Enduring customer satisfaction

Annual Report 2010

Alfa Laval (India) Limited

Enduring Customer Satisfaction

▲

Efficiency Enhancement

▲

Visible Presence

▲

Competence Development

▲

Capacity Addition

Contents

Board of Directors

Chairman Emeritus
Kamaljit Singh

Secretary
V. Chandrasekhar

Legal Advisers
Crawford Bayley & Co.

Auditors
S. R. Batliboi & Associates

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Dapodi, Pune 411 012
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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. Bhor, Dist. Pune
- E-7/ E-8, MIDC Estate, Satara 415 004

Kewal Handa

Jose Hernanz
Managing Director

Peter Leifland

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, Dhole 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

Chairman's Communique

With the seamless flow of technological support from the Principals, in terms of resources and knowhow, having already driven up the quality and reliability of its overall performance, the Company is evidently up in the league in its vision of enduring customer satisfaction.

Dear Shareholders,

The year under review witnessed the global economy in the midst of a further recovery while the resilient run of the Indian economy continued with an impressive growth in the GDP coming from positive contributions from industry and services sectors and a relatively better contribution from farming. In this scenario, the performance of the Company during 2010 did not quite achieve the full potential. The business opportunities were created and pursued in right earnest but the orders from the markets catered to by the Company did not flow as anticipated. This was compounded by the spill over of deliveries of some of the major projects leading to lower sales revenues and, as a consequence, lower profitability. However, the Board of Directors of the Company share a strong belief in the Company's track record and its future development as can be seen from their recommendation to enhance the dividend distribution which I expect you will be pleased with.

With a vibrant economy, a reasonably good business environment and especially the markets served by the Company showing growing investment potential, the Company is well poised to ride on the opportunities in pursuit of its goals as perceived by the Management. The recent budget hailed by the business community is expected to maintain the growth momentum despite the current inflationary pressure. The focus to realize the full potential of the manufacturing sector besides the renewed thrust on infrastructure would significantly engage the capital goods sector for boosting the performance. The Company, with its well entrenched presence and well suited products and process solutions, is already evidencing a positive trend in the current year as outlined by the Managing Director in his message and I trust the Company to remain very responsive to the business opportunities that would be emanating from the large set of markets it serves. With the seamless flow of technological support from the Principals, in terms of resources and knowhow, having already driven up the quality and reliability of its overall performance, the Company is evidently up in the league in its vision of enduring customer satisfaction.

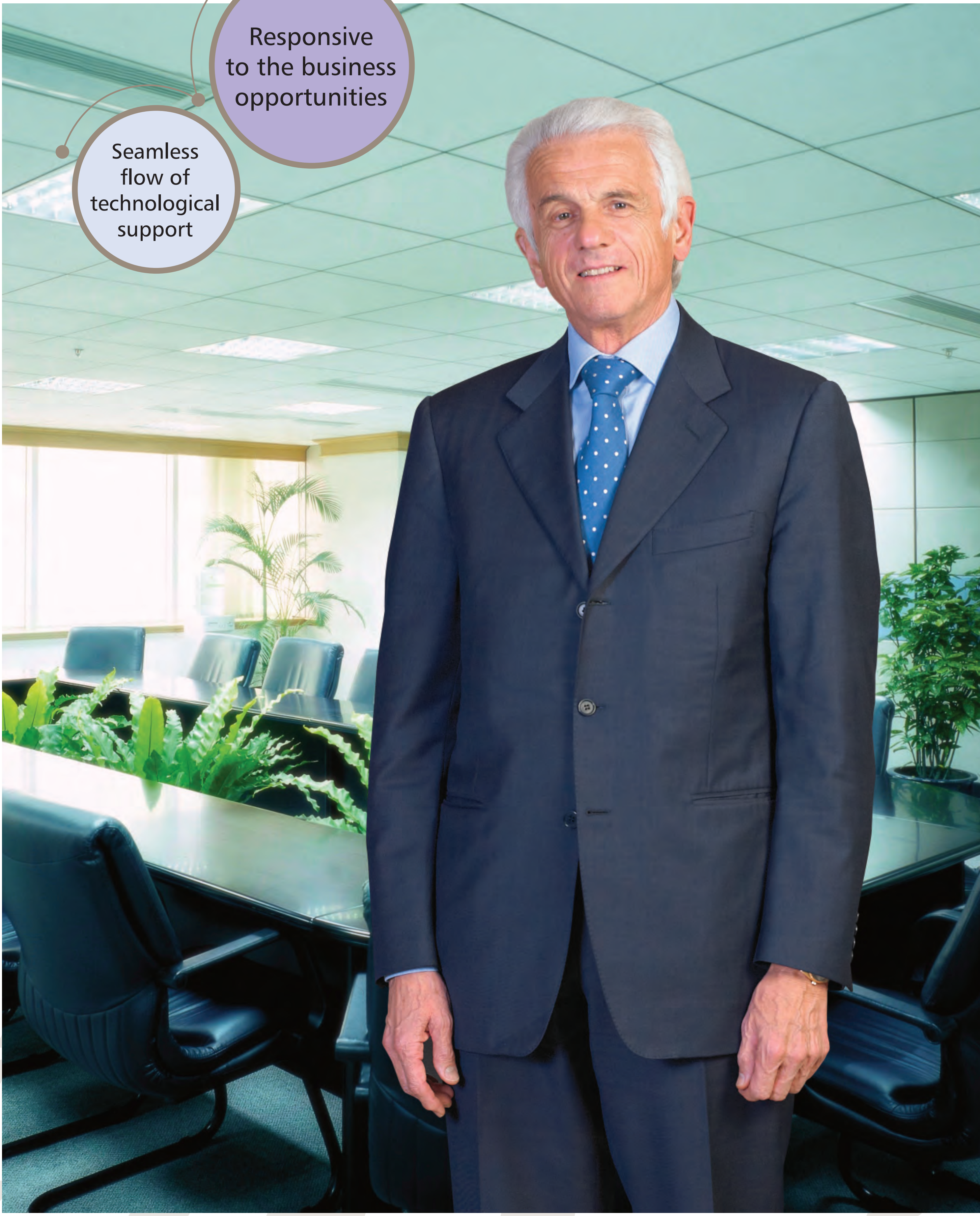
The Principals have acknowledged the sizeable contribution of the Company to the business of Alfa Laval Group which has reinforced their belief in the Indian manufacturing base going by the significant capital expenditure programme charted out for the current year mainly for sprucing up the manufacturing facilities not only to deal with the demand potential but also to launch newer and more efficient models of products. Alfa Laval Group also keeps raising the bar of corporate governance and the Company's keen desire to embrace these norms in addition to the local norms shows its commitment to good practices with a view to create and sustain stakeholder confidence.

I want here to express to all my colleagues on the Board my appreciation for their wholehearted co-operation and professional support, while conveying my best wishes to the Management for a successful year ahead. I would also like to thank you, the shareholders, for reposing confidence in the Company, all other stakeholders for their continued commitment and finally, the employees at all levels for their strong motivation and dedicated efforts towards the performance of the Company.

Giuseppe Falciola

Responsive to the business opportunities

Seamless flow of technological support



MD's Thoughts

With the fundamentals quite strong, I expect the Company to tread back to its growth story as also going by the developments since the beginning of the current year.

Dear Shareholders,

Last year around the same time I had spoken about my priorities for sustaining the path of growth on which the Company had set itself. With the priorities put in place, the Company's progress during the year 2010 was lively but not without glitches. While the components and Parts business developed well, the project business of the Company, despite a steady flow of orders, was laid back a little in the absence of any large value order to compensate for the export orders received in the previous year and also narrowly missing out on a few major orders. Added to this, delay in deliveries in some major projects led to lower sales revenues and a corresponding effect on profitability. With the fundamentals quite strong, I expect the Company to tread back to its growth story as also going by the developments since the beginning of the current year.

The year 2011 has started off on a good note with positive trends seen in most of the industries in the Company's area of expertise. The business environment is reasonably good with the industry quite keen on moving ahead with investment decisions despite the inflationary pressure and the hardening of interest rates. While the components and parts and service business are expected to hold their own, the project business should move along nicely with several inquiries projected to move towards conclusion in the short term. All in all, a promising year lies ahead !

The Company had initiated a few significant projects towards process improvement which would be up and running in the current year and pave the way for enhancing efficiency on key fronts and developing the competence further with well designed programs in support thereof.

Strategies based on plans for empowering people and setting up of a performance driven organizational structure are implemented to tap the emerging opportunities in the market more effectively. To complement the above efforts, investments in manufacturing facilities are stepped up for augmenting production capacity to meet the growing demand and enhanced competitiveness besides aiming to maintain the pace of new product introductions to be in line with the market trends while the service business is expanding its horizon in our pursuit of enduring customer satisfaction.

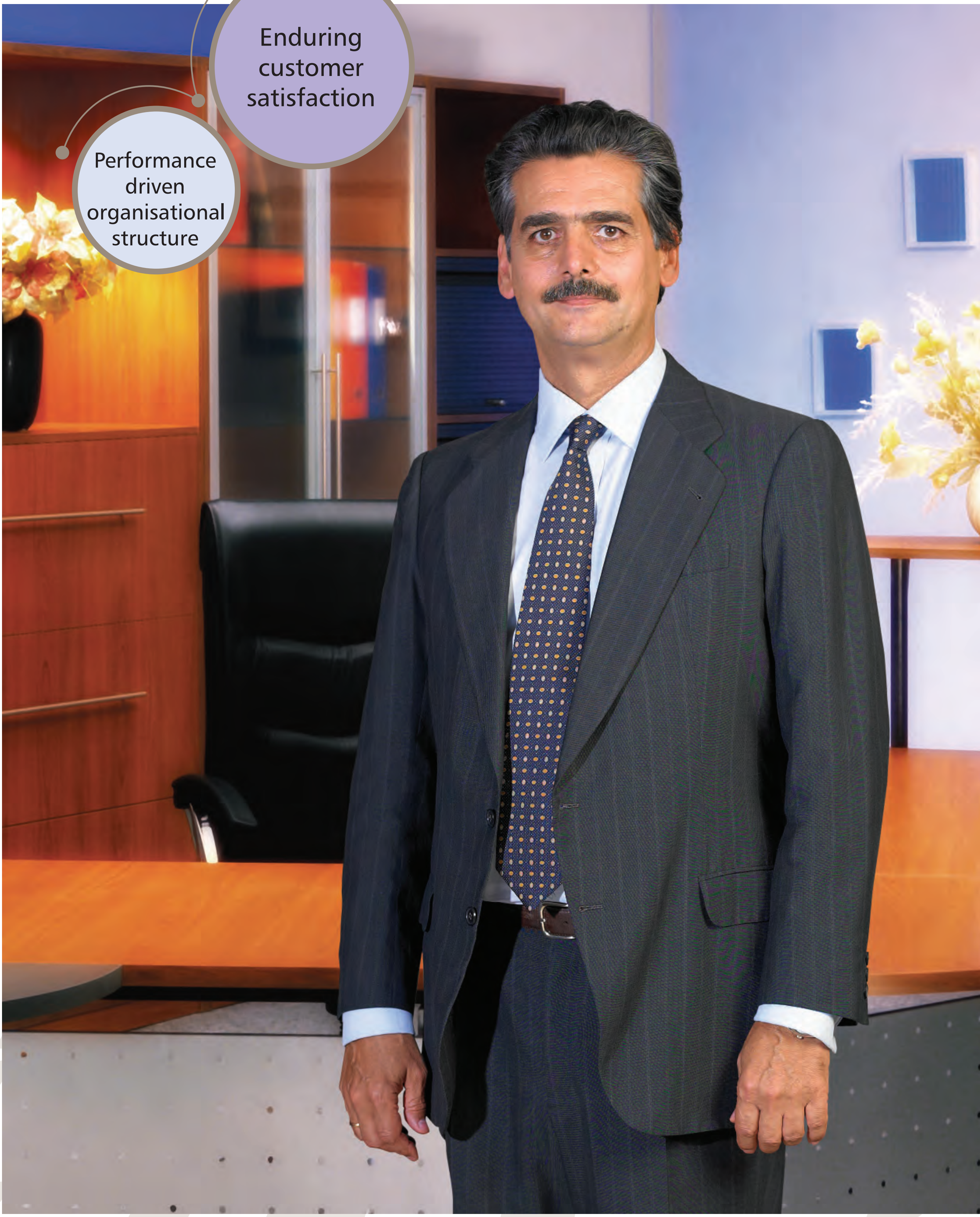
The Company's long existence is a tribute to its human capital which will be continually developed in its endeavour of fostering a performance culture both on the professional and personal fronts to display their virtues in the market place, so vital for the Company's above vision.

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 boosting the performance of the Company.

Jose Hernanz

Enduring customer satisfaction

Performance driven organisational structure



Sustaining the business differently

Dear Members,

The Board of Directors have pleasure in presenting herewith their 73rd Annual Report together with the Audited Accounts of the Company for the year ended 31st December, 2010.

Operations and Financial Results

The order intake for the year under review, though comparatively lower against the previous year, showed the Company's ability to sustain volumes with small and medium size orders without any large value order contributing to the cause. With the Equipment Division continuing to surge ahead in the domestic market, the Process Technology Division having a steady flow of orders though narrowly missing out on a few large value orders and the order inflow from the Principals slowing down, the total order intake for the year under review was Rs. 9,052.87 M (2009:Rs. 9,799.41 M). Despite the healthy order backlog at the commencement of the year, the sales revenues, mainly due to the spill over of deliveries quarter on quarter ended up with a drop of about 6% at Rs. 8,360.34 M (2009:Rs. 8,875.73 M). With exchange gain and interest from loan almost doubling the other income, the total income for the year was at Rs. 8,592.33 M (2009:Rs. 8,996.86 M). As a result of the lower sales revenues and the rising input prices cutting across the margins, the growth in profitability could not be sustained. The financial performance of the Company for the year 2010 was as under:-

(Rs. in million)

Particulars	2010		2009	
Gross profit for the year after meeting all operating expenses but before depreciation, interest and taxation		**1,790.49**		2,006.42
Less;				
a) Interest	**5.30**		5.25	
b) Depreciation	**127.10**		129.57	
		132.40		134.82
Profit before tax		**1,658.09**		1,871.60
Less: Provision for taxation				
a) Income tax	**620.25**		653.79	
b) Deferred tax	**(49.47)**		(24.94)	
c) Prior period tax (reversal)/expense	**6.00**		4.00	
d) Wealth tax	**0.10**		0.10	
e) Fringe Benefit tax	**-----**		5.26	
		576.88		638.21
Profit after taxation		**1,081.21**		1,233.39
Profit and loss account balance brought forward		**1,880.07**		1,301.85
Profit available for appropriation		**2,961.28**		2,535.24

Dividend

The Board of Directors of the Company recommend a dividend of Rs. 30/- per equity share for the year ended 31st December, 2010 which together with the dividend distribution tax will absorb an amount of Rs. 633.54 M (net) (2009:Rs. 531.17 M) out of the distributable surplus.

Appropriations

After setting aside the amount of Rs. 633.54 M (net) (2009:Rs. 531.17 M) for dividend including dividend distribution tax and after transferring an amount of Rs.109.00 M (2009:Rs.124.00M) to General Reserve, the balance amount of Rs. 2,218.74 M (2009:Rs. 1,880.07 M) is being retained in the Profit and Loss account.

