabilities	26.49	15.64
		<u>2,516.19</u>	<u>2,433.45</u>
11. PROVISIONS			
(i)	Proposed Dividend	454.01	272.41
(ii)	Tax on Dividend	77.16	46.30
(iii)	Warranty Costs (Schedule 15, Note 9)	53.28	63.90
(iv)	Expenses (Schedule 15, Note 9)	45.17	28.35
(v)	Gratuity (Schedule 15, Note 10)	—	37.34
(vi)	Retirement Liability	0.93	1.85
(vii)	Leave Encashment	109.29	74.70
		<u>739.84</u>	<u>524.85</u>

Schedules forming part of the Accounts for the year ended December 31, 2009 (Contd.)

(Rs. in million)

12. SALES AND SERVICES

	2009	2008
(i) Turnover of Goods	6,259.15	5,939.06
(ii) Contract Revenue (Schedule 15, Note 4)	2,491.48	1,879.54
	8,750.63	7,818.60
(iii) Services	78.09	99.16
(iv) Sale of Scrap, etc.	47.01	75.30
	8,875.73	7,993.06

13. OTHER INCOME

(i) Interest		
(a) Bank [Tax Deducted at Source Rs. 0.03 million (previous year Rs.0.27 million)]	0.22	1.40
(b) Long Term Investments – Other than Trade [Tax Deducted at Source Rs. Nil (previous year Rs.Nil)]	0.54	2.35
(c) Inter-Corporate Loan [Tax Deducted at Source Rs.0.19 million (previous year Rs.Nil)]	0.94	–
(d) Others [Tax Deducted at Source Rs.Nil (previous year Rs.Nil)]	1.80	1.28
(ii) Dividend Income from Investments		
(a) Current Investments – Other than Trade	30.72	18.51
(iii) Profit on Sale of Investments (Net)		
(a) On Current Investments – Other than Trade	2.22	0.26
(b) On Long Term Investments – Other than Trade [Net off Rs. 1.37 million, (previous year Rs. Nil) adjusted against diminution in the value of Investments]	–	5.66
(iv) Commission Income	4.62	3.23
(v) Discount on forward exchange contract amortised	14.72	2.72
(vi) Bad debts recovered for earlier years	2.62	0.47
(vii) Customer's Advances and Excess Liabilities written back	22.04	52.26
(viii) Export Benefits	26.68	17.25
(ix) Miscellaneous Income	14.01	12.03
	121.13	117.42



Schedule forming part of the Accounts for the year ended December 31, 2009 (Contd.)

		(Rs. in million)	
		2009	2008
14. MANUFACTURING AND OTHER EXPENSES			
(i) Raw Materials and Bought-Out Components Consumed	4,753.64	4,523.59	
(ii) Purchase of Trading goods	223.81	368.25	
(iii) Decrease / (Increase) in stock of Manufactured Components:			
Opening stock	91.26	76.63	
Closing stock	(81.05)	(91.26)	
	10.21	(14.63)	
(iv) (Increase) in Work-In-Progress:			
Opening stock	184.94	175.44	
Closing stock	(222.32)	(184.94)	
	(37.38)	(9.50)	
(v) Decrease / (Increase) in stock of Finished Goods:			
Opening stock	463.89	329.63	
Closing stock	(441.91)	(463.89)	
	21.98	(134.26)	
(vi) Decrease / (Increase) in stock of Trading Goods:			
Opening stock	86.39	—	
Closing stock	(69.59)	(86.39)	
	16.80	(86.39)	
(vii) Sub-contractors' Charges	130.47	163.37	
(viii) Project Related Services	158.99	187.42	
(ix) Increase / (Decrease) in Excise Duty on Finished Goods			
Opening stock	(46.26)	(52.11)	
Closing stock	31.05	46.26	
	(15.21)	(5.85)	
(x) Payments to and Provisions for Employees:			
Salaries, Wages and Bonus (Schedule 15, Note 8)	487.99	457.90	
Contribution to pension and other funds	22.63	21.58	
Provident fund (Schedule 15, Note 10)	16.93	15.00	
Gratuity (Schedule 15, Note 10)	—	36.87	
Staff Accommodation Rent [(net of recoveries), (Schedule 15, Note 8)]	19.53	17.19	
Staff Welfare Expenses	79.45	91.29	
Leave Encashment and Retirement Benefits	45.79	39.09	
	672.32	678.92	
(xi) Manufacturing, Administration and Selling Expenses:			
Stores, Spare Parts and Consumables	90.63	100.02	
Power and Fuel	47.93	48.61	
Rates and Taxes	18.94	11.45	
Repairs and Maintenance:			
Building	32.22	34.68	
Plant and Machinery	25.58	24.85	
Others	15.13	17.71	
Insurance	9.37	3.29	
Royalty	59.81	45.97	
Brokerage and Commission – others than sole selling agents	21.26	17.85	
Professional and Consultancy Charges (Schedule 15, Note 18)	68.86	56.30	
Lease Rentals (Schedule 15, Note 8)	54.54	51.99	
Packing and Freight (Net of recoveries)	88.90	40.02	
Loss on Sale of Fixed Asset (Net)	6.21	3.22	
Carried forward	539.38	455.96	

Schedule forming part of the Accounts for the year ended December 31, 2009 (Contd.)

	(Rs. in million)	
	2009	2008
14. MANUFACTURING AND OTHER EXPENSES (Contd..)		
Brought forward	539.38	455.96
Diminution in value of investments	—	1.37
Bad debts, Irrecoverable Loans and Advances written off [Net off Rs. Nil, (previous year Rs. 46.52 million) adjusted against provision for doubtful debts]	41.12	35.89
Liquidated damages and warranty cost	61.79	43.58
Provision for Doubtful Debts	18.78	—
Exchange loss (net)	82.19	97.12
Travelling Expenses	93.80	117.06
Telephone and Telex	19.89	17.96
IT Charges	100.43	90.53
Miscellaneous Expenses [including Directors' sitting fees and commission Rs. 4.23 million (previous year Rs. 3.08 million)]	78.48	101.46
Bank Charges	22.95	19.72
	1,058.81	980.65
(xii) Expenses [related to (xi) above] charged to Capital Accounts	(4.00)	(2.10)
	6,990.44	6,649.47



Schedule forming part of the Accounts as at and for the year ended December 31, 2009 (Contd.)

15. NOTES ON ACCOUNTS

1. Nature of Operations

Alfa Laval (India) Limited is engaged in the manufacture and sale of industrial equipment and process solutions. The Company sells high speed separators, heat exchangers, and flow equipment amongst other products, besides offering process solutions to various industries.

2. Statement of Significant Accounting Policies

(A) Basis of preparation

The financial statements have been prepared to comply in all material respects with the notified accounting standards by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

(B) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon Management's best knowledge of current events and actions, actual results could differ from these estimates.

(C) Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

(D) Depreciation

Depreciation on fixed assets is provided on straight line method, as under:

- i) In respect of all assets on the useful lives of the assets estimated by the management, or at the rates prescribed under schedule XIV of the Companies Act, 1956 whichever is higher.
- ii) On computers, office equipment, air conditioners, durable tools (included in plant and machinery) and vehicles, @ 30%, 25%, 10%, 15% and 20% respectively (being higher than Schedule XIV rates), having regard to the useful life of the assets.
- iii) Cost of leasehold land is amortised over the period of 95 years being the lease period.
- iv) Machinery Spares which can be used only in connection with a particular item of Fixed Assets and the use of which is irregular, are capitalized at cost net of Cenvat and are depreciated over the remaining useful life of the related asset. The written down value of such spares is charged to the Profit and Loss account, on discarding of such spares.
- v) Fixed Assets costing Rs. 5,000/- or less are fully depreciated @ 100% over a period of twelve months.