Foreign Exchange Earnings and Outgo

Despite the orders from the Principals on a slow track, the two major export orders secured during the previous year boosted the export turnover during the year under review to Rs. 2,609.15 M (2009: Rs. 2,415.76 M) managing a growth of about 8% over the previous year.

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 jitters caused by inflation and rising interest rates coupled with the uncertainty over policy reforms could lead to a hold on investment decisions thereby pulling down the performance of the manufacturing sector. On the other hand announcement of new projects continues unabated which could trigger the movement of investment cycle thereby creating business opportunities for the Company to move in the direction it had set for itself. This together with a resounding order backlog at the beginning of the year and the components business looking up, provides scope for improvement in the sales revenues for the current year. However, since a sizeable amount of the Company's business is derived from Projects, 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 2011 and thereon. Overall, the Company is optimistic of a steady growth in its performance during the current year barring unforeseen contingencies.

While the Company continues to invest in expansion of its capacities and for enhancing the effectiveness of its factories, a sizeable capital expenditure is proposed for the current year mainly for a new manufacturing facility at Pune which is under execution and for sprucing up the facility at its other manufacturing sites besides development of infrastructure to achieve optimum productivity.

Conservation of Energy

Energy conservation is being pursued with considerable focus and commitment by the Management. The Company is in the process of replacing the roofs of its factories with FRP sheets which would provide sufficient natural light during the day dispensing with the need for electrical lights. The factories are also being equipped with turbo ventilators for maintaining fresh air at ambient temperature all the time. The lighting system at all places carry energy efficient fittings to reduce energy consumption. The evaporative cooling system with insulated roof in place of airconditioners 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 reduce 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 with suitable technological inputs from the Principals. During the last five years, technology absorption in respect of separators, heat exchangers and decanters for a variety of applications has been successful leading to indigenisation of certain high value critical components.

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. Kewal Handa and Giuseppe Falciola retire by rotation, and being eligible, offer themselves for re-election.

Mr. Nish Patel resigned from the Board with effect from 28th April, 2010 as he wanted to devote a considerable time and attention to his functions at Sweden. The Board place on record their warm appreciation of the contribution made by Mr. Nish Patel during his tenure as a member of the Board both in executive and non-executive capacities.

Mr. Peter Leifland was appointed as an Additional Director with effect from the close of the 72nd Annual General Meeting on 28th April, 2010. As an Additional Director, he holds office upto the date of the ensuing Annual General Meeting and being eligible, offers himself for appointment as Director afresh.

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, 2010, 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, 2010 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, 2010 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 Falciola
Chairman

Place : Pune
Dated : 23rd February, 2011

Ten Years Overview

(Rs. in Million)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Sales & Other Income	3027.4	3055.9	3919.6	5279.6	5878.4	6061.8	7132.9	8108.9	8996.9	**8592.3**
Profit before Interest, Depreciation & Tax	627.4	725.7	915.9	1253.2	1065.4	1151.9	1444.1	1461.0	2006.4	**1790.5**
Net Profit after tax for the year	379.9	453.5	650.4	785.1	648.6	696.4	914.9	901.7	1233.4	**1081.2**
Share Capital	181.6	181.6	181.6	181.6	181.6	181.6	181.6	181.6	181.6	**181.6**
Reserves & Surplus	1346.9	1455.3	1570.3	1850.1	1980.9	2136.6	2520.3	2890.8	3593.1	**4040.7**
Shareholders' Funds	1528.5	1636.9	1751.9	2031.7	2162.5	2318.2	2701.9	3072.4	3774.7	**4222.3**
Loan Funds	64.3	65.7	65.8	64.7	64.7	62.6	187.7	53.7	46.0	**-**
Total capital employed	1592.8	1702.6	1817.7	2096.4	2227.2	2380.8	2889.6	3126.1	3820.7	**4222.3**
Gross Block	941.2	1010.5	973.0	1088.9	1270.9	1276.8	1411.0	1794.6	1807.8	**1893.8**
Depreciation	573.0	635.1	610.4	669.9	705.4	703.7	736.7	799.8	830.0	**928.9**
Net Block	368.2	375.4	362.6	419.0	565.5	573.1	674.3	994.8	977.8	**964.9**
Net Current Assets	627.6	608.7	864.4	1124.0	1173.5	1397.6	1822.7	1713.9	1552.6	**1753.0**
Dividend	336.0	345.0	454.0	454.0	454.0	454.0	454.0	454.0	454.0	**544.8**
Dividend per share (Rs.)	18.50	19	25	25	25	25	25	25	25	**30**
Book Value of Shares (in Rs.) (Face value Rs.10)	84.17	90.14	96.47	111.88	119.08	127.65	148.78	169.19	207.86	**232.50**
Earning per share (in Rs.)	20.92	24.97	35.81	43.23	35.71	38.35	50.38	49.65	67.92	**59.54**
Return on Shareholders' Funds	24.85%	27.70%	37.12%	38.64%	29.99%	30.04%	33.86%	29.35%	32.68%	**25.60%**
No. of shareholders	13386	12560	12172	11647	11059	12585	11279	11456	9835	**9995**

Gearing up for the challenge ahead

Industry structure & Development

While the world economy is slowly ebbing out of one of the worst financial crisis of this age, the Indian economy sustained the growth momentum during 2010 despite the high inflationary pressure for most part of the year. The index of industrial production witnessed a marginal increase on a cumulative basis although the manufacturing sector could not deliver a consistent performance. However, the farm sector development has been good with adequate rainfall across the country and is all set to give a boost to the economy.

The performance of capital goods industry as such was encouraging despite the slackening pace of implementation of new projects. At the same time announcement of new projects continues unabated.

From the Company's point of view, the business climate continued to be testing during 2010 and the Company could not sustain its performance both on the order intake and sales revenue fronts. However, the continuous technological advances of the Company's Principals as a part of its efforts to offer products more suited to the needs of the customer and its own innovations to offer customized process solutions, served as a solid platform for enabling the Company to spread its reach for a deeper market penetration.

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 highly diversified industries in the domestic market. The Division also accounts for the export of the above products to the Principals.

The year 2010 developed positively for the products coming out of the stable of the

Alfa Laval Group CEO Lars Renström and Group Management Members visiting Plant at Pune

Equipment Division

Alfa Laval Big Bang Series
Heat Exchangers

Alfa Laval
Pure Ballast

Alfa Laval
Air Handling Units

Equipment Division for the domestic market. With the need for boosting capacities to cater to the growing requirements of the markets served by the Company, 2011 is expected to be good while the recovery process setting in after the recession, is expected to raise the volume of export of separators, decanters and flow equipment to the Principals.

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, aseptic solutions, local fabrication expertise and project engineering skills to offer products and engineered solutions to varied industries.

The order inflow for the year 2010 belied expectations mainly due to the slackening pace of implementation of new projects as indicated above. However, as is always associated with the Project business, the decisions on projects could take its own course but with the unabated announcement of new projects, the current year should spring in some good business for this segment.

Parts and Service

With the continuing growth in the installed base and with a tool in place to track the same,

Alfa Laval Separator in
a Component Manufacturing Unit

Parts and Service business catering to both the above segments, is now more focused on service. The Company has a well established sales and service network providing closest proximity to the customers thereby improving the response time both directly and indirectly. The focus on service business should also enable the Company to persuade its customers for upgradation/replacement for optimum performance of their processes thereby paving the way for the installation of the latest and cost efficient models of products. The Company is also constantly enhancing the technical competence of its service force to render prompt and quality service.

Fruit processing plant together with
Aseptic filling section

Process Technology Division

Alfa Laval
Foodec Decanter

Alfa Laval Separator
for Life Science

Alfa Laval
Membrane Filtration
Module

Segmentwise performance

Equipment Division

With the Indian economy chugging along, the industry responded by pushing ahead their investment plans gradually. The order intake of the Equipment Division in the domestic market moved along well thereby pushing along the sales revenues for the year 2010. In the wake of a slow recovery in Euro zone and with orders not really flowing to overreach capacities therein, the flow of orders from the Principals was lower than that of the previous year. The slackness in demand for the spare parts in some of the relevant markets impacted the order intake of Parts & Service business and consequently the sales revenues. The aggregate order book of the Division at the end of the year was reasonably good. On an overall basis, the Equipment Division marginally bettered its performance over the previous year.

Total revenue of the Equipment Division for the year ended 31st December, 2010 was Rs. 3,997.94. M representing about 48% of the total revenues. This segment earned a profit before unallocated expenses and tax of Rs. 638.35 M. The capital employed for this segment was Rs. 1,819.85 M.

Process Technology Division

The Process Technology Division took off a little slowly considering that decisions on moving ahead with mid size and large projects followed a cautious trend. With a few large value orders eluding the Company's grasp and with a few other major orders not getting concluded in all respects, the order intake for the year under review was lower as compared to the previous year. The sales revenues of the Division also slipped mainly due to the spill over of the deliveries quarter on quarter leading to a higher order backlog at the end of the year. The tracking of the large installed base aided the Parts and Service business which showed good growth in both the order intake and sales revenues over the previous year.

Total revenue of the Process Technology Division for the year ended 31st December, 2010 was Rs. 4,362.40 M representing about 52% of the total revenues. This segment earned a profit before unallocated expenses and tax of Rs. 1,017.63 M. The capital employed for this segment was Rs. 749.33 M.

Outlook

In general, the outlook for the business of the Company is promising with the Industry quite keen on moving ahead with its investment decisions. The Company is gearing up to launch some new products during the current year adding to its wide range while the research and development activities of the Principals would supplement the introduction


Spent Wash Evaporator

Process Technology Division

Alfa Laval
Spiral Heat Exchanger

Alfa Laval
Compablock

Alfa Laval Separator
for Distillery

of newer models of products from time to time which should aid in market penetration in this competitive environment.

Notwithstanding the economic recovery, the current year, like the year under review, would continue to be a challenge for achieving the targeted order intake while the higher order backlog should help in shoring up the sales revenues.

Risk and Concern

The Company's business mix is more oriented towards the Projects business though over a period of time, the component 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, impact on profitability 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.

Business from certain sectors feature prominently in the Company's business plan and any reversal of business cycle in such sectors could cause an imbalance in the Company's business volumes.

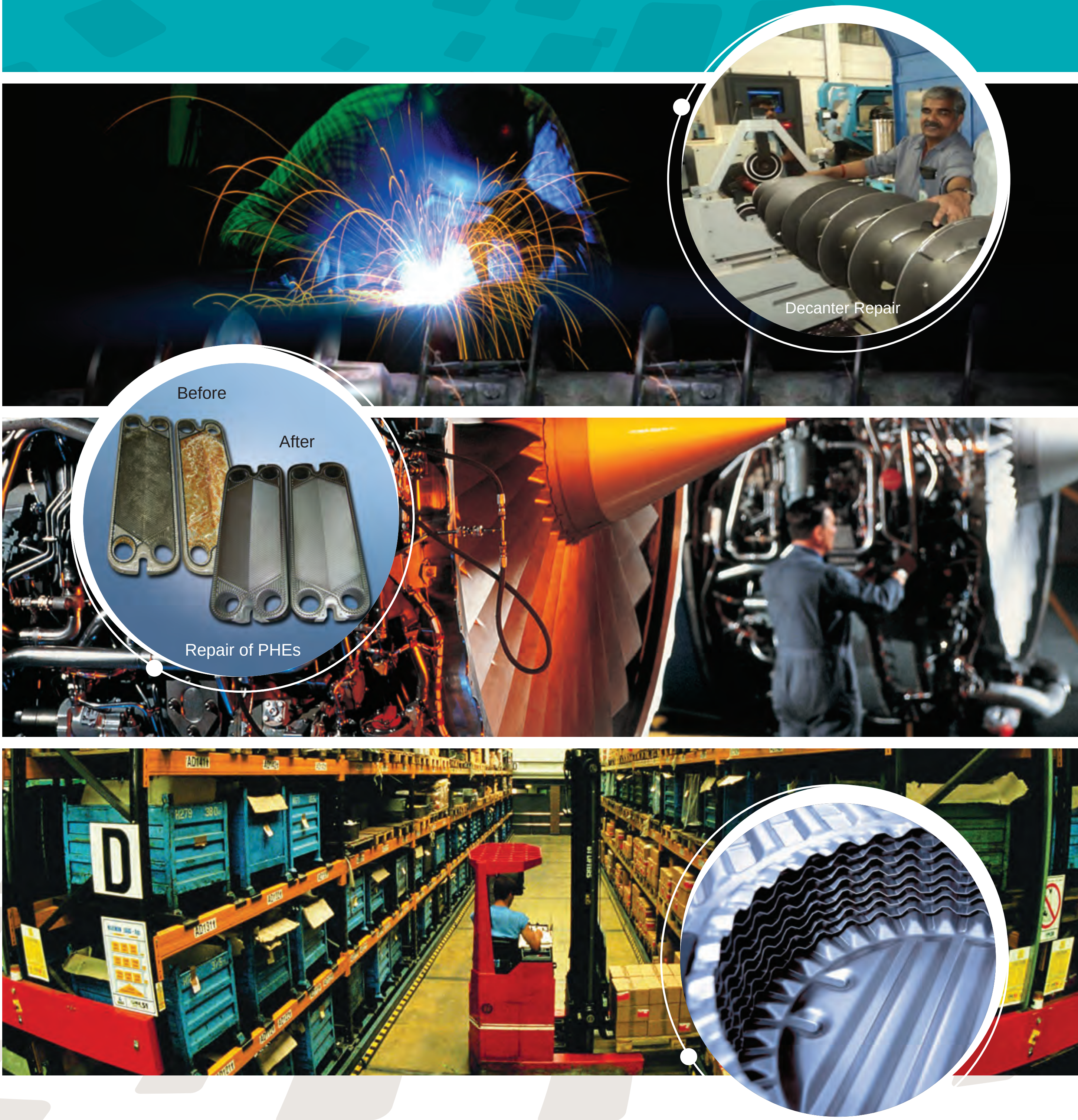

Servicing of Separator

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 not only from the local companies forging tie-ups with the technology providers from abroad but also from the international companies through the import route and through their own manufacturing facilities. The increasing options for the customers are leading to a cut-throat competition where the pricing still assumes a lot of significance and wins over technology and in such circumstances retaining market share will be a big challenge for the Company.

The Company's exports, major portion of which accounts for supplies to the Principals, now constitute a relevant portion of the total sales

Vizag Service Centre

Parts & Service



turnover. In this scenario, the developments in global economy are always the driving force behind the export performance of the Company. The currency risk is an inherent part of doing exports business and with the usual volatility attached to the exchange rates in line with global developments, the Company is exposed to exchange rate fluctuations despite the Company's well defined and conservative forex management policy.

A small part of the risk emanates from those persons who indulge in selling non-original spare parts 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 the effect of such unfair competition take an unduly long time during which the Company stands to be deprived of some business opportunities.

With the signs of industrial recovery, job opportunities have opened up. Considering the Company's business plan, it becomes imperative to retain the Company's skilled and trained manpower. Though the Company takes 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 Rs. 8,592.32 M. The profit before interest, depreciation and tax was Rs. 1,790.49 M. After providing Rs. 5.30 M for interest, Rs. 127.10 M for depreciation and Rs. 576.88 M for taxation, the net profit for the year was Rs. 1,081.21 M. While the book value of the Company's shares stood increased to Rs. 232.50, the earning per share reduced to Rs. 59.54 on the back of fall in profitability. The return on shareholders' funds and the return on total capital employed were 25% and 39% respectively.

II. Operational performance

The order inflow for the year under review was lower as compared to the previous year which included two large value orders. Despite a healthy order backlog at the beginning of the year, invoicing, mainly due to the abovesaid spill over of deliveries quarter on quarter dropped by about 6% to Rs. 8,360.34 M as compared to Rs. 8,875.73 M in the previous year. The Company's export business from the Principals continued to fill in the capacities though not with the same pace experienced in

Foundation stone laying at the hands of Alfa Laval Group CEO

the past given the developments in the global economy especially the Euro zone. The Parts and Service business riding on the back of the large installed base, registered a good growth on both the fronts. The drag on invoicing impacted the operating profit marginally.

While a new assembly unit established at Sarole during the previous year went on stream further with complete manufacturing facility, a new manufacturing facility at Dapodi, Pune is expected to be operational during this year. A sizeable capital expenditure is proposed for the current year mainly for the new facility at Pune and for sprucing up the facility at its other manufacturing sites besides development of infrastructure to achieve optimum productivity.

The project for improvement of systems and processes has completed its journey and the Company should start reaping the rewards of an improved and seamless working environment and enhancement of efficiency of the processes given the ever expanding requirements. It should also help in the implementation of other global tools in the Company's system and help to serve the Company's customers in a more efficient manner.

With a view to give more thrust to the various market segments and enhance the competence image in the eyes of the customer, the sales force was realigned to represent the market segments directly in the field for bestowing specialized attention to the customers' requirements. Accordingly, the Company continued its efforts to strengthen the organization on the technical and field sales fronts in line with its above strategy towards the aim of achieving the challenge ahead.

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 policies, 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 besides providing for automatic checks and balances. The ERP system has been finetuned for achieving the desired objective.

The Company has a well defined risk management programme for identifying and mitigating risks across all the functions which is reviewed by the Board of Directors of the Company periodically.

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 laws 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 besides reviewing the financial information and other issues related to the Company's operations.

Material development in HR front

During the year under review 146 new employees including 55 Graduate Trainee engineers joined the Company. The Company's overall headcount as at 31st December 2010 was 1203 after taking into account the resignations and retirement.

Several initiatives were undertaken by the Company to enhance the skills and competence of the employees and to retain and nurture the talent available in the organization. While some of the initiatives were function related, some others encompassed majority of the employees across the Company. The performance development tool for all managerial cadre employees to identify the career development and training needs for the


ALPC Workshop

employees across all functions were updated and addressed through specific training programmes and function related workshops for developing the competence further.

The industrial relations remained cordial at all locations of the company. During the year under review, wage agreements with the workmen unions at Sarole and Satara were 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] Chairman	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	–	–	–	–
Mr. Nish Patel[3]	Non-Executive	–	–	–	–
Mr. Peter Leifland[4]	Non-Executive	–	1[2]	–	–
Mr. Jose Hernanz Managing Director	Executive	–	–	–	–

1 Nominated by the Promoter under Article 146 of the Articles of Association
2 Represents foreign companies
3 Ceased to be Director with effect from 28th April, 2010
4 Appointed as Director with effect from the close of AGM on 28th April, 2010

B. Attendance of Directors at Board Meetings

Five Board Meetings were held during the financial year on 24th February, 2010, 28th April, 2010, 28th July, 2010, 26th October, 2010 and 15th December, 2010 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, 2010
Mr. Giuseppe Falciola	5	Present
Mr. Ashok M. Advani	4	Absent
Mr. Kewal Handa	4	Present
Mr. Ravi Krishnamurthi	5	Present
Mr. Nish Patel	1	Absent
Mr. Peter Leifland	1	Present
Mr. Jose Hernanz	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, the Internal Auditors and the Statutory Auditors attend the Meetings on invitation. The Committee met four times during the year 2010 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)	3
Mr. Ravi Krishnamurthi	Non-executive(Independent)	4
Mr. Giuseppe Falciola	Non-executive	4

In the absence of Mr. Kewal Handa, Mr. Ashok M. Advani chaired the Audit Committee Meeting held on 26th October 2010.

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 the 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, direct and indirect tax compliance, receivables, C forms, accounts payables, cost impact on large value projects, potential claims and compliances in general. 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 besides contribution to provident fund in terms of a recent legislation in this behalf. The performance related bonus to the Managing Director is determined on the basis of the performance of the Company with reference to various set parameters 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, 2010 :

(Rupees)

Name of the Managing Director	Salary	Commission*	Contribution to Provident fund and Pension	Other perquisites and allowances	Total
Mr. Jose Hernanz	1,975,000	296,250	237,000	469,396	2,977,646

* subject to adoption of the audited accounts at the 73rd 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, 2010 and 31st December, 2009 are as under:-

Sr. No.	Name of Director	2010		2009	
		Commission #	Sitting fees	Commission	Sitting fees
1.	Mr. Giuseppe Falciola	870,000	–	800,000	–
2.	Mr. Ashok M. Advani	870,000	84,000	800,000	106,000
3.	Mr. Kewal Handa	870,000	100,000	800,000	100,000
4.	Mr. Ravi Krishnamurthi	870,000	90,000	800,000	70,000
	Total	3,480,000	274,000	3,200,000	276,000

subject to adoption of the audited accounts at the 73rd Annual General Meeting.

4. INVESTORS' GRIEVANCE COMMITTEE

The Investors' Grievance Committee comprising of Mr. Giuseppe Falciola, Mr. Ashok M. Advani and Mr. Jose Hernanz (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 2010. 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, investigation by the Economic Offences Wing of the Mumbai Police is in progress. At the same time, all cases except 148 shares in physical form have been resolved by the Company to the satisfaction of the shareholders/investors concerned.

Mr. V. Chandrasekhar, Company Secretary, is the designated 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
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.
2010	Hotel Sun-n-Sand 262, Bund Garden Road, Pune 411001	28th April, 2010	3.00 P.M.

There were no special resolutions in any of the last three annual general meetings.

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 2010 that have a potential conflict with the interest 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 neither made any presentations to the institutional investors and/or analysts nor had any conference call 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, 2011 at 3.00 p.m.
Venue	:	Hotel Sun-n-Sand Bund Garden Road, Pune 411 001

B. Financial calendar 2011

First quarter results	April 2011
Second quarter results	July 2011
Third quarter results	October 2011
Annual results	February 2012

C. Date of Books Closure	:	14th April, 2011 to 28th April, 2011 (both days inclusive)
D. Dividend payment date	:	On or before 23rd May, 2011.
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 2010-2011 have been paid to the above Stock Exchanges.

F. Stock Code :

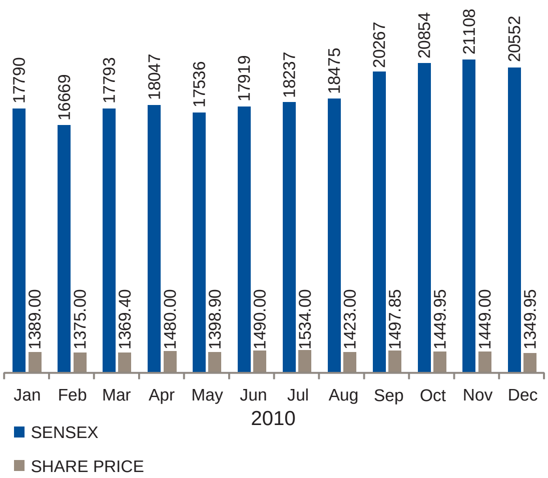
Stock Exchange	Code
Bombay Stock Exchange Ltd.	505885
National Stock Exchange of India Ltd.	ALFALAVAL

G. Stock Price data:

Month	Bombay Stock Exchange Ltd (in Rs.)		National Stock Exchange of India Ltd (in Rs.)	
	High	Low	High	Low
January 2010	1389.00	1170.00	1365.00	1161.10
February 2010	1375.00	1127.00	1370.00	1160.05
March 2010	1369.40	1260.00	1365.00	1261.30
April 2010	1480.00	1300.00	1480.00	1298.00
May 2010	1398.90	1249.00	1498.90	1240.00
June 2010	1490.00	1262.00	1495.00	1263.05
July 2010	1534.00	1375.55	1542.00	1373.20
August 2010	1423.00	1360.25	1488.00	1287.55
September 2010	1497.85	1370.00	1480.00	1370.00
October 2010	1449.95	1380.00	1454.95	1371.00
November 2010	1449.00	1276.00	1408.80	1261.05
December 2010	1349.95	1130.00	1340.00	1117.15

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 and ratification. All the bonafide applications for transfer/transmission/transposition besides the requests for issue of new share certificates and rematerialisation received during the year 2010 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, 2010 was as under:-

Range	No.of shareholders	% of total shareholders	No. of shares held	% of shareholding
1 to 500	9048	90.53	825,271	4.55
501 to 1000	525	5.25	378,211	2.08
1001 to 2000	310	3.10	430,865	2.37
2001 to 3000	58	0.58	142,527	0.78
3001 to 4000	27	0.27	93,289	0.51
4001 to 5000	9	0.09	39,109	0.22
5001 to 10000	14	0.14	95,654	0.53
10001 and above	4	0.04	16,155,557	88.96
Total	9995	100.00	18,160,483	100.00

The categories of shareholding as on 31st December, 2010 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	47,243	0.26
Banks/Financial Institutions, Insurance Companies and Mutual Funds	8,510	0.05
General public including domestic companies	1,984,449	10.92
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, 2010 total of 17,719,761 equity shares of the Company (including 16,120,281 equity shares held by Alfa Laval Corporate AB, Sweden), forming 97.57% 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
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 : investorservice.alil@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 event is sent individually to the shareholders of the Company.

For and on behalf of the Board of Directors,

Place: Pune
Date: 23rd February, 2011

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, 2010, 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**
Firm registration no. 101049W
Chartered Accountants

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

Place : Mumbai
Date : February 23, 2011

NOTICE

Notice is hereby given that the 73rd 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 Thursday, 28th April, 2011 at 3.00 p.m. to transact the following business:-

1. To receive, consider, and adopt the audited Balance Sheet as at 31st December, 2010, 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, 2010.

3. To appoint a Director in the place of Mr. Giuseppe Falciola who retires by rotation and being eligible, offers himself for re-appointment.

4. To appoint a Director in the place of Mr. Kewal Handa who retires by rotation and being eligible, offers himself for re-appointment.

5. To appoint a Director in the place of Mr. Peter Leifland who under Article 117(a) of the Company's Articles of Association holds office only upto the date of this Annual General Meeting and in respect of whom the Company has received a joint notice in writing from some shareholders signifying their intention to propose him as a candidate for the office of Director and who is eligible for appointment.

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

   "RESOLVED that consent of the Company be and it is hereby accorded, pursuant to Sections 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956, to the revision in the terms of remuneration of Mr. Jose Hernanz, Managing Director with effect from 1st January, 2011 as under:-

   a) A basic salary of Rs.1,82,687/-(rupees one lakh eightytwo thousand six hundred eighty seven only) per month aggregating to Rs.21,92,250/- (rupees twentyone lakhs ninetytwo thousand two hundred fifty only) per annum with such further increases as may be determined by the Board of Directors of the Company from time to time not exceeding Rs.30,00,000/- per annum;

   b) A performance related bonus as may be approved by the Board, subject to a ceiling of an amount equal to 25% of the annual basic salary;

   c) Perquisites:

      i) Rent free fully furnished and maintained residential accommodation together with all amenities, facilities and services of security, gardener etc., as also the utilities such as gas, electricity and water charges;

      ii) Reimbursement of all medical expenses incurred in India or abroad for Mr. Hernanz and his spouse;

      iii) Leave travel -- return holiday passage for home country for self and spouse twice in a year in accordance with the rules of the Company provided however that one trip can be spent in any other place abroad and leave travel allowance in such an event shall not exceed the return passage to home country as declared by Mr. Hernanz. In case leave is spent in India, leave travel allowance will be paid as per the rules of the Company;

      iv) Personal accident insurance in accordance with the rules of the Company;

      v) Contribution to provident fund and employees pension scheme not exceeding 12% of the basic salary of Mr. Hernanz as per the rules laid down in this behalf under the Employees Provident Fund Scheme, 1952 and Employees Pension Scheme, 1995 as amended;

      vi) Provision of company maintained car/s with driver ;

      vii) Provison of telecommunication facilities;

      viii) Fees and subscription of two clubs. These would however, not include admission and life membership fees;

      ix) Leave as per the rules of the Company;

   RESOLVED FURTHER that Mr. Jose Hernanz shall continue to be entitled to such other perquisites as specified in the resolution passed by the Board of Directors of the Company at their meeting held on 27th October, 2009;

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

   AND RESOLVED FURTHER that the Chairman be and he is hereby authorized to do all such acts, deeds and things including entering into a supplementary agreement with Mr. Jose Hernanz as may be necessary or expedient to give effect to this resolution."

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

"RESOLVED, pursuant to the provisions of Section 309 and other applicable provisions, if any, of the Companies Act, 1956, ("the Act") that consent of the Company be and is hereby accorded to the payment of remuneration by way of commission to the eligible non-executive Directors, as may be determined by the Board of Directors of the Company but not exceeding 3% (three percent) of the net profit of the Company each year, calculated in accordance with the provisions of the Act and that such commission being divisible amongst the eligible non-executive Directors as aforesaid in such proportion as the Board may determine or, failing such determination, equally amongst them;

RESOLVED FURTHER that as long as the Company has a Managing or Whole-time Director the commission payable to the eligible non-executive Directors as aforesaid shall not exceed 1% (one percent) of the net profit of the Company each year, calculated in accordance with the provisions of the Act, such commission being divisible amongst them as aforesaid in the manner stated above;

AND RESOLVED FURTHER that this resolution shall be effective for a period of 5 (five) years from the accounting year commencing on 1st January, 2011".

8. 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 : 23rd February, 2011

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 Thursday, 14th April, 2011 to Thursday 28th April, 2011, 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, 2003 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 from the date of transfer to unpaid dividend account 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. Giuseppe Falciola

Mr. Giuseppe Falciola holds a Masters degree in Business Administration from the Bocconi University, Italy and is associated with Alfa Laval Group since 1965 when he joined Alfa Laval SpA, Italy. After a short stint as Divisional Manager of Agri Division in Italy, Mr. Falciola took over as the Managing Director of Alfa Laval SpA, Italy and served in that position for about 18 years. He is credited with growing this company profitably not only through organic growth but also through acquisitions. After assuming varied responsibilities, Mr. Falciola became a member of Alfa Laval Group Management in 1993 with global responsibility for Business Area-Flow. In 1997, Mr. Falciola as a member of Alfa Laval Group Management, assumed regional responsibilities for some part of Asia, Oceania and East Europe which he continued to hold till December 2001 when he retired. However, Mr. Falciola continued his association with Alfa Laval Group as a Senior Consultant with responsibility for mergers and acquisitions between 2002 and 2004 during which time Alfa Laval Group completed several acquisitions. He was also associated with Industri Kapital, a private equity firm, as a Senior Industrial Advisor during this period. Mr. Falciola is presently associated with a couple of leading Italian private equity firms as Senior Industrial Advisor.