(E) Intangibles

Computer Software

Software licenses purchased are charged off to the Profit and Loss Account in the year of purchase. Softwares with perpetual licenses are capitalized and the cost is amortised on a straight line method over a period of three years.

Schedule forming part of the Accounts as at and for the year ended December 31, 2009 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

(F) Impairment

The carrying amount of asset is reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

(G) Borrowing Costs

Borrowing costs relating to acquisition, construction of fixed assets or production of qualifying assets which takes substantial period of time to get ready for its intended use are capitalised to the extent they relate to the period till such assets are ready to be put to use. Other borrowing costs are recognised as an expense in the period in which these are incurred.

(H) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments.

Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

(I) Income Taxes

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax are measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situation where the Company has unabsorbed depreciation and carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each Balance Sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.



Schedule forming part of the Accounts as at and for the year ended December 31, 2009 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

(J) Inventories

Raw Material and Bought out Components, Stores and Spare Parts

Lower of cost and net realisable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined using the First in First out method (FIFO).

Finished Goods, Manufactured Components and Work In Progress

Lower of cost and net realisable value. Cost includes direct materials and labour and a proportion of manufacturing overheads. Cost of finished goods includes excise duty. Cost is determined using the First in First out method (FIFO).

Scrap Stock is valued at net realizable value.

Obsolescence of inventory is determined on the material consumption pattern / specific review and is accordingly provided for.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated cost necessary to make the sale.

(K) Provision for Doubtful Debts

Specific provision for doubtful debts is made in cases where collection of debt is uncertain. Besides, a percentage based provision is also made for debtors outstanding for more than one year based on aging analysis thereof.

(L) Liquidated Damages / Warranty Costs

Liquidated Damages / Warranty Costs are provided as per management's best estimates on case to case basis.

(M) Leases

Where the Company is the lessee

Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss account on a straight line basis over the lease term.

(N) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Turnover of Goods and Contract Revenue

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Excise Duty deducted from turnover (gross) is the amount that is included in the amount of turnover (gross) and not the entire amount of liability arising during the year.

Contract Revenue is recognized on a percentage completion method. Contract revenue and Contract costs associated with project related activity is recognised as revenue and expenses respectively by reference to the stage of completion of the project at the balance sheet date. The stage of completion of project is determined by the proportion of contract costs incurred for work performed up to the balance sheet date to the estimated total contract costs. Full provision is made for any loss in the year in which it is first foreseen.

Schedule forming part of the Accounts as at and for the year ended December 31, 2009 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

Income from Services

Income from Services are recognised as and when the services are rendered.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividend

Dividend income is recognised when the right to receive dividend is established.

Export benefits

Export benefits are recognised in the profit and loss account when the right to receive credit as per the terms of the entitlement is established in respect of exports made.

(O) Foreign Currency Transactions

(i) Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting a company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise. Exchange differences arising in respect of fixed assets acquired from outside India on or before accounting period commencing December 7, 2006 are capitalised as a part of fixed asset.

(iv) Forward Exchange Contracts not intended for trading or speculative purposes

The premium or discount arising at the inception of forward exchange contract is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or expense for the year.

(P) Provisions

A provision is recognised when the Company has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying the economic benefits is remote.



Schedule forming part of the Accounts as at and for the year ended December 31, 2009 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

(Q) Retirement and other employee benefits

- i) Retirement benefits in the form of Superannuation and Pension are defined contribution schemes and the contribution is charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no obligations other than the contribution payable to the respective funds.
- ii) Provident Fund and Gratuity liability is a defined benefit obligation and is determined using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past services are recognized on a straight line basis over the average period until the amended benefits become vested. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the balance sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation. The liability is provided for based on actuarial valuation made at the end of each financial year.
- iii) Short term compensated absences are provided for, based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per Projected Unit Credit method made at the end of each financial year.
- iv) The Company's liability towards retirement benefit is determined using the Projected Unit Credit Method which considers each period of services as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the Balance Sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation. The liability is provided for based on actuarial valuation made at the end of each financial year.
- v) Actuarial gains / losses are immediately taken to profit and loss account and are not deferred.

(R) Earnings per Share

Earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(S) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(T) Derivative Instruments

Accounting for derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item is charged to the income statement. Net gains are ignored.

Schedule forming part of the Accounts as at and for the year ended December 31, 2009 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

3.	a)	Capital commitments		
		Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 43.08 million (previous year Rs. 93.62 million), net of advances Rs. 7.46 million (previous year Rs. 8.01 million).		
	b)	Contingent liabilities not provided for:		
			(Rs. in million)	
		Particulars	2009	2008
	(a)	Guarantees outstanding	281.38	62.23
	(b)	Claims against the Company not acknowledged as debts ***	128.49	37.13
	(c)	Advance Licence – Liability if export obligations are not fulfilled in future years.****	2.77	5.36

*** The claims against the Company comprises of:

- Demand raised by excise department of Rs. 1.41 million (previous year Rs. 1.60 million) on Foreign Service providers for non payment of service tax dues by the foreign companies on export of services. The appeal against the claim has been dismissed by the Commissioner (Appeals). The department has raised demand against those Foreign Service providers and based on legal advice, Company is in the process of taking necessary action against the said demand.
- Rs. 19.34 million (previous year Rs. 19.34 million) in respect of claims raised against the Company by the customers which are presently pending with various courts.
- Cases for labour matters amounting to Rs. 4.57 million (previous year Rs 4.60 million) in respect of claims raised against the Company which are pending before the honorable High Courts.
- The Tribunal of Commercial Taxes, Bihar has commenced an action against the Company towards a demand of sales tax of Rs. 11.61 million (previous year Rs. 11.61 million) on inter state sales for the period 1992-93.
- The Commercial Tax officer, Pune has commenced an action against the Company towards a demand of recovery of sales tax of Rs. 91.56 million (previous year Rs. Nil) on various matters for the period 2003-04 and 2005-06.

Based on legal opinion obtained by the Company and further discussion with solicitors, the Company believes that there is a fair chance of decision in its favour in respect of details listed above and accordingly no provision has been considered necessary.

**** Differential amount of customs duty payable by the Company in case of non-fulfillment of export obligation against the import of capital goods made at concessional rate of duty. Based on the past sales performance and the future sales plan along with changes in EXIM policy, the management is quite hopeful to meet out the obligations by executing the required volume of exports in the future.

Schedule forming part of the Accounts as at and for the year ended December 31, 2009 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

4. Disclosure pursuant to Accounting Standard (AS) – 7 (revised)

(Rs. in million)

	Particulars	2009	2008
1.	Contract revenue recognised during the year	2,491.48	1,879.54
2.	Aggregate amount of contract costs incurred and recognised profits (Less recognized losses)	4,467.88	4,426.89
3.	Customer advance outstanding for contract in progress	392.64	327.49
4.	Retention money due from customers for contracts in progress	358.93	308.71
5.	Gross amount due from customers	63.05	24.55
6.	Gross amount due to customers	363.54	209.95

5. Contract revenue accrued in excess of billing amounting to Rs. 63.05 million (previous year Rs. 24.55 million) has been reflected under the head "Other Current Assets" and billing in excess of contract revenue amounting to Rs. 363.54 million (previous year Rs. 209.95 million) has been reflected under the head "Current Liabilities".

6. Deferred tax assets and liabilities arising due to timing differences comprise of:

(Rs. in million)

Particulars	2009	2008
Deferred Tax Asset		
1. Provision for doubtful debts	14.77	8.39
2. Effect of expenditure debited to the profit and loss account of the current year / earlier years allowed for tax purpose in the following year.	69.55	59.50
3. Provision for liquidated damages and warranty costs.	19.34	4.45
Total Deferred Tax Assets – (A)	103.66	72.34
Deferred Tax Liability		
1. Differences in depreciation and other differences in the block of fixed assets as per tax books and financial books.	(70.77)	(64.39)
Total Deferred Tax Liability – (B)	(70.77)	(64.39)
Net Deferred Tax Asset (A-B)	32.89	7.95

Schedule forming part of the Accounts as at and for the year ended December 31, 2009 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

7. Information in respect of Related Parties

Party where Control Exists

Alfa Laval Corporate AB, Sweden (Holding Company)

Other Related Parties with whom transactions have taken place during the year

Fellow Subsidiaries

Australia
Alfa Laval Australia Pty Ltd

Belgium
Alfa Laval Corporate AB Belgian Branch

Brazil
Alfa Laval Ltda

Bulgaria
Alfa Laval Ltd.

Canada
Alfa Laval Inc

Chile
Alfa Laval SACI

China
Alfa Laval (China) Ltd
Alfa Laval Flow Equipment (Kunshan) Co Ltd.
Alfa Laval (Jiangyin) Manufacturing Company Ltd.
Alfa Laval (Shanghai) Technologies Co.

Czech Republic
Alfa Laval Spol s.r.o

Cyprus
Alfa Laval Middle East Ltd

Denmark
Alfa Laval Copenhagen A/S
Alfa Laval Tank Equipment A/S
Alfa Laval Kolding A/S
Alfa Laval Nakskov A/S
Alfa Laval Nordic A/S

Finland
Alfa Laval Nordic Oy

France
Alfa Laval Vicarb sas
Alfa Laval sas
Alfa Laval Spiral sas
Alfa Laval Moatti sas
MCD sas
Packinox SA

Greece
Alfa Laval AEBE

Hungary
Alfa Laval Kft

India
Alfa Laval Support Services Private Limited
Tranter India Private Limited

Indonesia
PT Alfa Laval

Italy
Alfa Laval SpA

Japan
Alfa Laval KK

South Korea
Alfa Laval Korea Ltd

Malaysia
Alfa Laval (Malaysia) Sdn Bhd

Netherlands
Alfa Laval Groningen B V
Alfa Laval Merco BV
Alfa Laval Benelux NV-SA

New Zealand
Alfa Laval New Zealand Pty Ltd

Peru
Alfa Laval SA

Phillipines
Alfa Laval Philippines Inc

Poland
Alfa Laval Polska Sp. z. o. o
Wytownia Separator Krakow Sp, z. o. o

Singapore
Alfa Laval Singapore Pte Ltd



Schedule forming part of the Accounts as at and for the year ended December 31, 2009 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

7. Information in respect of Related Parties (Contd.)

Spain
Alfa Laval Iberia SA

Sweden
Alfa Laval Tumba AB
Alfa Laval Treasury International AB
Alfa Laval Lund AB
Alfa Laval Holding AB
Alfa Laval Nordic AB

Taiwan
Alfa Laval Taiwan Ltd.

Thailand
Alfa Laval (Thailand) Ltd.

Turkey
Alfa Laval Dis Ticaret Ltd Sti

United Kingdom
Alfa Laval Ltd.
Alfa Laval Pumps Ltd.

USA
Alfa Laval Inc.
Alfa Laval Thermal Inc.
Alfa Laval Distribution Inc.

Venezuela
Alfa Laval Venezolana S.A.

Key Management Personnel

Mr. Nish Patel – Managing Director

Schedule forming part of the Accounts as at and for the year ended December 31, 2009 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

7. Information in respect of Related Parties (Contd.)

(Rs. in million)

	Holding Company		Fellow Subsidiary Companies		Key Management Personnel		Total	
Year	2009	2008	2009	2008	2009	2008	2009	2008
a. Transactions during the year								
Sales and Services	Nil	Nil	2,296.06	2,430.12	Nil	Nil	2,296.06	2,430.12
Purchases	Nil	Nil	775.44	985.54	Nil	Nil	775.44	985.54
Purchase of Capital items	Nil	Nil	8.99	15.80	Nil	Nil	8.99	15.80
Royalty	59.81	45.97	Nil	Nil	Nil	Nil	59.81	45.97
Dividend paid	241.80	348.35	Nil	Nil	Nil	Nil	241.80	348.35
Remuneration to key management personnel	Nil	Nil	Nil	Nil	3.42	3.30	3.42	3.30
Inter-Corporate Loan	Nil	Nil	284.60	Nil	Nil	Nil	284.60	Nil
IT Charges	0.26	0.26	72.63	57.68	Nil	Nil	72.89	57.94
Services received	7.92	0.90	76.89	79.20	Nil	Nil	84.81	80.10
Services rendered	Nil	Nil	7.42	9.33	Nil	Nil	7.42	9.33
Interest on Inter-Corporate Loan	Nil	Nil	0.94	Nil	Nil	Nil	0.94	Nil
Misc Balance Written Back	Nil	Nil	Nil	4.41	Nil	Nil	Nil	4.41
Bad Debts written off	Nil	Nil	0.07	0.53	Nil	Nil	0.07	0.53
b. Balances as at the year end								
Trade receivables	0.01	Nil	331.33	503.54	Nil	Nil	331.34	503.54
Inter-Corporate Loan	Nil	Nil	284.60	Nil	Nil	Nil	284.60	Nil
Trade payables	58.71	42.11	265.41	322.48	Nil	Nil	324.12	364.59
Commission Payable	Nil	Nil	Nil	Nil	0.75	0.75	0.75	0.75
Due to Customers	Nil	Nil	4.98	Nil	Nil	Nil	4.98	Nil
Claims receivable-Other Current Assets	Nil	Nil	0.23	2.30	Nil	Nil	0.23	2.30
Accrued Interest on Inter-Corporate Loan	Nil	Nil	0.77	Nil	Nil	Nil	0.77	Nil



Schedule forming part of the Accounts as at and for the year ended December 31, 2009 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

7. Information in respect of Related Parties (Contd.)

Related party transactions include transactions pertaining to the following parties with whom the percentage of the transactions are 10 % or more of the total of the above.

		(Rs. in million)	
Name of the Related Party		2009	2008
1. Holding Company			
Alfa Laval Corporate AB, Sweden			
Royalty		59.81	45.97
Dividend paid		241.80	348.35
Trade receivables		0.01	—
Trade payables		58.71	42.11
2. Fellow Subsidiary Companies			
Alfa Laval Kolding A/S, Denmark			
Sales and Services		178.58	276.72
Purchases		111.91	55.80
Services received		3.94	6.53
Bad Debts written off		0.04	—
Trade receivables		14.53	13.35
Alfa Laval Copenhagen A/S, Denmark			
Sales and Services		1,166.45	1,071.42
Purchases		116.42	125.98
Purchase of capital items		—	9.92
Services received		13.48	19.42
Misc Balance Written Back		—	0.88
Trade receivables		117.05	162.37
Trade payables		24.15	52.68
Due to Customers		4.98	—
Alfa Laval SpA, Italy			
Trade receivables		9.77	58.97
Alfa Laval Holding AB, Sweden			
Services rendered		—	2.00
Alfa Laval Lund AB, Sweden			
Purchases		188.63	426.34
Purchase of capital items		8.99	5.88
IT Charges		49.69	37.68
Services received		4.61	11.74
Trade payables		48.46	126.21

Schedule forming part of the Accounts as at and for the year ended December 31, 2009 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