Mr. Falciola does not hold any share in the Company.

Besides the Company, Mr. Falciola is not a member of the Board of Directors of any other company in India.

None of the Directors except Mr. Giuseppe Falciola is interested in this item of business.

Mr. Kewal Handa

Mr. Kewal Handa is a member of the Institute of Cost & Works Accountants of India and the Institute of Company Secretaries of India, besides holding a Post Graduate Degree in Commerce. Mr. Handa has also completed a Leadership Development Programme from Harvard University and an extensive course on Marketing Strategy from Columbia Business School. He has also completed a course of Harvard Business School on Strategy programme conducted by International Business Consultant Process Improvement and the Senior Management Development Programme conducted by Indian Institute of Management, Ahmedabad.

He joined his present employer Pfizer Limited in 1990 as Controller-MIS and rose to his present position as Managing Director in March, 2005. Besides handling the Finance functions, Mr. Handa has also been involved in the business development comprising of evaluation of business strategies including mergers, and supporting the organization at all levels. Mr. Handa is also an office bearer in various organizations related to pharma industry and is also actively involved in major trade associations. Besides, Mr. Handa is a Director of Organisation of Pharmaceuticals Producers of India and Wyeth Limited.

Mr. Handa does not hold any share in the Company.

None of the Directors except Mr. Kewal Handa is interested in this item of business.

Explanatory Statement
(Pursuant to Section 173 of the Companies Act, 1956)

Item 5

Mr. Peter Leifland was appointed an Additional Director by the Board of Directors of the Company at their meeting held on 28th April, 2010 effective from the close of the 72nd Annual General Meeting held on 28th April, 2010. In terms of Section 260 of the Companies Act, 1956 and Article 117(a) of the Company's Articles of Association, Mr. Peter Leifland holds office only upto the date of the 73rd Annual General Meeting but he is eligible for appointment as Director afresh.

Mr. Peter Leifland holds a Degree in Law besides a Masters Degree in European Law and Politics from the Brussels University. He has also undergone a Management course on Executive Development at IMD in Lausanne. He has been associated with Alfa Laval Group since 1985 and held various responsible positions and in 1997 he became the Senior Vice President of Alfa Laval Group. Presently he is a member of the Alfa Laval Group Management and in his position as Executive Vice President he has the regional responsibilities of Western Europe and North America besides India. Mr. Peter Leifland had been a member of the Board of Directors of the Company between May 2000 and October 2004. Besides the Company, he is not a Member of the Board of Directors of any other company in India.

A joint notice has been received from some members as required under Section 257 of the Companies Act, 1956, proposing the candidature of Mr. Peter Leifland for the office of Director. The Board commends the resolution at item 5 of the accompanying Notice for approval of the Members. Mr. Peter Leifland has signified his consent to act as Director, if appointed.

None of the Directors except Mr. Peter Leifland is interested in this item of business. Mr. Peter Leifland does not hold any share in the Company.

Item 6

The Board of Directors of the Company ("the Board") reviewed the terms of remuneration of Mr. Jose Hernanz at their meeting held on 23rd February, 2011 and revised the same as indicated in the resolution at item 6 of the accompanying Notice subject to the consent of the Shareholders of the Company under the provisions of the Companies Act, 1956.

The resolution set out at item 6 of the accompanying Notice together with this explanatory statement are and should be read as an abstract under section 302 of the Companies Act, 1956. The service contract between the Company and Mr. Jose Hernanz together with a draft supplementary agreement between the Company and Mr. Jose Hernanz are available for inspection by the Members at the Registered Office of the Company between 10 a.m. and 12 noon on any working day except Saturday.

The Board commends the resolution at item No. 6 of the accompanying notice for the approval of the Members.

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

Item 7

The Shareholders of the Company had approved by means of special resolutions passed at the 68th Annual General Meeting held on 27th April, 2006 and at the 69th Annual General Meeting held on 21st June, 2007, the payment of remuneration by way of commission to the eligible non-executive Directors of the Company as may be determined by the Board of Directors of the Company within the limits prescribed under the provisions of the Companies Act, 1956. This arrangement was in force for a period of five years with effect from 1st January, 2006. It is now proposed to renew this arrangement for a further period of five years with effect from 1st January, 2011, on the terms specified in the resolution at item 7 of the accompanying Notice.

The aggregate amount of commission paid/payable to the eligible non-executive Directors of the Company in the past five years is as follows :

No. of eligible non-executive Directors	Financial Year ended	Amount (Rs.)
4	31st December, 2010 *	3,480,000
4	31st December, 2009	3,200,000
4	31st December, 2008	2,800,000
6	31st December, 2007	4,200,000
6	31st December, 2006	3,000,000

* subject to the adoption of the Audited Accounts at the 73rd Annual General Meeting

All the eligible non-executive Directors of the Company as may be determined by the Board of Directors of the Company may be deemed to be concerned or interested in this resolution.

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

V. Chandrasekhar
Company Secretary

Dated : 23rd February, 2011

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

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, 2010 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, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2010 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, 2010;

      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**
Firm registration number: 101049W
Chartered Accountants

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

Place : Mumbai
Date : February 23, 2011

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 the nature of its assets. Based on the work performed by us no material discrepancies were noticed 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, having regard to the explanation that certain items of Inventory purchased by the Company from its fellow subsidiaries are of specialized nature for which suitable alternative sources do not exist for obtaining comparative quotations, 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, 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, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities *though there have been slight 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 material 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 million)	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	181.83	2002-03 2003-04 2005-06 and 2006-2007	Commissioner of Sales Tax (Appeals) LTU, Pune
Service Tax under Finance Act, 1994	Demand of freight credit	1.79	2005-06 to 2007-08	Service Tax Appellate Tribunal, Mumbai

(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) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

(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**
Firm registration number: 101049W
Chartered Accountants

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

Place : Mumbai
Date : February 23, 2011

Balance Sheet as at December 31, 2010

(Rs. in million)

	Schedule Number		2010		2009
SOURCES OF FUNDS					
1. Shareholders' Funds					
Share Capital	1	**181.60**		181.60	
Reserves and Surplus	2	**4,040.74**		3,593.07	
			4,222.34		3,774.67
2. Loan Funds					
Unsecured Loans (Schedule 15, Note 22)			**–**		46.06
TOTAL			**4,222.34**		3,820.73
APPLICATION OF FUNDS					
1. Fixed Assets	3				
Gross Block		**1,893.83**		1,807.76	
Less: Accumulated Depreciation / Amortisation		**928.88**		830.00	
Net Block		**964.95**		977.76	
Capital work-in-progress (including Capital Advances)		**116.49**		23.58	
			1,081.44		1,001.34
2. Investments (Schedule 15, Note 14)	4		**1,305.51**		1,233.85
3. Deferred Tax Asset (Net) (Schedule 15, Note 6)			**82.36**		32.89
4. Current Assets, Loans and Advances					
Inventories	5	**1,994.61**		1,759.94	
Sundry Debtors (Schedule 15, Note 16)	6	**1,980.99**		1,766.14	
Cash and Bank Balances	7	**522.71**		395.05	
Other Current Assets	8	**240.18**		284.18	
Loans and Advances (Schedule 15, Note 16)	9	**924.10**		603.37	
		5,662.59		4,808.68	
Less:					
Current Liabilities and Provisions :					
Current Liabilities	10	**2,946.57**		2,516.19	
Provisions	11	**962.99**		739.84	
		3,909.56		3,256.03	
Net Current Assets			**1,753.03**		1,552.65
TOTAL			**4,222.34**		3,820.73
Notes to Accounts	15				

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

As per our report of even date

For **S.R.BATLIBOI & ASSOCIATES**
Firm Registration No. 101049W
Chartered Accountants

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

Place : Mumbai
Date : February 23, 2011

For and on behalf of the Board of Directors of Alfa Laval (India) Limited

JOSE HERNANZ
Managing Director

GIUSEPPE FALCIOLA
Chairman

V. CHANDRASEKHAR
Company Secretary

ASHOK M. ADVANI
KEWAL HANDA
RAVI KRISHNAMURTHI
PETER LEIFLAND
Directors

Place : Pune
Date : February 23, 2011

Profit and Loss Account for the year ended December 31, 2010

(Rs. in million)

	Schedule Number	2010	2010	2009	2009
INCOME					
Sales and Services (Gross)		8,706.37		9,159.15	
Less: Excise Duty (including Secondary and Higher Education Cess)		346.03		283.42	
Sales and Services (Net)	12	8,360.34		8,875.73	
Other Income	13	231.99		121.13	
			8,592.33		8,996.86
EXPENDITURE					
Manufacturing and Other expenses	14	6,801.84		6,990.44	
			6,801.84		6,990.44
PROFIT BEFORE DEPRECIATION, INTEREST AND TAX			1,790.49		2,006.42
Less: Depreciation / Amortisation			127.10		129.57
Less: Interest (Schedule 15, Note 19)			5.30		5.25
PROFIT BEFORE TAX			1,658.09		1,871.60
Provision for Tax					
Current Tax (Schedule 15, Note 21)		620.25		653.79	
Deferred Tax (Credit)		(49.47)		(24.94)	
Tax Expense for earlier years		6.00		4.00	
Wealth Tax		0.10		0.10	
Fringe Benefit Tax		–		5.26	
			576.88		638.21
PROFIT AFTER TAX			1,081.21		1,233.39
Profit and Loss Account balance brought forward			1,880.07		1,301.85
PROFIT AVAILABLE FOR APPROPRIATION			2,961.28		2,535.24
Appropriations:					
Proposed Dividend		544.81		454.01	
Tax on Dividend (net)		88.73		77.16	
			633.54		531.17
Transfer to General Reserve			109.00		124.00
Balance carried to Balance Sheet			2,218.74		1,880.07
Weighted average number of Equity Shares			18,160,483		18,160,483
Basic and diluted earnings per share (in Rs.)			59.54		67.92
Face value of Rs. 10 each (Schedule 15, Note 13)					
Notes to Accounts	15				

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

As per our report of even date

For **S.R.BATLIBOI & ASSOCIATES**
Firm Registration No. 101049W
Chartered Accountants

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

Place : Mumbai
Date : February 23, 2011

For and on behalf of the Board of Directors of Alfa Laval (India) Limited

JOSE HERNANZ
Managing Director

GIUSEPPE FALCIOLA
Chairman

V. CHANDRASEKHAR
Company Secretary

ASHOK M. ADVANI
KEWAL HANDA
RAVI KRISHNAMURTHI
PETER LEIFLAND
Directors

Place : Pune
Date : February 23, 2011

Schedules forming part of the Accounts as at December 31, 2010

(Rs. in million)

	2010	2009
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, securities premium, capital reserve and export reserve.		
* includes 16,120,281 (previous year 16,120,281) 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	**1,308.03**	1,184.03
Add: Transferred from Profit and Loss Account	**109.00**	124.00
	1,417.03	1,308.03
c) Profit and Loss Account Balance	**2,218.74**	1,880.07
	4,040.74	3,593.07

Schedule forming part of the Accounts as at December 31, 2010 (Contd.)

3. FIXED ASSETS

(Rs. in million)

DESCRIPTION	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at January 1, 2010	Additions during the year	Deductions during the year	As at December 31, 2010	As at January 1, 2010	For the year	On deletions	As at December 31, 2010	As at December 31, 2010	As at December 31, 2009
A. Tangible Assets										
Free Hold Land	45.84	–	–	**45.84**	–	–	–	–	**45.84**	45.84
Leasehold Land	2.45	–	–	**2.45**	0.50	**0.03**	–	**0.53**	**1.92**	1.95
Buildings and Roads	296.19	**6.12**	**2.11**	**300.20**	85.44	**10.28**	**1.83**	**93.89**	**206.31**	210.75
Plant and Machinery	1,364.56	**106.72**	**26.11**	**1,445.17**	678.76	**111.49**	**23.54**	**766.71**	**678.46**	685.80
Furniture and Fixtures	60.81	**2.47**	**3.27**	**60.01**	28.56	**4.09**	**2.85**	**29.80**	**30.21**	32.25
Vehicles	7.98	–	–	**7.98**	7.10	**0.84**	–	**7.94**	**0.04**	0.88
Sub-Total (A)	1,777.83	**115.31**	**31.49**	**1,861.65**	800.36	**126.73**	**28.22**	**898.87**	**962.78**	977.47
B. Intangible Assets										
Computer Software	29.93	**2.25**	–	**32.18**	29.64	**0.37**	–	**30.01**	**2.17**	0.29
Sub-Total (B)	29.93	**2.25**	–	**32.18**	29.64	**0.37**	–	**30.01**	**2.17**	0.29
Total (A+B)	1,807.76	**117.56**	**31.49**	**1,893.83**	830.00	**127.10**	**28.22**	**928.88**	**964.95**	977.76
Previous Year	*1,794.64*	*125.80*	*112.68*	*1,807.76*	*799.79*	*129.57*	*99.35*	*830.00*	*977.76*	–
C. Capital work in progress										
Capital work in progress									**20.64**	16.12
Capital Advances									**95.85**	7.46
Sub-Total (C)									**116.49**	23.58
Grand Total (A+B+C)									**1,081.44**	1,001.34

Notes:

1. 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.
2. Plant & Machinery includes office equipment, computer equipment, durable tools, Jigs & patterns and air-conditioners.
3. Fixed Assets of the value of Rs. 8.20 million (WDV Rs. 1.04 million) previous year Rs. 71.38 million (WDV Rs. 4.38 million) have been discarded during the year.

Schedule forming part of the Accounts as at December 31, 2010 (Contd.)

(Rs. in million)

	No. of units	Face Value Rs.	2010	2009
4. INVESTMENTS (Schedule 15, Note 14)				
Long Term Investments (At cost)				
Other than Trade – Unquoted				
1) In Government and Trust Securities				
6/7 Years National Savings Certificates [(deposited with Government authorities) face value Rs.1000]			**0.001***	0.001*
2) In Bonds (Fully paid up)				
NABARD Deep Discount Bonds 2019	1,950 (1,000)	20,000	**19.52**	9.65
3) In Units of Mutual Funds				
Birla Sunlife Dynamic Bond Fund Retail Plan – Growth	1,963,004 (–)	10	**30.00**	–
Canara Robeco Treasury Advantage Fund Institutional – Growth	1,333,031 (–)	10	**20.00**	–
DSP Black Rock FMP 12 M Series 9 – Growth	4,000,000 (–)	10	**40.00**	–
DSP Black Rock FMP 13 M Series 2 – Growth	2,500,000 (–)	10	**25.14**	–
DWS Money Plus Fund – Growth	1,998,242 (–)	10	**20.00**	–
Fidelity Short Term Fund – Growth	2,000,000 (–)	10	**20.00**	–
HDFC FMP 18 M October 2009 – Series XI – Growth	1,500,000 (1,500,000)	10	**15.00**	15.00
HDFC Floater Fund- WP – Growth	– (2,275,757)	10	**–**	35.00
HDFC Standard Life - Liquid Plus plan	5,299,787 (1,000,000)	10	**59.00**	10.00
ICICI Prudential Flexible Plan – Growth	387,085 (387,085)	100	**65.00**	65.05
IDFC Fixed Maturity Plan Series 5 – Growth	3,000,000 (–)	10	**30.00**	–
IDFC Fixed Maturity Plan Series 32 – Growth	3,566,171 (–)	10	**35.66**	–
Kotak Credit Opportunities Fund – Growth	1,000,000 (–)	10	**10.00**	–
Kotak Floater Long Term – Growth	1,759,006 (2,440,470)	10	**25.23**	35.00
Reliance Fixed Horizon fund XIII-Series 4 – Growth	3,000,000 (3,000,000)	10	**30.00**	30.00
Reliance Fixed Horizon fund XVI-Series 3 – Growth	2,500,000 (–)	10	**25.00**	–
SBNPP FTP 367 days Series 8 Super Instl Plan – Growth	– (1,000,000)	10	**–**	10.00
SBNPP FTP Z – Growth	500,000 (–)	10	**5.12**	–
Tata FMP Series 25 Scheme A – Super High investment plan – Growth	1,000,000 (1,000,000)	10	**10.00**	10.00
Tata Fixed Income Portfolio Fund Scheme A2 Institutional – Growth	1,998,051 (–)	10	**20.09**	–
Carried Forward			**504.76**	219.70

Schedule forming part of the Accounts as at December 31, 2010 (Contd.)