7. Information in respect of Related Parties (Contd.)

Name of the Related Party	(Rs. in million)	
	2009	2008
Alfa Laval Tumba AB, Sweden		
Sales and Services	350.80	429.46
Purchases	178.63	129.57
Services received	27.72	32.29
Services rendered	2.34	—
Claims receivable – Other Current Assets	—	1.27
Misc Balance Written Back	—	2.40
Trade receivables	96.91	126.32
Trade payables	70.27	70.03
Alfa Laval Nakskov A/S, Denmark		
Services rendered	—	2.68
Alfa Laval Support Services Private Limited, India		
IT Charges	22.94	20.00
Services Rendered	4.68	4.65
Claims receivable – Other Current Assets	0.23	—
Alfa Laval Middle East, Cyprus		
Bad Debts written off	0.03	—
Alfa Laval Merco BV, Netherlands		
Bad Debts written off	—	0.53
Alfa Laval SAS, France		
Claims receivable – Other Current Assets	—	1.03
Tranter India Private Limited, India		
Inter Corporate Loan given	284.60	—
Interest on Inter-Corporate Loan	0.94	—
Inter-Corporate Loan receivable	284.60	—
Accrued Interest on Inter-Corporate Loan	0.77	—
3. Key Management Personnel		
Mr. Nish Patel		
Remuneration to key management personnel	3.42	3.30
Commission Payable	0.75	0.75

Schedule forming part of the Accounts as at and for the year ended December 31, 2009 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

8 Operating Lease

(Rs. in million)

Particulars	2009	2008
Lease payments for the year	92.18	87.40
Minimum lease payments for Non Cancellable Leases		
Not later than one year	50.84	51.66
Later than one year but not later than five years	86.16	120.79
Later than five years.	—	—
Contingent rent recognised in Profit and Loss Account	—	2.50

General description of leasing arrangements:

- The Company has taken Leased premises, Computers and Vehicles on non-cancellable operating leases and residential premises for staff on cancellable operating lease.
- Lease rentals are charged to the profit and loss account for the year.
- There are no sub-leases.
- The arrangement for leased premises range between 3 to 6 years. These are usually renewable by mutual consent on mutually agreeable terms. Escalation clauses for scheduled rent increases have been imposed by the lease agreements. As the lessee's benefits do not change over the period of the lease, the total rentals including the contingent rent are recognised on a straight line basis over the period of the lease.
- The arrangement for Computers and Vehicles range from 3-4 years. These are usually renewable by mutual consent on mutually agreeable terms.
- At the expiry of the lease term, the Company has an option to return the asset or extend the term by giving notice in writing.
- Future lease rental payments are determined on the basis of the lease payments as per the agreement.
- Salaries, Wages and Bonus includes Rs. 18.11 million, (previous year Rs. 18.22 million) towards lease payments for vehicles taken on operating leases, and Rs. 19.53 million (previous year Rs. 17.19 million) towards staff accommodation rent.

9 Provisions

(Rs. in million)

Particulars	Balance as at 01.01.2009	Additions during the year	Utilised during the year	Reversals during the year	Balance as at 31.12.2009
1. Octroi on goods (including interest)	14.08	6.10	2.01	—	18.17
2. Provision in respect of employee state insurance contribution	0.90	0.40	0.45	—	0.85
3. Litigation	12.52	—	—	—	12.52
4. Export obligation (including interest)	—	2.07	—	—	2.07
5. Sales Tax	0.85	10.71	—	—	11.56
6. Warranty costs	63.90	19.65	17.07	13.20	53.28
Total	92.25	38.93	19.53	13.20	98.45

- Octroi duty represents additional probable claims for earlier years based on inspection carried out by the octroi department.
- Employee State Insurance (ESI) represents estimated demand on the Company based on the past inspection made by concerned department.
- Litigation includes disputed claim against the Company. The details have not been disclosed due to sensitivity and confidentiality reasons.
- Export obligation represents estimated liability due to non-fulfillment of export obligations on import of material against advance licences.
- Sales Tax represents demand on the Company based on assessment under progress.
- Warranty costs represents the provision for project expenditure and losses of the ongoing projects and warranty costs estimates.
- The timing and amount of the cash flow for items (i) – (vi) above, which will arise from these matters, will be determined by the relevant authorities on settlement of the cases or on receipt of claims from customers.

Schedule forming part of the Accounts as at and for the year ended December 31, 2009 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

10. Gratuity defined benefit plans [AS 15 Revised]

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with insurance companies in the form of qualifying insurance policies.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the plan.

Profit and Loss account

Net employee benefit expense (recognised in employee cost)

(Rs. in million)

	2009	2008
Current service cost	6.30	5.03
Interest cost on benefit obligation	8.35	7.50
Expected return on plan assets	(9.04)	(7.72)
Net actuarial (gain) / loss recognised in the year	(13.00)	39.48
Past service cost	—	—
Net benefit expense	<u>(7.39)</u>	<u>44.29</u>
Actual return on plan assets	23.59	(7.52)

Balance Sheet

Details of provision for Gratuity

(Rs. in million)

	2009	2008
Defined benefit obligation	121.79	121.26
Fair value of plan assets	129.18	83.92
	<u>7.39</u>	<u>(37.34)</u>
Less: Unrecognized past service cost	—	—
Plan asset* / (liability)	<u>7.39</u>	<u>(37.34)</u>

* Plan asset have not been recognised in the balance sheet

Changes in the present value of the defined benefit obligation are as follows:

(Rs. in million)

	2009	2008
Opening defined benefit obligation	121.26	93.78
Interest cost	8.35	7.50
Current service cost	6.30	5.03
Benefits paid	(14.83)	(10.13)
Actuarial (gains) / losses on obligation	0.71	25.08
Closing defined benefit obligation	<u>121.79</u>	<u>121.26</u>

Schedule forming part of the Accounts as at and for the year ended December 31, 2009 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

Changes in the fair value of plan assets are as follows:

(Rs. in million)

	2009	2008
Opening fair value of plan assets	83.92	101.56
Expected return	9.04	7.72
Contributions by employer	37.34	—
Benefits paid	(14.83)	(10.13)
Actuarial gains / (losses)	13.71	(15.23)
Closing fair value of plan assets	129.18	83.92

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2009	2008
	%	%
Investments with insurers	100	100

The overall expected rate of return on assets is determined based on the market price prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal assumption used in determining gratuity for the Company's plan are shown below:

	2009	2008
	%	%
Discount Rate	8.50	7.00
Expected rate of return on assets	8.00	7.00
Employee Turnover	6.60	6.60
Increase in compensation cost	5.00	5.00

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority promotion and other relevant factors, such as supply and demand in the employment market.

Amounts for the current year and previous three years are as follows:

(Rs. in million)

	2009	2008	2007	2006
Defined benefit obligation	121.79	121.26	93.78	88.50
Plan Assets	129.18	83.92	101.56	67.03
Surplus / (Deficit)	7.39	(37.34)	7.78	(21.47)
Experience adjustments on plan liabilities [(Gain) / Loss]	(5.17)	8.56	5.68	10.91
Experience adjustments on plan assets [Gain / (Loss)]	14.55	(15.24)	12.04	5.43

The disclosure in respect of status of defined benefit obligation and plan assets of the years prior to 2006 has not been provided as the Company has adopted revised AS-15 in the year 2006.

Notes:

- The Company's expected contribution to the fund in the next year is not presently ascertainable and hence, the contribution expected to be paid to the plan during the annual period beginning after the balance sheet date as required by para 120 (o) of the Accounting Standard – 15 (Revised) on Employee Benefits has not been disclosed.
- The Guidance note issued by the Accounting Standard Board (ASB) on implementing Accounting Standard – 15, "Employee Benefits" (Revised 2005) states that provident funds set up by the employers, which requires interest shortfall to be met by the employer, needs to be treated as defined benefit plans. During the year, the Company has accounted for Rs 1.00 million (previous year Rs. 1.50 million) on account of expected shortfall of such fund balance. In regard to any future obligation arising due to interest shortfall (i.e. government interest to be paid on provident fund scheme exceeds rate of interest earned on investments) pending the issuance of the Guidance Note from the Actuarial Society of India, no disclosures have been furnished.

Schedule forming part of the Accounts as at and for the year ended December 31, 2009 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

11. Segment Information

a) Identification of Segments

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

b) Business Segments

The Company has considered "Business Segments" as the "Primary Segment" for disclosure.

Equipment Segment reflects sales of equipment which are primarily of standard Alfa Laval design and are generally intended for stand alone use in a wide spectrum of industries. This also includes exports of such equipment to Alfa Laval Group Companies.

Process Technology Segment reflects, primarily, "Projects" business of the Company. This business mainly comprises of process line solutions which use standard Alfa Laval products, bought-out equipment and erection and commissioning activities. Sale of stand alone equipment which are meant for use as a part of system and / or process line is also included in this segment.

c) Geographical Segments

Geographical Segment is the "Secondary Segment" and location of its market i.e. "India" and "Out of India" have been used. Since sales out of India are made to many countries without any significant difference in the value of supplies made to individual countries, these have been aggregated under "Out of India".

d) Segment Revenue

Segment Revenue comprises of Sales, Sale of Spare Parts and Services and Miscellaneous Income that are directly identifiable with the Segment.

Inter segment Transfer Pricing Policy: All inter segment transfers are recorded on cost.

e) Segment Expenses

- i) Expenses directly identifiable with the segment are charged to the respective segment.
- ii) Common expenses like Depreciation, Information Technology, Import / Export, Industrial Relation Department etc. pertaining to the factories are apportioned between the Divisions on the basis of cost of goods sold.
- iii) Expenses incurred on the Field Sales Office are charged to the Divisions on the basis of yearly order booking.

f) Unallocated corporate expenses

Unallocated Corporate Expenses include expenses of common Departments like Managing Director, Finance Department, Legal and Secretarial Department, as well as expenses which are incurred at a corporate level and which are not amenable to an apportionment between the Business Segments by their very nature.

g) Unallocated corporate income

Unallocated Corporate Income includes income which is incurred at a corporate level and which are not amenable to an apportionment between the Business Segment by their very nature.

h) The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.



Schedule forming part of the Accounts as at and for the year ended December 31, 2009 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

Segment information for the year ended December 31, 2009

A) Primary Segment Reporting (by Business Segments)

(Rs. in million)

	Equipment Segment		Process Technology Segment		Total	
	2009	2008	2009	2008	2009	2008
Segment Revenue	3,949.67	3,894.53	4,926.06	4,098.53	8,875.73	7,993.06
Segment Results	836.09	703.38	1,230.17	821.47	2,066.26	1,524.85
Unallocated Corporate Expenses					(225.84)	(192.48)
Operating Profit					1,840.42	1,332.37
Interest Expenses					(5.25)	(3.26)
Interest Income					3.50	5.03
Dividend Income & Profit on sale of Investment (Net)					32.94	24.43
Income Taxes					(638.21)	(456.89)
Profit after tax					1,233.39	901.68
Other Information						
Segment assets	2,189.57	2,594.31	2,912.01	2,700.92	5,101.58	5,295.23
Unallocable corporate assets					1,975.18	789.19
Total Assets					7,076.76	6,084.42
Segment Liabilities	(618.92)	(721.36)	(2,083.36)	(1,890.39)	(2,702.27)	(2,611.75)
Unallocable corporate liabilities					(599.82)	(400.22)
Total Liabilities					(3,302.09)	(3,011.97)
Capital Expenditure	43.37	160.62	51.12	163.35	94.49	323.97
Depreciation / Amortisation	59.49	51.04	70.08	48.14	129.57	99.18

B) Secondary Segment Reporting (by Geographical Segments)

	Within India		Out of India		Total	
	2009	2008	2009	2008	2009	2008
Segment Revenue	6,449.07	5,186.49	2,426.66	2,806.57	8,875.73	7,993.06
Segment Assets	6,656.63	5,571.70	420.13	512.72	7,076.76	6,084.42
Capital Expenditure	94.49	323.97	—	—	94.49	323.97

Schedule forming part of the Accounts as at and for the year ended December 31, 2009 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

12. Derivative instruments and Unhedged Foreign Currency exposure

- (a) Forward cover for foreign currency debtors outstanding as of balance sheet date is Rs. 148.23 million (previous year Rs. 263.27 million)
- (b) Forward cover for expected future sales or highly probable forecast transaction as of balance sheet date is Rs. 1,537.21 million (previous year Rs. 700.24 million)
- (c) Forward cover for foreign currency creditors outstanding as of balance sheet date is Rs. 22.86 million (previous year Rs. 81.55 million)
- (d) Forward cover for expected future purchases or highly probable forecast transaction as of balance sheet date is Rs. 56.86 million (previous year Rs. 48.47 million)
- (e) Foreign currency exposure (net) that are not hedged as of balance sheet date is Rs. 28.11 million (previous year Rs.179.82 million).

13. Earnings Per Share

Particulars	2009	2008
Profit after Tax as per Profit and Loss Account (Rs. in million)	1,233.39	901.68
Weighted Average Number of Equity Shares (nos)	18,160,483	18,160,483
Basic & Diluted Earning Per Share (Rs.)	67.92	49.65
Nominal Value of Shares (Rs.)	10	10

Schedule forming part of the Accounts as at and for the year ended December 31, 2009 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

14. Units purchased and sold during the year ended December 31, 2009

(Rs. in million)

	Units	Amount Invested	Sale Value
ICICI Prudential Floating Rate Plan C – Dividend	4,030,824	40.32	40.32
Principal Cash Management Fund – Institutional plan – Dividend	3,004,216	30.05	30.05
Principal Floating rate fund – Institutional plan – Dividend	3,006,514	30.10	30.10
Reliance Medium Term Fund – Dividend	3,865,412	66.08	66.08
Religare Short Term Plan – Institutional Plan – Dividend	3,494,647	35.51	35.52
Reliance Short Term Fund – Retail Plan – Dividend	2,851,714	30.40	30.37
Templeton Ultra Short Bond Fund-Super Instl. Plan – Dividend	4,023,350	40.28	40.28
Birla Sunlife Short Term Fund – Institutional plan – Dividend	4,605,670	46.08	46.08
DWS Cash Opportunities Fund – Super Inst Plan – Dividend	5,023,405	50.36	50.24
Reliance Money Manager Fund – Institutional Option – Dividend	81,096	81.19	81.19
ICICI Prudential Flexible Income Plan – Premium plan – Dividend	1,000,553	105.82	105.79
UTI Treasury Advantage Fund – Institutional Plan – Dividend	41,628	41.64	41.64
UTI Treasury Advantage Fund – Institutional Plan – Dividend	33,789	34.88	35.00
UTI Treasury Advantage Fund – Institutional Plan – Dividend	31,642	31.65	31.65
Baroda Pioneer Treasury Advantage Fund – Institutional plan – Dividend	1,018,541	10.19	10.19
DSP BR Floating Rate Fund – Regular Plan – Dividend	5,996,239	60.15	60.15
Axis Treasury Advantage Fund – Institutional Plan – Dividend	20,147	20.15	20.15

Schedule forming part of the Accounts as at and for the year ended December 31, 2009 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

15. Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006

(Rs. in million)

Particulars	2009	2008
The principal amount remaining unpaid as at the end of year	8.35	8.57
Interest due on above principal and remaining unpaid as at the end of the year	—	—
The amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	—	—
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	—	—
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	—	—
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006	—	—



Schedule forming part of the Accounts as at and for the year ended December 31, 2009 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

16. a) Sundry Debtors include dues from companies under the same management as given below:

(Rs. in million)