(Rs. in million)

	No. of units	Face Value Rs.	2010	2009
4. INVESTMENTS (Contd.)				
Brought Forward			**504.76**	219.70
Current Investments (At lower of cost and market value)				
4) In Units of Mutual Funds				
Other Than Trade – Unquoted				
AIG India Treasury Plus Fund – Dividend	– (2,003,199)	10	**–**	20.05
AIG Quarterly Interval Fund Series Inst. Plan – Dividend	20,000 (–)	1,000	**20.00**	–
AIG Short Term Fund Instl. Plan – Dividend	20,812 (–)	1,000	**20.88**	–
Axis Short Term Fund Instl. Plan – Dividend	9,261,597 (–)	10	**92.81**	–
Baroda Pioneer Treasury Advantage Fund – Dividend	1,010,340 (–)	10	**10.10**	–
Birla Short Term Opportunities Fund- Dividend	6,156,651 (–)	10	**61.59**	–
Birla Sunlife Ultra Short Term Fund Institutional Plan – Dividend	4,742,393 (–)	10	**47.45**	–
Birla Sun Life Savings Fund – Institutional Plan – Dividend	– (11,077,494)	10	**–**	110.85
Canara Robeco Treasury Advantage Fund – Dividend	1,619,311 (–)	10	**20.09**	–
DSP Black Rock FMP 3M Series 24 – Dividend	1,500,000 (–)	10	**15.00**	–
DSP Black Rock FMP 3M Series 22 – Dividend	2,000,000 (–)	10	**20.00**	–
DSP Black Rock FMP 3M Series 23 – Dividend	3,000,780 (–)	10	**30.01**	–
DSP Black Rock Money Manager Fund – Institutional Plan – Dividend	25,223 (36,464)	1,000	**25.26**	36.49
DSP Black Rock Strategic Bond Fund Institutional – Dividend	– (46,253)	1,000	**–**	46.43
HDFC Cash Management Fund Savings Plus – Dividend	– (2,609,046)	10	**–**	26.17
HDFC Floating Rate Income Fund – STP-WP – Dividend	– (6,664,260)	10	**–**	67.18
ICICI Prudential Interval Fund I Qtrly Interval Plan Instl. – Dividend	4,113,567 (–)	10	**41.14**	–
IDFC Fixed Maturity Plan Half Yearly Series 12 – Dividend	3,000,000 (–)	10	**30.00**	–
IDFC Money Manager Fund – Treasury Plans C – Dividend	2,125,113 (10,857,296)	10	**21.25**	108.88
IDFC Savings Advantage Fund – Plan A – Dividend	30,513 (–)	1,000	**30.77**	–
J P Morgan India Treasury Fund – Super Instl Plan – Dividend	5,005,229 (–)	10	**50.39**	–
Carried forward			**1,041.50**	635.75

Schedule forming part of the Accounts as at December 31, 2010 (Contd.)

(Rs. in million)

	No. of units	Face Value Rs.	2010	2009
4. INVESTMENTS (Contd.)				
Brought Forward			**1,041.50**	635.75
Kotak Quarterly Interval Plan Series 10 – Dividend	4,000,000	10	**40.00**	–
	(–)			
Kotak Floater Long Term – Dividend	–	10	**–**	89.67
	(8,896,371)			
Kotak Floating rate plan – Dividend	–	10	**–**	33.37
	(3,310,337)			
L&T Liquid Fund – Dividend	1,550,352	10	**20.00**	–
	(–)			
LICMF Savings Plus Fund – Dividend	4,157,587	10	**41.58**	–
	(–)			
Religare FMP Series IV Plan C – Dividend	2,000,000	10	**20.00**	–
	(–)			
Religare Ultra short term Fund – Institutional plan – Dividend	3,125,131	10	**31.30**	161.50
	(16,125,005)			
SBI-SHF Ultra Short Term Fund – Institutional plan – Dividend	–	10	**–**	108.73
	(10,866,887)			
Sundaram BNPP Interval Fund, Quarterly Plan – Dividend	1,092,779	10	**10.93**	–
	(–)			
Tata Fixed Income PF Fund Scheme B2 – Dividend	3,503,210	10	**35.08**	–
	(–)			
Tata Floater Fund-Institutional plan – Dividend	–	10	**–**	96.51
	(9,616,272)			
Templeton India Ultra Short Bond Fund-Institutional Plan – Dividend	–	10	**–**	108.32
	(10,819,645)			
UTI Fixed Income Interval Fund - Dividend	1,500,155	10	**15.00**	–
	(–)			
UTI Floating rate Short Term Fund Institutional – Dividend	49,799	1,000	**50.12**	–
	(–)			
			1,305.51	1,233.85
Notes:				
Aggregate cost of investments				
a) Aggregate amount of unquoted investments			**1,305.51**	1,233.85
(Market value Rs. 1,331.90 million, (previous year Rs. 1,237.05 million))				
* denotes Rs. 1000				

Schedules forming part of the Accounts as at December 31, 2010 (Contd.)

(Rs. in million)

			2010	2009
CURRENT ASSETS, LOANS AND ADVANCES				
CURRENT ASSETS				
5.	**INVENTORIES (At lower of cost and net realisable value)**			
	(i)	Raw Material, Bought-Out Components [Including stock in transit Rs. 119.47 million (Previous year Rs. 76.77 million) and materials lying with third parties Rs. 110.11 million (previous year Rs.116.25 million)]	**1,056.02**	924.93
	(ii)	Stores, Spare Parts and Consumable	**17.08**	20.14
	(iii)	Manufactured Components	**100.73**	81.05
	(iv)	Work-In-Progress	**201.73**	222.32
	(v)	Finished Goods [including stock in transit Rs.132.63 million (previous year Rs.80.25 million)	**571.68**	441.91
	(vi)	Trading Goods	**47.37**	69.59
			1,994.61	1,759.94
6.	**SUNDRY DEBTORS (Schedule 15, Note 16)**			
	(i)	Debts outstanding for a period exceeding six months		
		Unsecured		
		– Considered good	**403.07**	395.29
		– Considered doubtful	**80.53**	43.46
			483.60	438.75
	(ii)	Other debts		
		Unsecured		
		– Considered good	**1,577.92**	1,370.85
			2,061.52	1,809.60
		Less: Provision for doubtful debts	**80.53**	43.46
			1,980.99	1,766.14

Schedules forming part of the Accounts as at December 31, 2010 (Contd.)

(Rs. in million)

	2010	2009
7. CASH AND BANK BALANCES		
(i) Cash on hand	**0.47**	0.43
(ii) With Scheduled Banks:		
a) On Current Accounts	**99.99**	175.70
b) On Deposit Account [Deposits amounting to Rs. Nil (previous year Rs.0.31 million) are pledged with outside parties]	**234.74**	0.31
c) On Exchange Earner's Foreign Currency Account	**174.21**	206.53
d) On Unclaimed Dividend Account:	**13.12**	12.07
(iii) With Non-Scheduled Banks		
– On Current Accounts	**0.18**	0.01
(Balances with Standard Chartered Bank Ltd, Dhaka. Maximum amount outstanding at any time during the year is Rs. 0.18 million (previous year Rs. 0.29 million))		
	522.71	395.05
8. OTHER CURRENT ASSETS		
(i) Interest accrued on Investments	**1.92**	–
(ii) Interest accrued on Inter-Corporate Loan	**6.01**	0.77
(iii) Claims and Other Receivables	**140.37**	211.51
(iv) Unamortised discount on forward exchange contract	**0.10**	8.85
(v) Unbilled revenue (Schedule 15, Note 5)	**91.78**	63.05
	240.18	284.18
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	**367.62**	187.58
(ii) Inter-Corporate Loan	**360.00**	284.60
(iii) Balance with Customs and Excise authorities	**160.82**	102.40
(iv) Advance Income Tax and Tax Deducted at Source (Net of Provisions) [Including advance Fringe Benefit Tax Rs. 2.27 million (previous year Rs. 2.27 million) (Net of Provisions)]	**35.66**	28.79
	924.10	603.37

(Rs. in million)

		2010	2009
10.	**CURRENT LIABILITIES**		
(i)	Sundry Creditors:		
	(a) Total Outstanding dues of Micro and Small Enterprises (Schedule 15, Note 15)	**8.66**	8.35
	(b) Total Outstanding dues of Creditors other than Micro and Small Enterprises (Schedule 15, Note 17)	**1,532.17**	1,213.17
(ii)	Advances from Customers	**1,081.01**	892.58
(iii)	Due to Customers (Schedule 15, Note 5)	**298.71**	363.54
(iv)	Investor Education and Protection Fund shall be credited for unclaimed dividend amount (as and when due)	**13.12**	12.06
(v)	Other Liabilities	**12.90**	26.49
		2,946.57	2,516.19
11.	**PROVISIONS**		
(i)	Proposed Dividend	**544.81**	454.01
(ii)	Tax on Dividend	**90.48**	77.16
(iii)	Warranty Costs (Schedule 15, Note 9)	**57.32**	53.28
(iv)	Project Estimated Expenditure (Schedule 15, Note 9)	**15.90**	–
(v)	Expenses (Schedule 15, Note 9)	**71.70**	45.17
(vi)	Gratuity (Schedule 15, Note 10)	**18.02**	–
(vii)	Retirement Liability	**1.92**	0.93
(viii)	Leave Encashment	**162.84**	109.29
		962.99	739.84

Schedules forming part of the Accounts for the year ended December 31, 2010 (Contd.)

(Rs. in million)

12. SALES AND SERVICES

		2010	2010	2009	2009
(i)	Turnover of Goods	6,551.88		6,259.15	
(ii)	Contract Revenue (Schedule 15, Note 4)	1,651.66		2,491.48	
			8,203.54		8,750.63
(iii)	Services		92.75		78.09
(iv)	Sale of Scrap, etc.		64.05		47.01
			8,360.34		8,875.73

13. OTHER INCOME

		2010	2009
(i)	Interest		
	(a) Bank Deposits [Tax Deducted at Source Rs. 0.37 million (previous year Rs.0.03 million)]	5.48	0.22
	(b) Long Term Investments – Other than Trade [Tax Deducted at Source Rs. Nil (previous year Rs.Nil)]	–	0.54
	(c) Inter-Corporate Loan [Tax Deducted at Source Rs.3.57 million (previous year Rs.0.19 million)]	32.99	0.94
	(d) Others [Tax Deducted at Source Rs.Nil (previous year Rs.Nil)]	4.85	1.80
(ii)	Dividend Income from Investments		
	(a) Current Investments – Other than Trade	39.66	30.72
(iii)	Profit on Sale of Investments (Net)		
	(a) On Current Investments – Other than Trade	0.49	2.22
	(b) On Long Term Investments – Other than Trade [Net off Rs. Nil, (previous year Rs. 1.37 million) adjusted against diminution in the value of Investments]	0.91	–
(iv)	Commission Income	3.36	4.62
(v)	Exchange Gain (net)	67.42	–
(vi)	Discount on forward exchange contract amortised	0.10	14.72
(vii)	Bad debts recovered for earlier years	2.48	2.62
(viii)	Customer's Advances and Excess Liabilities written back	22.64	22.04
(ix)	Export Benefits	32.21	26.68
(x)	Miscellaneous Income	19.40	14.01
		231.99	121.13

Schedule forming part of the Accounts for the year ended December 31, 2010 (Contd.)

(Rs. in million)

			2010		2009
14.	**MANUFACTURING AND OTHER EXPENSES**				
(i)	Raw Materials and Bought-Out Components Consumed		**4,389.99**		4,753.64
(ii)	Purchase of Trading goods		**286.03**		223.81
(iii)	(Increase) / Decrease in stock of Manufactured Components:				
	Opening stock	**81.05**		91.26	
	Closing stock	**(100.73)**		(81.05)	
			(19.68)		10.21
(iv)	Decrease / (Increase) in stock of Work-In-Progress:				
	Opening stock	**222.32**		184.94	
	Closing stock	**(201.73)**		(222.32)	
			20.59		(37.38)
(v)	(Increase) / Decrease in stock of Finished Goods:				
	Opening stock	**441.91**		463.89	
	Closing stock	**(571.68)**		(441.91)	
			(129.77)		21.98
(vi)	Decrease in stock of Trading Goods:				
	Opening stock	**69.59**		86.39	
	Closing stock	**(47.37)**		(69.59)	
			22.22		16.80
(vii)	Sub-contractors' Charges		**116.36**		130.47
(viii)	Project Related Services		**193.16**		158.99
(ix)	(Decrease) / Increase in Excise Duty on Finished Goods				
	Opening stock	**(31.05)**		(46.26)	
	Closing stock	**51.42**		31.05	
			20.37		(15.21)
(x)	Payments to and Provisions for Employees:				
	Salaries, Wages and Bonus (Schedule 15, Note 8)	**531.09**		487.99	
	Contribution to pension and other funds	**27.10**		22.63	
	Provident fund (Schedule 15, Note 10)	**20.43**		16.93	
	Gratuity (Schedule 15, Note 10)	**56.52**		–	
	Staff Accommodation Rent [(net of recoveries), (Schedule 15, Note 8)]	**19.24**		19.53	
	Staff Welfare Expenses (net)	**93.80**		79.45	
	Leave Encashment and Retirement Benefits	**67.82**		45.79	
			816.00		672.32
(xi)	Manufacturing, Administration and Selling Expenses:				
	Stores, Spare Parts and Consumables	**96.77**		90.63	
	Power and Fuel	**52.28**		47.93	
	Rates and Taxes	**16.61**		18.94	
	Repairs and Maintenance:				
	Building	**47.07**		32.22	
	Plant and Machinery	**59.40**		25.58	
	Others	**27.18**		18.32	
	Insurance	**9.84**		9.37	
	Royalty	**53.40**		59.81	
	Commission – other than sole selling agents	**30.89**		21.26	
	Professional and Consultancy Charges (Schedule 15, Note18)	**75.98**		68.86	
	Lease Rentals (Schedule 15, Note 8)	**59.69**		54.54	
	Carried forward	**529.11**		447.46	

Schedule forming part of the Accounts for the year ended December 31, 2010 (Contd.)