Name of the Company	2009	2008
Alfa Laval (China) Ltd, China	0.02	—
Alfa Laval (Jiangyin) Manufacturing Co Ltd , China	0.87	4.32
Alfa Laval (Philippines) Inc , Phillipines	—	0.80
Alfa Laval (Shanghai) Technologies Co Ltd, China	0.31	0.06
Alfa Laval (Singapore) Pte Ltd., Singapore	—	1.16
Alfa Laval (Thailand) Ltd, Thailand	—	0.48
Alfa Laval Australia Pty Ltd, Australia	0.46	1.12
Alfa Laval Copenhagen A/S, Denmark	117.05	162.37
Alfa Laval Corporate AB Belgian Branch, Belgium	—	9.36
Alfa Laval Corporate AB, Sweden	0.01	—
Alfa Laval Dis Ticaret Ltd Sti, Turkey	0.45	—
Alfa Laval Flow Equipment (Kunshan) Co Ltd, China	0.07	1.48
Alfa Laval Groningen BV, Netherlands	0.05	—
Alfa Laval Inc, Canada	—	0.03
Alfa Laval Inc, USA	4.25	25.73
Alfa Laval K.K., Japan	0.08	0.16
Alfa Laval Kolding A/S, Denmark	14.53	13.35
Alfa Laval Korea Ltd , South Korea	—	0.06
Alfa Laval Ltd., UK	0.11	—
Alfa Laval Ltda, Brazil	6.18	11.87
Alfa Laval Lund AB, Sweden	8.14	6.99
Alfa Laval Malaysia Sdn Bhd, Malaysia	30.52	23.73
Alfa Laval Mid Europe GMBH, Germany	2.89	0.47
Alfa Laval Middle East Ltd, Cyprus	—	3.91
Alfa Laval Nakskov A/S, Denmark	—	0.79
Alfa Laval Nordic A/S , Denmark	0.21	—
Alfa Laval SACI, Chile	—	0.15
Alfa Laval SAS , France	0.01	1.05
Alfa Laval SpA, Italy	9.77	58.97
Alfa Laval Spiral sas, France	15.65	10.04
Alfa Laval Support Services Private Limited, India	18.01	26.75
Alfa Laval Tank Equipment A/S, Denmark	0.02	—
Alfa Laval Tumba AB, Sweden	96.91	126.32
Alfa Laval Venezolana S.A , Venezuela	—	1.95
PT Alfa Laval, Indonesia	3.20	9.34
Wytownia Separator Krakow Sp.z.o.o ,Poland	1.57	0.73
Total	331.34	503.54

Schedule forming part of the Accounts as at and for the year ended December 31, 2009 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

16. b) Loans & Advances include dues from companies under the same management as given below:

- (a) Due from Tranter India Private Limited Rs.284.60 million (previous year Rs.Nil).
Maximum amount outstanding at any time during the year Rs.284.60 million (previous year Rs.Nil).
- (b) Due from Alfa Laval Support Services Private Limited Rs. 0.23 million (previous year Rs. Nil).
Maximum amount outstanding at any time during the year Rs.0.23 million (previous year Rs. Nil).

17. Dues to and from Directors and Officers of the Company

Loans and Advances include :

- (a) Due from an Officer of the Company Rs. 0.17 million (previous year Rs.0.20 million).
Maximum amount outstanding at any time during the year Rs.0.38 million (previous year Rs.0.34 million).

Current Liabilities include :

- (a) Due to a Director of the Company Rs. 0.08 million (previous year Rs. 0.04 million).
Maximum amount outstanding at any time during the year Rs. 0.12 million (previous year Rs. 0.19 million).
- (b) Due to an Officer of the Company Rs. 0.06 million (previous year Rs. 0.04 million).
Maximum amount outstanding at any time during the year Rs. 0.06 million (previous year Rs. 0.04 million).

		(Rs. in million)	
		2009	2008
18.	Payment to Auditor (As auditor) (included in Professional and Consultancy Charges in Schedule 14)		
	(a) Audit Fees	1.97	1.97
	(b) Tax Audit Fees	0.90	0.90
	(c) Limited Review	1.33	1.33
	(d) Out of pocket expenses reimbursed	0.23	0.22
		4.43	4.42

		(Rs. in million)	
		2009	2008
19.	Interest paid on		
	(a) Packing Credit	—	1.78
	(b) Banks and Others	5.25	1.48
		5.25	3.26

Schedule forming part of the Accounts as at and for the year ended December 31, 2009 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956

20. i) Goods manufactured:

Class of goods	Installed Capacity on Single shift basis (unless otherwise stated)	Actual production	Details of Finished Goods			
			Opening stock		Closing stock	
	Quantity Nos.	Quantity Nos.	Quantity Nos.	Rs. in million	Quantity Nos.	Rs. in million
(a) Separators	3,000 (3,000)	2,158 (2,207)	312 (287)	114.09 (129.50)	287 (312)	88.57 (114.09)
(b) Decanters	840 (840)	775 (751)	60 (25)	85.03 (37.51)	74 (60)	110.93 (85.03)
(c) Plate Heat Exchangers & Spiral Heat Exchangers	4,850 (4,850)	3,783 (4,398)	773 (476)	165.98 (80.61)	486 (773)	62.76 (165.98)
(d) Air Heat Exchangers	100 (-)	53 (-)	- (-)	- (-)	25 (-)	3.04 (-)
(e) Lubricating Oil Filters	350 (350)	72 (220)	60 (-)	14.84 (-)	35 (60)	9.10 (14.84)
(f) Fabrication Equipment (Refer notes D and F)	1450 T (1450 T)	730T (638 T)	103 T (113 T)	46.53 (62.92)	130.88T (103 T)	69.09 (46.53)
(g) Aseptic Module	480 (480)	136 (41)	3 (-)	11.68 (-)	38 (3)	77.50 (11.68)
(h) Shell and Tube Heat Exchangers	250 (-)	233 (-)	- (-)	- (-)	12 (-)	0.71 (-)
(i) Stainless Steel Pumps	2,700 (2,700)	2,416 (2,194)	99 (106)	5.19 (6.87)	80 (99)	3.37 (5.19)
(j) Valves	20,000 (18,000)	18,195 (15,066)	592 (865)	2.14 (3.47)	773 (592)	2.65 (2.14)
(k) Fittings & Others				18.41 (8.75)		14.19 (18.41)
Total				463.89 (329.63)		441.91 (463.89)

Notes:

- (A) Licensed Capacity not being applicable, has not been indicated.
- (B) Installed capacity has been certified by the Company, this being a technical matter.
- (C) Previous year's figures are indicated in brackets.
- (D) Quantity for fabrication equipment stated in tonnes.
- (E) Difference in quantitative tally represents free supplies / captive consumption.
- (F) As the manufactured components are intermediate production, in view of the practical difficulties, the disclosure in relation to production and stock is not furnished.
- (G) In view of heterogeneous nature of products and denomination of trading items being dissimilar in nature, it is impracticable to furnish quantitative details of the purchases and closing stock of trading goods.
- (H) Since trading items do not individually account for 10% or more of the total purchases and closing stock, separate quantitative details are not given.

Schedule forming part of the Accounts as at and for the year ended December 31, 2009 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

20. ii) Raw Materials and bought-out components consumed:

Type of Material	Unit	Quantity		Value	
		2009	2008	2009 (Rs. in million)	2008
(a) Ferrous metals:					
Sheets	Metric Ton	3,641	4,131	539.07	753.54
Tubes, bars, etc.	Metre	1,140,489	596,153	456.00	515.10
(b) Non-ferrous metals:					
Sheets	Metric Ton	97	33	59.17	11.52
Tubes, bars, etc.	Metre	33,643	33,736	11.53	20.74
(c) Intermediates, bought-out components, hardware and items used for project execution (Refer Note A)				3,687.87	3,222.69
Total				4,753.64	4,523.59

Notes:

- A. Since Intermediates, bought-out components hardware and items used for project execution, etc do not individually account for 10% or more of the total consumption, separate quantitative details are not given.
- B. Value of consumption has been arrived at on the basis of opening stock plus purchases less closing stock.