(Rs. in million)

		2010		2009
14. MANUFACTURING AND OTHER EXPENSES (Contd..)				
Brought forward	**529.11**		447.46	
Packing and Freight (Net of recoveries)	**95.28**		88.90	
Loss on Sale of Fixed Asset (Net)	**1.17**		6.21	
Provision for Estimated Project expenditure	**15.90**		–	
Bad debts, Irrecoverable Loans and Advances written off	**7.83**		41.12	
Liquidated damages and warranty cost	**55.47**		61.79	
Provision for Doubtful Debts	**37.07**		18.78	
Exchange loss (net)	**–**		82.19	
Travelling Expenses	**113.24**		93.80	
Communication Costs	**24.40**		19.89	
IT Charges	**97.52**		97.24	
Miscellaneous Expenses [including Directors' sitting fees and commission Rs. 4.05 million (previous year Rs. 4.23 million)]	**87.85**		78.48	
Bank Charges	**21.73**		22.95	
		1,086.57		1,058.81
(xii) Expenses [related to (xi) above] charged to Capital Accounts		**–**		(4.00)
		6,801.84		6,990.44

Schedule forming part of the Accounts as at and for the year ended December 31, 2010 (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 Accounting Standards notified by Companies (Accounting Standards) Rules, 2006 (as amended), 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. 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 issue 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 without useful economic life 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, 2010 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

(F) Impairment

The carrying amounts of assets are 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 directly attributable to the acquisition, construction 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. All other borrowing costs are recognised as an expense in the period in which these are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(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 is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India. 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 and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by some governing taxation laws. 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, 2010 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

(J) Inventories

Inventories are valued as follows:

Raw Material and Bought out Components, Stores Spare Parts and consumable and Trading Goods	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 are accrued on case to case basis. 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.

15. NOTES ON ACCOUNTS (Contd.)

Income from Services

Income from Services is recognized 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 recognized 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. 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, 2010 (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 are defined benefit obligations and are provided for on the basis of an actuarial valuation on projected unit credit method 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 at the end of each financial year. The actuarial valuation is done as per Projected Unit Credit method.

iv) Retirement liability in the nature of other long term employee benefits is 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.

v) Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

(R) Earnings per Share

Basic 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 for the purpose of cash flow statements comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(T) Derivative Instruments

As per the ICAI announcement, 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, 2010 (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. 129.31 million (Previous year Rs. 43.08 million), net of advances Rs. 95.85 million (Previous year Rs. 7.46 million).

b) **Contingent Liabilities not provided for:**

(Rs. in million)

Particulars	2010	2009
(a) Guarantees outstanding	**407.57**	281.38
(b) Claims against the Company not acknowledged as debts *	**193.21**	128.49
(c) Advance Licence – Liability if export obligations are not fulfilled in future years.**	**1.89**	2.77

* The claims against the Company comprises of:

a. Demand raised by Excise Department of Rs. Nil (previous year Rs.1.41 million) on Foreign Service Providers for non payment of service tax dues by the foreign companies on export of services. Pursuant to the dismissal of the appeals filed by the Company on behalf of the Foreign Service Providers by the Commissioner (Appeals), fresh set of appeals were filed by the respective Foreign Service Providers for adjudication of demand.

b. Rs. 20.14 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.

c. Cases for labour matters amounting to Rs. 4.57 million (Previous Year Rs. 4.57 million) in respect of claims raised against the Company which are pending before the honorable High Courts.

d. 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 to 1998-99.

e. The Commercial Tax officer, Pune has commenced an action against the Company towards a demand of recovery of sales tax of Rs. 156.89 million (Previous Year Rs. 91.56 million) on various matters for the period 2003-04, 2005-06 and 2006-07.

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, 2010 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

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

(Rs. in million)

	Particulars	2010	2009
1.	Contract revenue recognised during the year	**1,651.66**	2,491.48
2.	Aggregate amount of contract costs incurred and recognised profits (Less recognized losses)	**5,016.22**	4,467.88
3.	Customer advance outstanding for contract in progress	**533.12**	392.64
4.	Retention money due from customers for contracts in progress	**305.21**	358.93
5.	Gross amount due from customers	**91.78**	63.05
6.	Gross amount due to customers	**298.71**	363.54

5. Unbilled revenue amounting to Rs. 91.78 million (Previous year Rs. 63.05 million) has been reflected under the head "Other Current Assets" and billing in excess of contract revenue amounting to Rs. 298.71 million (Previous year Rs. 363.54 million) has been reflected as "Due to customer" under the head "Current Liabilities".

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

(Rs. in million)

Particulars	2010	2009
Deferred Tax Asset		
1. Provision for doubtful debts	**26.75**	14.77
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.	**98.14**	69.55
3. Provision for liquidated damages and warranty costs.	**27.28**	19.34
Total Deferred Tax Assets – (A)	**152.17**	103.66
Deferred Tax Liability		
1. Differences in depreciation and other differences in the block of fixed assets as per tax books and financial books.	**(69.81)**	(70.77)
Total Deferred Tax Liability – (B)	**(69.81)**	(70.77)
Net Deferred Tax Asset (A-B)	**82.36**	32.89

Schedule forming part of the Accounts as at and for the year ended December 31, 2010 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

7. Information in respect of Related Parties

Party where Control Exists

Alfa Laval AB, Sweden (Ultimate Holding Company)
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 S.A.C.I

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

Czech Republic
Alfa Laval Spol S.R.O

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
Scandi Brew

Finland
Alfa Laval Nordic OY
Alfa Laval Vantaa OY

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

Germany
Alfa Laval Mid Europe GmbH

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
Astepo SRL

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 B.V.
Alfa Laval Benelux B.V.

New Zealand
Alfa Laval New Zealand Pty Ltd

Norway
Alfa Laval Nordic A/S

Philippines
Alfa Laval Philippines Inc

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

Russia
AO Alfa Laval Potok

Singapore
Alfa Laval Singapore Pte Ltd

Schedule forming part of the Accounts as at and for the year ended December 31, 2010 (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 Holding AB
Alfa Laval Lund AB
Alfa Laval Nordic AB
Alfa Laval Quality Moving AB

Taiwan
Alfa Laval Taiwan Ltd.

Thailand
Alfa Laval (Thailand) Ltd.

Turkey
Alfa Laval Makine Sanayii ve Ticaret Ltd. Sti.

UAE
Alfa Laval Middle East Ltd

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 (upto December 31, 2009)
Mr. Jose Hernanz – Managing Director (From January 01, 2010)

Schedule forming part of the Accounts as at and for the year ended December 31, 2010 (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	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
a. Transactions during the year								
Sales and Services	**Nil**	Nil	**2,251.99**	2,296.06	**Nil**	Nil	**2,251.99**	2,296.06
Purchases	**Nil**	Nil	**723.96**	775.44	**Nil**	Nil	**723.96**	775.44
Purchase of Capital items	**Nil**	Nil	**5.34**	8.99	**Nil**	Nil	**5.34**	8.99
Royalty	**53.40**	59.81	**Nil**	Nil	**Nil**	Nil	**53.40**	59.81
Dividend paid	**403.01**	241.80	**Nil**	Nil	**Nil**	Nil	**403.01**	241.80
Remuneration to key management personnel	**Nil**	Nil	**Nil**	Nil	**2.98**	3.42	**2.98**	3.42
Inter-Corporate Loan	**Nil**	Nil	**360.00**	284.60	**Nil**	Nil	**360.00**	284.60
IT Charges	**Nil**	0.26	**67.08**	72.63	**Nil**	Nil	**67.08**	72.89
Reimbursements	**4.43**	7.92	**79.13**	76.89	**Nil**	Nil	**83.56**	84.81
Services rendered	**1.02**	Nil	**24.87**	7.42	**Nil**	Nil	**25.89**	7.42
Interest on Inter-Corporate Loan	**Nil**	Nil	**32.99**	0.94	**Nil**	Nil	**32.99**	0.94
Bad Debts written off	**Nil**	Nil	**Nil**	0.07	**Nil**	Nil	**Nil**	0.07
b. Balances as at the year end								
Trade receivables	**0.08**	0.01	**429.73**	331.33	**Nil**	Nil	**429.81**	331.34
Inter-Corporate Loan	**Nil**	Nil	**360.00**	284.60	**Nil**	Nil	**360.00**	284.60
Trade payables	**51.00**	58.71	**207.18**	265.41	**Nil**	Nil	**258.18**	324.12
Commission Payable	**Nil**	Nil	**Nil**	Nil	**0.30**	0.75	**0.30**	0.75
Due to Customers	**Nil**	Nil	**Nil**	4.98	**Nil**	Nil	**Nil**	4.98
Claims receivable-Other Current Assets	**Nil**	Nil	**Nil**	0.23	**Nil**	Nil	**Nil**	0.23
Accrued Interest on Inter-Corporate Loan	**Nil**	Nil	**6.01**	0.77	**Nil**	Nil	**6.01**	0.77
Corporate Guarantee issued to customer	**Nil**	Nil	**110.75**	110.75	**Nil**	Nil	**110.75**	110.75

Schedule forming part of the Accounts as at and for the year ended December 31, 2010 (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	2010	2009
1. Holding Company		
Alfa Laval Corporate AB,Sweden		
Royalty	**53.40**	59.81
Dividend paid	**403.01**	241.80
Trade receivables	**0.08**	0.01
Trade payables	**51.00**	58.71
Services rendered	**1.02**	–
Reimbursements	**4.43**	7.92
2. Fellow Subsidiary Companies		
Alfa Laval Kolding A/S, Denmark		
Purchases	**96.23**	111.91
Bad Debts written off	**–**	0.04
Trade payables	**24.92**	29.64
Alfa Laval Copenhagen A/S, Denmark		
Sales and Services	**951.90**	1,166.45
Purchases	**12.93**	116.42
Purchase of capital items	**1.48**	–
Services rendered	**12.08**	0.35
Reimbursements	**8.90**	13.48
Trade receivables	**195.16**	117.05
Due to Customers	**–**	4.98
Alfa Laval SpA, Italy		
Reimbursements	**8.54**	5.01
Alfa Laval Holding AB, Sweden		
Reimbursements	**10.31**	–
Alfa Laval Lund AB, Sweden		
Purchases	**220.65**	188.63
Purchase of capital items	**3.81**	8.99
IT Charges	**39.71**	49.69
Trade payables	**53.66**	48.46

Schedule forming part of the Accounts as at and for the year ended December 31, 2010 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

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

(Rs. in million)

Name of the Related Party	2010	2009
Alfa Laval Tumba AB, Sweden		
Sales and Services	386.14	350.80
Purchases	160.56	178.63
Reimbursements	15.50	27.72
Services rendered	7.67	2.34
Trade receivables	66.97	96.91
Trade payables	36.20	70.27
Alfa Laval Support Services Private Limited, India		
IT Charges	26.33	22.94
Services Rendered	4.64	4.68
Trade receivables	45.43	18.01
Claims receivable – Other Current Assets	–	0.23
Alfa Laval Middle East, UAE		
Bad Debts written off	–	0.03
Alfa Laval Treasury International AB, Sweden		
Corporate Guarantee issued to customer	110.75	110.75
Tranter India Private Limited, India		
Inter Corporate Loan given	360.00	284.60
Interest on Inter-Corporate Loan	32.99	0.94
Inter-Corporate Loan receivable	360.00	284.60
Accrued Interest on Inter-Corporate Loan	6.01	0.77
3. Key Management Personnel		
Mr. Nish Patel		
Remuneration to key management personnel	–	3.42
Commission Payable	–	0.75
Mr. Jose Hernanz		
Remuneration to key management personnel	2.98	–
Commission Payable	0.30	–

Schedule forming part of the Accounts as at and for the year ended December 31, 2010 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

8 Operating Lease

Incase of assets taken on lease:

(Rs. in million)

Particulars	2010	2009
Lease payments for the year	**94.63**	92.18
Minimum lease payments for Non Cancellable Leases		
Not later than one year	**53.30**	50.84
Later than one year but not later than five years	**63.18**	86.16
Later than five years.	–	–

General descripton of leasing arrangements:

(i) The Company has taken Leased premises, Computers and Vehicles on non- cancellable operating leases and premises for staff on cancellable operating lease.

(ii) Lease rentals are charged to the profit and loss account for the year.

(iii) There are no sub-leases.

(iv) 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 are recognised on a straight line basis over the period of the lease.

(v) The arrangement for Computers and Vehicles range from 3-4 years. These are usually renewable by mutual consent on mutually agreeable terms.

(vi) 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.

(vii) Future lease rental payments are determined on the basis of the lease payments as per the agreement. The leasing arrangement restrict the Company to sub-lease the assets.

(viii) Salaries, Wages and Bonus include Rs. 15.70 million, (Previous Year Rs. 18.11 million) towards lease payments for vehicles taken on operating leases, and Rs. 19.24 million (Previous Year Rs. 19.53 million) towards staff accommodation rent.