20. iii) Imported and indigenous consumption:

	% of total consumption		(Rs. in million)	
	2009	2008	2009	2008
Raw Material and Bought Out Components				
Imported	40.93	46.67	1,945.48	2,111.06
Indigenous	59.07	53.33	2,808.16	2,412.53
	100.00	100.00	4,753.64	4,523.59
Stores, Spare Parts and Consumables				
Imported	4.68	2.05	4.24	2.05
Indigenous	95.32	97.95	86.39	98.17
	100.00	100.00	90.63	100.22

Notes:

- A. In case of items for which the imported as well as indigenous quantities are available for consumption without any distinction and no separate records are maintained, the segregation between the figures of imported and indigenous consumption has been made on the assumption that the quantity from the imported lot is consumed first.



Schedule forming part of the Accounts as at and for the year ended December 31, 2009 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

20. iv) Turnover:

Class of goods	2009		2008	
	Quantity Numbers	Value (Rs. in million)	Quantity Numbers	Value (Rs. in million)
(a) Separators	2,179	1,305.18	2,182	1,408.71
(b) Decanters	761	1,681.18	715	1,291.18
(c) Plate Heat Exchangers & Spiral Heat Exchangers	3,889	1,106.93	3,990	1,203.37
(d) Air Heat Exchangers	28	5.00	—	—
(e) Lubricating Oil Filters	97	33.45	160	51.25
(f) Fabrication equipment *	702T	1,280.77	647T	1,087.71
(g) Aseptic Module	101	379.31	38	145.58
(h) Shell and Tube Heat Exchangers	221	23.63	—	—
(i) Project bought out / erection items	—	1,582.98	—	1,280.00
(j) Stainless steel Pumps (See note below)	2,381	221.76	2,201	188.26
(k) Valves	16,429	89.27	15,339	150.43
(l) Fittings & others	—	394.96	—	510.36
(m) Spares (including sale of trading and own manufactured components)	—	646.21	—	501.75
		8,750.63		7,818.60

Notes:

- A. Included above under appropriate classes of goods is the turnover of components, etc. Turnover of separator includes separator modules and turnover of fabrication equipments include bought out components incorporated in the products.
- B. Excludes free supplies and captive consumption, where applicable.
- *C. Value of turnover includes goods manufactured through third parties.
- D. Turnover includes Contract Revenue of Rs. 2,491.48 million (previous year Rs. 1,867.68 million) recognised during the year.
- E. In view of heterogeneous nature of products and denomination of trading items being dissimilar in nature, it is impracticable to furnish quantitative / value of trading goods sold during the year.

Schedule forming part of the Accounts as at and for the year ended December 31, 2009 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

20. v) Directors' Remuneration:

		(Rs. in million)	
		2009	2008
(a)	Managing Director		
	– Salaries	1.88	1.88
	– Contribution to provident fund, pension and superannuation scheme	0.11	–
	– Perquisites	0.68	0.67
	– Commission	0.75	0.75
		<u>3.42</u>	<u>3.30</u>
(b)	Others-Non-Wholetime Directors		
	– Commission	3.20	2.80
	– Sitting fees	0.28	0.28
		<u>3.48</u>	<u>3.08</u>
	Total	<u>6.90</u>	<u>6.38</u>
20.	vi) Computation of Net Profit in accordance with section 349 of the Companies Act, 1956 for calculation of commission payable to directors		
	Profit before tax (as per Profit & Loss Account)	1,871.60	1,358.57
	Add:		
	Provision for doubtful debts	18.78	–
	Loss on sale / discarded of fixed assets (Net), as per Profit & Loss Account	6.21	3.22
	Net Profit available as per Section 349 of the Companies Act, 1956	<u>1,896.59</u>	<u>1,361.79</u>
	Add:		
	Remuneration to Directors	6.90	6.38
	Profit as per Section 198 of the Companies Act, 1956	<u>1,903.49</u>	<u>1,368.17</u>
	Maximum Commission to Managing Director @ 5% of the Net Profit	95.17	68.41
	Commission actually approved for payment	0.75	0.75
	Maximum Commission to Non-Wholetime Directors @ 1% on the Net profit	19.03	13.68
	Commission actually approved for payment	<u>3.20</u>	<u>2.80</u>

Schedule forming part of the Accounts as at and for the year ended December 31, 2009 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

20. vii) Remittance in foreign currency on account of dividend to non-resident shareholder: (Net of tax deducted at source wherever applicable)

		(Rs. in million)	
		Final Dividend	Interim Dividend
		2009	2008
a) Number of shareholders	1	1	1
b) Number of shares on which dividend was paid	16,120,281	13,934,014	13,934,014
c) Period / Year to which the dividend related	01.01.2008	01.01.2007	01.01.2008
	to	to	to
	31.12.2008	31.12.2007	31.12.2008
d) Amount remitted (Rs. in million)	241.80	209.01	139.34
e) Currency in which amount remitted	Euro	Euro	Euro

viii) Value of imports calculated on C.I.F. basis

		(Rs. in million)	
		2009	2008
(a) Raw materials	2,006.09	1,962.76	
(b) Components and spare parts	35.92	129.88	
(c) Capital goods	28.18	219.65	
	<u>2,070.19</u>	<u>2,312.29</u>	

ix) Expenditure in foreign currency (on accrual basis) (Net of tax deducted at source, wherever applicable)

		2009	2008
(a) Professional and consultancy fees	28.02	39.10	
(b) Commission	3.25	2.03	
(c) Royalty	53.83	41.44	
(d) Project Related Expenses	80.24	34.16	
(e) IT Charges	45.19	34.27	
(f) Travelling	9.92	16.62	
(g) Others	65.68	39.47	
(including re-imbursement of salary, Sales Promotion, Selling and Distribution and branch office expenses)			
	<u>286.13</u>	<u>207.09</u>	

x) Earnings in foreign currency (on accrual basis)

		2009	2008
(a) Export of goods calculated on F.O.B basis	2,415.76	2,798.51	
(b) Commission Income	4.62	2.68	
(c) Erection / Supervision charges and others	10.90	8.06	
	<u>2,431.28</u>	<u>2,809.25</u>	

Schedule forming part of the Accounts as at and for the year ended December 31, 2009 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

21. Provision for current tax represents estimated tax charge based on the aggregate profits of the Company for the quarter ended March 31, 2009 and nine months ended December 31, 2009. Ultimately, the tax liability of the Company would be determined on the basis of its results for the fiscal year ending March 31, 2010.
22. Advance payment of Income tax includes a sum of Rs. 15.86 million (previous year Rs. 24.25 million) towards refund for earlier years (up to assessment year 2004-05), against which the assessment has been completed by various appellate authorities. However, the refund for these assessment years including interest income thereon, if any, is pending order effect. The management believes that the entire amount on such refunds will be received and adjusted, if any, which in the opinion of the management will not be material and will be made as and when such refunds are received.
23. Unsecured loans consist of Interest Free Sales tax deferment loan. Repayment due within one year is Rs. 10.72 million (previous year Rs. 7.61 million)
24. Excise duty on sales amounting to Rs. 283.42 million (previous year Rs. 429.07 million) has been reduced from sales in profit & loss account and excise duty on increase / decrease in stock amounting to Rs. 15.21 million (previous year Rs. 5.85 million) has been accounted in Schedule 14 of financial statements
25. Previous year's figures have been regrouped where necessary to conform to this year's classification.

Signatures to the Schedules 1 to 15, forming part of the Balance Sheet and Profit and Loss Account.