Schedule forming part of the Accounts as at and for the year ended December 31, 2010 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

9 Provisions

(Rs. in million)

	Particulars	Balance as at 01.01.2010	Additions during the year	Utilised during the year	Reversals during the year	Balance as at 31.12.2010
1.	Octroi on goods (including interest)	18.17	**4.13**	–	–	**22.30**
2.	Provision in respect of employee state insurance contribution	0.85	**0.33**	–	–	**1.18**
3.	Litigation	12.52	–	–	–	**12.52**
4.	Export obligation (including interest)	2.07	**10.50**	**2.07**	–	**10.50**
5.	Sales Tax	11.56	**9.42**	–	–	**20.98**
6.	Estimated Project Expenditure	–	**15.90**	–	–	**15.90**
7.	Warranty costs	53.28	**27.20**	**14.86**	**8.30**	**57.32**
8.	Employee related costs	–	**4.22**	–	–	**4.22**
	Total	98.45	**71.70**	**16.93**	**8.30**	**144.92**

i) Octroi duty represents additional probable claims for earlier years based on inspection carried out by the octroi department.

ii) Employee State Insurance (ESI) represents estimated demand on the Company based on the past inspection made by concerned department.

iii) Litigation includes disputed claim against the Company. The details have not been disclosed due to sensitivity and confidentiality reasons.

iv) Export obligation represents estimated liability due to non-fulfillment of export obligations on import of material against advance licences.

v) Sales Tax represents demand on the Company based on assessment under progress.

vi) Estimated project expenditure and warranty costs represents the provision for project expenditure and losses of the ongoing projects and warranty costs estimates. This includes provision in respect of onerous contract amounting to Rs. 15.90 million (Previous year Rs. Nil).

vii) The nature of employee related costs have not been disclosed due to confidentiality of the costs involved.

viii) The timing and amount of the cash flow for items (i) - (vii) 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, 2010 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

10. Defined Benefit Plans (AS 15 revised)

Gratuity

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)

	2010	2009
Current service cost	**5.41**	6.30
Interest cost on benefit obligation	**10.35**	8.35
Expected return on plan assets	**(10.33)**	(9.04)
Net actuarial (gain) / loss recognised in the year	**58.48**	(13.00)
Past service cost	**–**	–
Net benefit expense*	**63.91**	(7.39)
Actual return on plan assets	**13.98**	23.59

* The net benefit expenses in Schedule XIV of the financial statements is net of Rs 7.39 million (Previous year: Rs. Nil), being the unrecognized plan asset of the previous year

Balance Sheet

Details of provision for Gratuity

(Rs. in million)

	2010	2009
Defined benefit obligation	**183.14**	121.79
Fair value of plan assets	**165.12**	129.18
	(18.02)	7.39
Less: Unrecognized past service cost	**–**	–
Plan (liability) / assets*	**(18.02)**	7.39

* Plan assets have not been recognised in the balance sheet

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

(Rs. in million)

	2010	2009
Opening defined benefit obligation	**121.79**	121.26
Interest cost	**10.35**	8.35
Current service cost	**5.41**	6.30
Benefits paid	**(16.54)**	(14.83)
Actuarial losses on obligation	**62.13**	0.71
Closing defined benefit obligation	**183.14**	121.79

Schedule forming part of the Accounts as at and for the year ended December 31, 2010 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

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

(Rs. in million)

	2010	2009
Opening fair value of plan assets	**129.18**	83.92
Expected return	**10.33**	9.04
Contributions by employer	**38.50**	37.34
Benefits paid	**(16.54)**	(14.83)
Actuarial gains	**3.65**	13.71
Closing fair value of plan assets	**165.12**	129.18

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

	2010	2009
	%	%
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 assumptions used in determining gratuity for the Company's plan are shown below:

	2010	2009
	%	%
Discount Rate	**8.25**	8.50
Expected rate of return on assets	**8.00**	8.00
Employee Turnover	**6.50**	6.60
Increase in compensation cost	**10.50**	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 four years are as follows:

(Rs. in million)

	2010	2009	2008	2007	2006
Defined benefit obligation	**183.14**	121.79	121.26	93.78	88.50
Plan Assets	**165.12**	129.18	83.92	101.56	67.03
(Deficit) / Surplus	**(18.02)**	7.39	(37.34)	7.78	(21.47)
Experience adjustments on plan liabilities [(Gain) / Loss]	**6.36**	(5.17)	8.56	5.68	10.91
Experience adjustments on plan assets [Gain / (Loss)]	**3.65**	14.55	(15.24)	12.04	5.43

Notes:

a. 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.

b. 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. 5.00 million (previous year Rs. 1.00 million) on account of 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) has not been actuarially valued, pending the issuance of the Guidance Note from the Actuarial Society of India.

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", "Europe" and "Rest of the world" have been used. Since sales out of India other than Europe are made to many countries without any significant difference in the value of supplies made to individual countries, these have been aggregated under "Rest of the world".

Disclosures relating to Segment Assets and capital expenditure are based on the location of assets.

d) Segment Revenue

Segment Revenue comprises of Sales, Sale of Spare Parts and Services 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 earned 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, 2010 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

Segment information for the year ended December 31, 2010

A) Primary Segment Reporting (by Business Segments)

(Rs. in million)

	Equipment Segment		Process Technology Segment		Total	
	2010	2009	**2010**	2009	**2010**	2009
Segment Revenue	**3,997.94**	3,949.67	**4,362.40**	4,926.06	**8,360.34**	8,875.73
Segment Results	**638.35**	836.09	**1,017.63**	1,230.17	**1,655.98**	2,066.26
Unallocated Corporate Expenses					**(76.97)**	(225.85)
Operating Profit					**1,579.01**	1,840.41
Interest Expenses					**(5.30)**	(5.25)
Interest Income					**43.32**	3.50
Dividend Income & Profit on sale of Investment (Net)					**41.06**	32.94
Income Taxes					**(576.88)**	(638.21)
Profit after tax					**1,081.21**	1,233.39
Other Information						
Segment assets	**2,714.21**	2,189.57	**3,103.53**	2,912.01	**5,817.74**	5,101.58
Unallocable corporate assets					**2,314.16**	1,975.18
Total Assets					**8,131.90**	7,076.76
Segment Liabilities	**894.36**	618.92	**2,354.20**	2,083.36	**3,248.56**	2,702.27
Unallocable corporate liabilities					**661.00**	599.82
Total Liabilities					**3,909.56**	3,302.09
Capital Expenditure	**106.84**	43.37	**103.63**	51.12	**210.47**	94.49
Depreciation / Amortisation	**64.52**	59.49	**62.58**	70.08	**127.10**	129.57

B) Secondary Segment Reporting (by Geographical Segments)

	Within India		Europe		Rest of World		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
Segment Revenue	**5,657.92**	6,449.07	**1,710.79**	1,974.65	**991.63**	452.01	**8,360.34**	8,875.73
Segment Assets	**7,472.82**	6,656.63	**369.30**	**346.59**	**289.78**	73.54	**8,131.90**	7,076.76
Capital Expenditure	**210.47**	94.49	–	–	–	–	**210.47**	94.49

Schedule forming part of the Accounts as at and for the year ended December 31, 2010 (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. 126.66 million (Previous year Rs. 148.23 million)

(b) Forward cover for expected future sales or highly probable forecast transaction as of balance sheet date is Rs. 1,276.13 million (Previous year Rs. 1,537.21 million)

(c) Forward cover for foreign currency creditors outstanding as of balance sheet date is Rs. 23.97 million (Previous year Rs. 22.86 million)

(d) Forward cover for expected future purchases or highly probable forecast transaction as of balance sheet date is Rs. 327.38 million (Previous year Rs. 56.86 million)

(e) Foreign currency exposure (net) that are not hedged as of balance sheet date is Rs. 110.13 million (previous year Rs. 28.11 million).

13. Earnings Per Share

Particulars	2010	2009
Profit after Tax as per Profit and Loss Account (Rs. in million)	**1,081.21**	1,233.39
Weighted Average Number of Equity Shares (nos)	**18,160,483**	18,160,483
Basic & Diluted earning per share (Rs.)	**59.54**	67.92
Nominal Value of Shares (Rs.)	**10**	10

Schedule forming part of the Accounts as at and for the year ended December 31, 2010 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

14. Units purchased and sold during the year ended December 31, 2010

(Rs. in million)

	2010			2009		
	Units	Amount Invested	Sale Value	Units	Amount Invested	Sale Value
Axis Fixed Term Plan Series 4 – Dividend	**2,057,692**	**35.18**	**35.18**	–	–	–
Axis Treasury Advantage Fund – Institutional Plan – Dividend	–	–	–	20,147	20.15	20.15
Baroda Pioneer Treasury Advantage Fund – Dividend	**6,954,375**	**70.12**	**70.12**	1,018,541	10.19	10.19
Birla Sunlife Short Term Opportunities Fund – Institutional Plan-Dividend	**4,986,536**	**49.98**	**50.02**	–	–	–
Birla Sunlife Short Term Fund – Institutional plan – Dividend	–	–	–	4,605,670	46.08	46.08
DSP Black Rock Floating Rate Fund – Institutional Plan – Dividend	**2,000,000**	**20.00**	**20.00**	–	–	–
DSP Black Rock Floating Rate Fund – Regular Plan – Dividend	–	–	–	5,996,239	60.15	60.15
DWS Cash Opportunities Fund – Super Inst Plan – Dividend	–	–	–	5,023,405	50.36	50.24
Fidelity FMP Series II Plan – A	**4,039,891**	**40.50**	**40.50**	–	–	–
Fidelity FMP Series II Plan – B	**10,151**	**10.14**	**10.16**	–	–	–
GFCD IDFC Money Manager Fund – TP – Super Inst. Plan C -Dividend	**2,007,418**	**20.08**	**20.08**	–	–	–
HDFC Cash Management Fund – Savings Plan – Dividend	**10,084,713**	**101.15**	**101.26**	–	–	–
HDFC Cash Management Fund – Treasury Plan – Dividend	**6,085,901**	**60.86**	**60.86**	–	–	–
ICICI Prudential Flexible Income Plan – Premium plan – Dividend	–	–	–	1,000,553	105.82	105.79
ICICI Prudential Floating Rate Plan C – Dividend	–	–	–	4,030,824	40.32	40.32
ICICI Prudential Interval Fund Monthly Interval Plan 1 Inst. Dividend	**1,728,086**	**20.40**	**20.36**	–	–	–
ICICI Prudential Ultra Short Term Premium Plus - Dividend	**8,414,858**	**85.27**	**85.27**	–	–	–
IDBI Ultra Short Term Fund – Dividend	**3,495,355**	**35.08**	**35.08**	–	–	–
IDFC Fixed Maturity Plan – Half Yearly – Dividend	**3,076,551**	**30.77**	**30.77**	–	–	–
IDFC Money Manager Fund – Treasury Plan – B	**4,992,162**	**50.00**	**50.00**	–	–	–
IDFC Money Manager Fund – Treasury Plan – B – Dividend	**3,554,866**	**35.63**	**35.66**	–	–	–
JM Money Manager Fund Super Plus Plan – Dividend	**9,985,078**	**100.94**	**100.94**	–	–	–
Pramerica Liquid Fund	**3,471,981**	**35.00**	**35.00**	–	–	–
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
Principal Income Fund Short Term – Institutional – Dividend	**5,042,085**	**50.43**	**50.44**	–	–	–
Principal Money Manager Fund – Regular – Dividend	**7,021,062**	**70.36**	**70.59**	–	–	–
Principal Fixed Maturity Plan (FMP-61) 91 days – Growth	**2,008,658**	**20.09**	**20.09**	–	–	–
Reliance Medium Term fund – Dividend	**4,000,000**	**40.00**	**40.00**	3,865,412	66.08	66.08
Reliance Money Manager Fund – Institutional Option – Dividend	–	–	–	81,096	81.19	81.19
Reliance Monthly Int. Series I Inst. – Dividend	**1,014,739**	**10.15**	**10.16**	–	–	–

Schedule forming part of the Accounts as at and for the year ended December 31, 2010 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

14. Units purchased and sold during the year ended December 31, 2010 (Contd.,)

(Rs. in million)

	2010			2009		
	Units	Amount Invested	Sale Value	Units	Amount Invested	Sale Value
Reliance Short Term Fund – Retail Plan – Dividend	–	–	–	2,851,714	30.40	30.37
Religare Active Income Fund Instl. Dividend	**3,000,000**	**30.00**	**30.00**	–	–	–
Religare Short Term Plan – Institutional Plan – Dividend	–	–	–	3,494,647	35.51	35.52
Religare Ultra short term Fund – Instl plan	**8,005,986**	**80.31**	**80.33**	–	–	–
Sundaram BNPP Ultra ST Fund Instl. Dividend	**5,458,541**	**56.29**	**56.57**	–	–	–
Tata Fixed Income Portfolio Fund Scheme A2 Institutional – Dividend	**8,576,513**	**85.89**	**85.91**	–	–	–
Tata Floater Fund – Institutional – Dividend	**3,110,886**	**114.44**	**114.48**	–	–	–
Tata Liquid super high fund – Instl Plan – Dividend	**4,701,325**	**50.01**	**50.01**	–	–	–
Templeton India Ultra Short Bond Fund Super Insti. Plan – Dividend	**30,514**	**35.11**	**35.13**	–	–	–
Templeton Ultra Short Bond Fund-Super Instl. Plan – Dividend	–	–	–	4,023,350	40.28	40.28
UTI Treasury Advantage Fund – Institutional Plan – Dividend	–	–	–	107,059	108.17	108.29

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

(Rs. in million)

	Particulars	2010	2009
i)	Principal amount due	**8.66**	8.35
	Interest thereon remaining unpaid as at the end of the year	–	–
ii)	Interest , if any paid in terms of Section 16 of the MSMED Act, 2006	–	–
	Amount of delayed payments actually made to the suppliers during the year	–	–
iii)	Interest due and payable for the period delay in making payments during the year	–	–
iv)	Interest accrued and remaining unpaid at the end of the year	–	–
v)	Interest remaining due and payable in succeeding years	–	–

Schedule forming part of the Accounts as at and for the year ended December 31, 2010 (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	2010	2009
Alfa Laval Australia Pty Ltd, Australia	–	0.46
Alfa Laval Ltda, Brazil	3.51	6.18
Alfa Laval (China) Ltd, China	3.33	0.02
Alfa Laval (Jiangyin) Manfacturing Co. Ltd., China	1.46	0.87
Alfa Laval (Shanghai) Technologies Co Ltd, China	–	0.31
Alfa Laval Flow Equipment (Kunshan) Co Ltd, China	0.14	0.07
Alfa Laval Copenhagen A/S, Denmark	195.16	117.05
Alfa Laval Kolding A/S, Denmark	32.88	14.53
Alfa Laval Nakskov A/S, Denmark	0.02	–
Alfa Laval Tank Equipment A/S, Denmark	–	0.02
Alfa Laval SAS , France	–	0.01
Alfa Laval Spiral snc, France	–	15.65
Alfa Laval Mid Europe GMBH, Germany	5.22	2.89
Alfa Laval Support Services Private Limited, India	45.43	18.01
Alfa Laval SpA, Italy	5.95	9.77
PT Alfa Laval, Indonesia	9.48	3.20
Alfa Laval K.K., Japan	1.02	0.08
Alfa Laval Malaysia Sdn Bhd, Malaysia	15.11	30.52
Alfa Laval Groningen BV, Netherlands	0.01	0.05
Alfa Laval Nordic A/S , Norway	0.14	0.21
Wytwornia Separator Krakow Sp.z.o.o ,Poland	0.69	1.57
Alfa Laval (Singapore) Pte Ltd., Singapore	0.10	–
Alfa Laval Iberia S.A , Spain	0.53	–
Alfa Laval Corporate AB, Sweden	0.08	0.01
Alfa Laval Lund AB, Sweden	7.48	8.14
Alfa Laval Tumba AB, Sweden	66.97	96.91
Alfa Laval (Thailand) Ltd, Thailand	0.76	–
Alfa Laval Makai Sanayii Ve Ticaret Ltd Sti, Turkey	2.70	0.45
Alfa Laval Middle East Ltd, UAE	24.17	–
Alfa Laval Ltd., UK	0.07	0.11
Alfa Laval Inc, USA	7.40	4.25
Total	429.81	331.34

Schedule forming part of the Accounts as at and for the year ended December 31, 2010 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

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

(i) Due from Tranter India Private Limited Rs. 360.00 million (Previous year Rs. 284.60 million). Maximum amount outstanding at any time during the year Rs. 360.00 million (Previous year Rs. 284.60 million).

(ii) Due from Alfa Laval Support Services Private Limited Rs. Nil (Previous year Rs. 0.23 million). Maximum amount outstanding at any time during the year Rs. 0.23 Million (Previous year Rs. 0.23 million).

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

Loans and Advances include :

(a) Due from an Officer of the Company Rs. 0.15 million (Previous year Rs. 0.17 million). Maximum amount outstanding at any time during the year Rs.0.29 million (Previous year Rs. 0.38 million).

Current Liabilities include :

(a) Due to a Director of the Company Rs. Nil (Previous year Rs. 0.08 million). Maximum amount outstanding at any time during the year Rs. Nil (Previous year Rs. 0.12 million).

(b) Due to an Officer of the Company Rs. 0.02 million (Previous year Rs. 0.06 million). Maximum amount outstanding at any time during the year Rs. 0.02 million (Previous year Rs. 0.06 million).