As per our report of even date
For S.R.BATLIBOI & ASSOCIATES
Chartered Accountants

Per **Govind Ahuja**
Partner
Membership No. 48966

Place : Mumbai
Date : February 24, 2010

For and on behalf of the Board
JOSE HERNANZ
Managing Director

V. CHANDRASEKHAR
Company Secretary

Place : Pune
Date : February 24, 2010

GIUSEPPE FALCIOLA
Chairman

ASHOK M. ADVANI
KEWAL HANDA
RAVI KRISHNAMURTHI
NISH PATEL
Directors

Cash Flow statement for the year ended December 31, 2009

(Rs. in million)

A. Cash Flow from Operating activities

Net profit before taxation

2009	2008
1,871.60	1,358.57

Adjustments for:

Depreciation

129.57	99.18
--------	-------

Interest Expense

5.25	3.26
------	------

Interest Income

(3.50)	(5.03)
--------	--------

Profit on sale of Investments (Net)

(2.22)	(5.92)
--------	--------

Diminution in the value of Investments

(1.37)	1.37
--------	------

Dividend Income from Investments

(30.72)	(18.51)
---------	---------

(Discount) / Premium on Foreign Exchange Contracts amortised

(14.72)	(2.72)
---------	--------

Foreign Exchange (Gain) / Loss (Net)

8.67	10.23
------	-------

Loss on sale of Fixed Assets (Net)

6.21	3.22
------	------

Customer Advances and Excess Liabilities written back

(22.04)	(55.35)
---------	---------

Bad debts / advances written off (Net of adjustment)

59.90	55.47
-------	-------

Operating Profit Before Working Capital Changes

2,006.63	1,443.77
----------	----------

Movements in Working Capital:

(Increase) / Decrease in Inventories

265.71	(208.52)
--------	----------

(Increase) / Decrease in Sundry Debtors

(163.52)	36.31
----------	-------

(Increase) in Other current assets

(56.23)	(10.24)
---------	---------

(Increase) / Decrease in Loans and Advances

34.62	(25.73)
-------	---------

Increase in Current Liabilities and Provisions

117.90	475.42
--------	--------

Cash generated from Operations

2,205.11	1,711.01
----------	----------

Direct taxes paid (Net of refunds)

(617.59)	(488.00)
----------	----------

Net Cash from operating activities

1,587.52	1,223.01
----------	----------

B. Cash flow from Investing activities

Purchase of fixed assets

(94.49)	(323.97)
---------	----------

Proceeds from sale of fixed assets

7.11	3.23
------	------

Purchase of investments

(1,937.18)	(1,801.39)
------------	------------

Sale of investments

1,061.45	1,659.87
----------	----------

Inter Corporate Loan given

(284.60)	—
----------	---

Fixed Deposit pledged

—	(0.31)
---	--------

Fixed Deposit matured

—	0.20
---	------

Interest received

3.73	4.58
------	------

Dividend received

30.72	18.51
-------	-------

Net cash (used) in investing activities

(1,213.26)	(439.28)
------------	----------

Cash Flow statement for the year ended December 31, 2009 (Contd.)

(Rs. in million)

C. Cash flow from Financing activities

	2009	2008
Repayment of short term borrowings	–	(127.91)
Repayment of long term borrowings	(7.61)	(6.12)
Interest paid	(5.25)	(3.26)
Dividend paid	(272.41)	(454.01)
Tax on dividend paid	(46.30)	(77.16)
Net cash (used) in financing activities	(331.57)	(668.46)
Net increase in Cash and cash equivalents (A+B+C)	42.69	115.27
Cash and cash equivalents at the beginning of the year	352.05	236.78
Cash and cash equivalents at the end of the year	394.74	352.05
Components of Cash and Cash equivalents as at December 31, 2009:		
i) Cash on Hand	0.43	0.93
ii) With Scheduled Banks		
– On Current Account	175.70	123.80
– On Deposit Account	0.31	115.31
– On Exchange Earner's Foreign Currency Account	210.57	108.85
– On Unclaimed dividend Account*	12.07	15.34
iii) With Non-Scheduled Banks		
– On Current Accounts	0.01	0.10
Less: Fixed deposits not considered as cash equivalents	(0.31)	(0.31)
Sub Total	398.78	364.02
Less: Effect of Exchange Differences on Cash and Cash Equivalents held in foreign currency	(4.04)	(11.97)
Cash and Cash Equivalents in Cash Flow Statement:	394.74	352.05

Note:

- * These balances are not available for use by the Company as they represent corresponding unpaid dividend liabilities.
- All figures in brackets are outflow.
- Fixed Deposit Accounts made for a period of more than three months for Rs. 0.31 million (previous year Rs. 0.31 million) have not been included as a component of cash and cash equivalents.
- The Cash Flow has been prepared under the indirect method as set out in Accounting Standard - 3 on "Cash Flow Statement" as Notified accounting standards by Companies Accounting Standards Rules, 2006.
- Previous year's figures have been re-grouped / restated wherever necessary.

As per our report of even date

For S.R.BATLIBOI & ASSOCIATES
Chartered Accountants

Per **Govind Ahuja**
Partner
Membership No. 48966

Place: Mumbai
Date : February 24, 2010

For and on behalf of the Board

JOSE HERNANZ
Managing Director

V. CHANDRASEKHAR
Company Secretary

Place: Pune
Date : February 24, 2010

GIUSEPPE FALCIOLA
Chairman

ASHOK M. ADVANI
KEWAL HANDA
RAVI KRISHNAMURTHI
NISH PATEL
Directors

ANNEXURE 1

Statement pursuant to Part IV of Schedule VI to the Companies Act, 1956

Balance Sheet Abstract and Company's General Business Profile

I. REGISTRATION DETAILS

Registration No.					2	7	3	2	State Code	1	1
Balance Sheet Date	3	1	1	2	2	0	0	9			

II. CAPITAL RAISED DURING THE YEAR (AMOUNT RS. IN THOUSANDS)

Public Issue						N	I	L	Bonus Issue							N	I	L	
Rights Issue							N	I	L	Private Placement							N	I	L

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT RS. IN THOUSANDS)

Total Liabilities		3	2	5	6	0	2	1	Total Assets		7	0	7	6	7	2	7
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(excluding miscellaneous expenditure to the extent not written off or adjusted)

SOURCES OF FUNDS

Paid-up Capital			1	8	1	6	0	5	Reserves and Surplus		3	5	9	3	0	4	3
Secured Loans						N	I	L	Unsecured Loans				4	6	0	5	6

APPLICATION OF FUNDS

Net Fixed Assets		1	0	0	1	3	3	5	Investments		1	2	3	3	8	6	2	
Net Current Assets		1	5	5	2	6	2	6	Miscellaneous Expenditure						N	I	L	
Accumulated Losses							N	I	L	Deferred Tax Assets (Net)				3	2	8	8	3

IV. PERFORMANCE OF COMPANY (AMOUNT RS. IN THOUSANDS)

Turnover		8	8	2	8	7	2	4	Total Expenditure		6	9	9	0	4	6	1	
Profit/(Loss) before Tax		1	8	7	1	5	8	0	Profit/(Loss) after Tax		1	2	3	3	3	6	7	
Earnings Per Share (Rs.)					6	7	.	9	2	Dividend Rate (%)						2	5	0

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY (AS PER MONETARY TERMS)

Item Code No. (ITC Code)	8	4	2	1	1	9	0	5	Product Description	DECANTERS
Item Code No. (ITC Code)	8	4	2	1	1	9	1	0	Product Description	SEPARATORS
Item Code No. (ITC Code)	7	3	0	9	0	0	9	0	Product Description	FABRICATION EQUIPMENT

[illegible]

NOTES



www.alfalaval.com

Alfa Laval in brief

Alfa Laval is a leading global provider of specialized products and engineered solutions.

Alfa Laval's equipment, systems and services are dedicated to helping customers to optimize the performance of their processes. Time and time again.

Alfa Laval helps customers to heat, cool, separate and transport products such as oil, water, chemicals, beverages, foodstuffs, starch and pharmaceuticals.

Alfa Laval's worldwide organization works closely with customers in 100 countries to help them stay ahead.

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