(Rs. in million)

		2010	2009
18.	**Payment to Auditor (As auditor)** **(included in Professional and Consultancy Charges in Schedule 14)**		
	(a) Audit Fees	**2.20**	1.87
	(b) Tax Audit Fees	**1.00**	0.90
	(c) Limited Review	**1.50**	1.33
	(d) Certification charges	**0.10**	0.10
	(e) Out of pocket expenses reimbursed	**0.23**	0.23
		5.03	4.43

(Rs. in million)

		2010	2009
19.	**Interest paid to**		
	Banks and Others	**5.30**	5.25
		5.30	5.25

Schedule forming part of the Accounts as at and for the year ended December 31, 2010 (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**	**3,106**	**287**	**88.57**	**288**	**125.42**
		(3,000)	(2,158)	(312)	(114.09)	(287)	(88.57)
(b)	Decanters	**840**	**780**	**74**	**110.93**	**85**	**130.16**
		(840)	(775)	(60)	(85.03)	(74)	(110.93)
(c)	Plate Heat Exchangers &	**4,850**	**5,429**	**486**	**62.76**	**533**	**77.25**
	Spiral Heat Exchangers	(4,850)	(3,783)	(773)	(165.98)	(486)	(62.76)
(d)	Air Heat Exchangers	**100**	**314**	**25**	**3.04**	**150**	**28.53**
		(100)	(53)	(–)	(–)	(25)	(3.04)
(e)	Lubricating Oil Filters	**350**	**216**	**35**	**9.10**	**33**	**8.45**
		(350)	(72)	(60)	(14.84)	(35)	(9.10)
(f)	Fabrication Equipment	**1450 T**	**641T**	**131 T**	**69.09**	**194T**	**113.57**
	(Refer notes D and F)	(1450 T)	(730 T)	(103 T)	(46.53)	(131 T)	(69.09)
(g)	Aseptic Module	**480**	**217**	**38**	**77.50**	**35**	**48.74**
		(480)	(136)	(3)	(11.68)	(38)	(77.50)
(h)	Shell and Tube Heat Exchangers	**250**	**510**	**12**	**0.71**	**27**	**2.01**
		(250)	(233)	(–)	(–)	(12)	(0.71)
(i)	Stainless Steel Pumps	**2,700**	**2,783**	**80**	**3.37**	**163**	**7.63**
		(2,700)	(2,416)	(99)	(5.19)	(80)	(3.37)
(j)	Valves	**20,000**	**23,864**	**773**	**2.65**	**1,366**	**3.64**
		(20,000)	(18,195)	(592)	(2.14)	(773)	(2.65)
(k)	Fittings & Others				**14.19**		**26.28**
					(18.41)		(14.19)
	Total				**441.91**		**571.68**
					(463.89)		(441.91)

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 products, in view of the practical difficulties, the disclosure in relation to production and stock is not furnished.

(G) Since trading items do not individually account for 10% or more of the opening stock, 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, 2010 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

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

	Type of Material	Unit	Quantity		Value	
			2010	2009	**2010** (Rs.	2009 in million)
(a)	Ferrous metals:					
	Sheets	Metric Ton	**3,733**	3,641	**620.17**	539.07
	Tubes, bars, etc.	Metre	**824,582**	1,140,489	**394.74**	456.00
(b)	Non-ferrous metals:					
	Sheets	Metric Ton	**50**	97	**22.07**	59.17
	Tubes, bars, etc.	Metre	**258,511**	33,643	**19.36**	11.53
(c)	Intermediates, bought-out components, hardware and items used for project execution (Refer Note A)				**3,333.65**	3,687.87
	Total				**4,389.99**	4,753.64

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)	
	2010	2009	**2010**	2009
Raw Material and Bought Out Components				
Imported	**37.50**	40.93	**1,646.31**	1,945.48
Indigenous	**62.50**	59.07	**2,743.68**	2,808.16
	100.00	100.00	**4,389.99**	4,753.64
Stores, Spare Parts and Consumables				
Imported	**10.50**	4.68	**10.16**	4.24
Indigenous	**89.50**	95.32	**86.61**	86.39
	100.00	100.00	**96.77**	90.63

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, 2010 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

20. iv) Turnover:

Class of goods	2010 Quantity Numbers	2010 Value (Rs. in million)	2009 Quantity Numbers	2009 Value (Rs. in million)
(a) Separators	2,538	1,308.98	2,179	1,305.18
(b) Decanters	767	1,555.95	761	1,681.18
(c) Plate Heat Exchangers & Spiral Heat Exchangers	5,132	955.28	3,889	1,106.93
(d) Air Heat Exchangers	182	50.67	28	5.00
(e) Lubricating Oil Filters	218	74.95	97	33.45
(f) Fabrication equipment (Refer note C)	578T	746.73	702T	1,280.77
(g) Aseptic Module	218	457.92	101	379.31
(h) Shell and Tube Heat Exchangers	495	42.47	221	23.63
(i) Project bought out / erection items	–	1,649.41	–	1,582.98
(j) Stainless steel Pumps (See note below)	2,669	200.32	2,381	221.76
(k) Valves	22,331	118.05	16,429	89.27
(l) Fittings & others	–	305.72	–	394.96
(m) Spares (including sale of trading and own manufactured components)	–	737.09	–	646.21
		8,203.54		8,750.63

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 equipment 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. 1,651.66 million (Previous year Rs. 2,491.48 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, 2010 (Contd.)

15. NOTES ON ACCOUNTS (Contd.)

20. v) Directors' Remuneration:

(Rs. in million)

	2010	2009
(a) Managing Director		
– Salaries	**1.97**	1.88
– Contribution to pension and other funds	**0.01**	0.01
– Provident fund	**0.23**	0.10
– Perquisites (calculated as per Income Tax Act, 1961)	**0.47**	0.68
– Commission	**0.30**	0.75
	2.98	3.42
(b) Others-Non-Wholetime Directors		
– Commission	**3.48**	3.20
– Sitting fees	**0.27**	0.28
	3.75	3.48
Total	**6.73**	6.90

20. vi) Computation of Net Profit in accordance with section 349 of the Companies Act, 1956 for calculation of commission payable to directors

	2010	2009
Profit before tax (as per Profit & Loss Account)	**1,658.09**	1,871.60
Add:		
Provision for doubtful debts	**37.07**	18.78
Loss on sale / discarded of fixed assets (Net), as per Profit & Loss Account	**1.17**	6.21
Net Profit available as per Section 349 of the Companies Act, 1956	**1,696.33**	1,896.59
Add:		
Remuneration to Directors	**6.73**	6.90
Profit as per Section 198 of the Companies Act, 1956	**1,703.09**	1,903.49
Maximum remuneration to Managing Director u/s 309 of Companies Act, 1956 @ 5% of the Net Profit	**85.15**	95.17
Commission to Managing Director	**0.30**	0.75
Maximum remuneration to Non-Wholetime Directors u/s 309 of Companies Act, 1956 @ 1% on the Net profit	**17.03**	19.03
Commission to Non-wholetime Directors	**3.48**	3.20

Schedule forming part of the Accounts as at and for the year ended December 31, 2010 (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)

	Final Dividend	
	2010	2009
a) Number of shareholders	**1**	1
b) Number of shares on which dividend was due	**16,120,281**	16,120,281
c) Period / Year to which the dividend related	**01.01.2009 to 31.12.2009**	01.01.2008 to 31.12.2008
d) Amount remitted (Rs. in million)	**403.01**	241.80
e) Currency in which amount remitted	**Euro**	Euro

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

(Rs. in million)

	2010	2009
(a) Raw materials	**1,600.02**	2,006.09
(b) Components and spare parts	**196.12**	35.92
(c) Capital goods	**48.58**	28.18
	1,844.72	2,070.19
ix) Expenditure in foreign currency (on accrual basis)		
(a) Professional and consultancy fees	**24.16**	29.69
(b) Commission	**11.50**	3.25
(c) Royalty	**53.40**	59.81
(d) Project Related Expenses	**89.89**	85.22
(e) IT Charges	**40.71**	50.07
(f) Travelling	**17.79**	9.92
(g) Others (including reimbursement of salary, Sales Promotion, Selling and Distribution and branch office expenses)	**60.08**	67.01
	297.53	304.97
x) Earnings in foreign currency (on accrual basis)		
(a) Export of goods calculated on F.O.B basis	**2,609.15**	2,415.76
(b) Commission Income	**4.99**	4.62
(c) Erection / Supervision charges and others	**93.27**	10.90
	2,707.41	2,431.28

Schedule forming part of the Accounts as at and for the year ended December 31, 2010 (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, 2010 and nine months ended December 31, 2010. Ultimately, the tax liability of the Company would be determined on the basis of its results for the fiscal year ending March 31, 2011.

22. Unsecured loans have been repaid during the year. Accordingly, repayment due within one year is Rs. Nil (previous year Rs. 10.72 million).

23. Excise duty on sales amounting to Rs. 346.03 million (Previous year Rs. 283.42 million) has been reduced from sales in profit & loss account and excise duty on increase/decrease in stock amounting to Rs. 20.37 million (Previous year Rs. 15.21 million) has been accounted in Schedule 14 of financial statements.

24. 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 and on behalf of the Board of Directors of Alfa Laval (India) Limited	
For **S.R.BATLIBOI & ASSOCIATES** Firm Registration No. 101049W Chartered Accountants	**JOSE HERNANZ** Managing Director	**GIUSEPPE FALCIOLA** Chairman
per **Govind Ahuja** Partner Membership No. 48966	**V. CHANDRASEKHAR** Company Secretary	**ASHOK M. ADVANI** **KEWAL HANDA** **RAVI KRISHNAMURTHI** **PETER LEIFLAND** Directors
Place : Mumbai Date : February 23, 2011	Place : Pune Date : February 23, 2011	

Cash Flow statement for the year ended December 31, 2010

(Rs. in million)

	2010	2009
A. Cash Flow from Operating activities		
Net profit before taxation	**1,658.09**	1,871.60
Adjustments for:		
Depreciation	**127.10**	129.57
Interest Expense	**5.30**	5.25
Interest Income	**(43.32)**	(3.50)
Profit on sale of Investments (Net)	**(1.40)**	(2.22)
Diminution in the value of Investments	**–**	(1.37)
Dividend Income from Investments	**(39.66)**	(30.72)
(Discount) on Foreign Exchange Contracts amortised	**(0.10)**	(14.72)
Foreign Exchange (Gain) / Loss (Net)	**(0.23)**	8.67
Loss on sale of Fixed Assets (Net)	**1.17**	6.21
Customer Advances and Excess Liabilities written back	**(22.64)**	(22.04)
Bad debts / advances written off (Net of adjustment)	**44.90**	59.90
Operating Profit Before Working Capital Changes	**1,729.21**	2,006.63
Movements in Working Capital:		
(Increase) / Decrease in Inventories	**(234.67)**	265.71
(Increase) in Sundry Debtors	**(264.98)**	(163.52)
Decrease / (Increase) in Other current assets	**51.26**	(56.23)
(Increase) / Decrease in Loans and Advances	**(238.46)**	34.62
Increase in Current Liabilities	**458.48**	115.37
Increase in Provisions	**119.03**	2.53
Cash generated from Operations	**1,619.87**	2,205.11
Direct taxes paid (Net of refunds)	**(633.22)**	(617.59)
Net Cash from operating activities	**986.65**	1,587.52
B. Cash flow from Investing activities		
Purchase of fixed assets	**(210.47)**	(94.49)
Proceeds from sale of fixed assets	**2.10**	7.11
Purchase of investments	**(2,481.99)**	(1,937.18)
Sale of investments	**2,411.73**	1,061.45
Inter Corporate Loan given	**(75.40)**	(284.60)
Fixed Deposit matured	**0.31**	–
Interest received	**36.16**	3.73
Dividend received	**39.66**	30.72
Net cash (used) in investing activities	**(277.90)**	(1,213.26)

Cash Flow statement for the year ended December 31, 2010 (Contd.)

(Rs. in million)

		2010	2009
C.	**Cash flow from Financing activities**		
	Repayment of long term borrowings	**(46.06)**	(7.61)
	Interest paid	**(5.30)**	(5.25)
	Dividend paid	**(454.01)**	(272.41)
	Tax on dividend paid	**(75.41)**	(46.30)
	Net cash (used) in financing activities	**(580.78)**	(331.57)
	Net increase in Cash and cash equivalents (A+B+C)	**127.97**	42.69
	Cash and cash equivalents at the beginning of the year	**394.74**	352.05
	Cash and cash equivalents at the end of the year	**522.71**	394.74
	Components of Cash and Cash equivalents as at December 31, 2010:		
	i) Cash on Hand	**0.47**	0.43
	ii) With Scheduled Banks		
	– On Current Account	**99.99**	175.70
	– On Deposit Account	**234.74**	0.31
	– On Exchange Earner's Foreign Currency Account	**181.39**	210.57
	– On Unclaimed dividend Account*	**13.12**	12.07
	iii) With Non-Scheduled Banks		
	– On Current Accounts	**0.18**	0.01
	Less: Fixed deposits not considered as cash equivalents	**–**	(0.31)
	Sub Total	**529.89**	398.78
	Less: Effect of Exchange Differences on Cash and Cash Equivalents held in foreign currency	**(7.18)**	(4.04)
	Cash and Cash Equivalents in Cash Flow Statement:	**522.71**	394.74

Notes:

1. * These balances are not available for use by the Company as they represent corresponding unpaid dividend liabilities.
2. All figures in brackets are outflow.
3. Fixed Deposit Accounts made for a period of more than three months for Rs. Nil (previous year Rs. 0.31 million) have not been included as a component of cash and cash equivalents.
4. 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.
5. Previous year's figures have been re-grouped / re-stated wherever necessary to conform to this year.

As per our report of even date

For **S.R.BATLIBOI & ASSOCIATES**
Firm Registration No. 101049W
Chartered Accountants

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

Place : Mumbai
Date : February 23, 2011

For and on behalf of the Board of Directors of Alfa Laval (India) Limited

JOSE HERNANZ
Managing Director

GIUSEPPE FALCIOLA
Chairman

V. CHANDRASEKHAR
Company Secretary

ASHOK M. ADVANI
KEWAL HANDA
RAVI KRISHNAMURTHI
PETER LEIFLAND
Directors

Place : Pune
Date : February 23, 2011

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.	2732	State Code	11
Balance Sheet Date	31122010		

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

Public Issue	NIL	Bonus Issue	NIL
Rights Issue	NIL	Private Placement	NIL

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

Total Liabilities	3909562	Total Assets	8131889
		(excluding miscellaneous expenditure to the extent not written off or adjusted)	

SOURCES OF FUNDS

Paid-up Capital	181605	Reserves and Surplus	4040740
Secured Loans	NIL	Unsecured Loans	NIL

APPLICATION OF FUNDS

Net Fixed Assets	1081443	Investments	1305516
Net Current Assets	1753100	Miscellaneous Expenditure	NIL
Accumulated Losses	NIL	Deferred Tax Assets (Net)	82358

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

Turnover	8296285	Total Expenditure	6801840
Profit/(Loss) before Tax	1658090	Profit/(Loss) after Tax	10281210
Earnings Per Share (Rs.)	59.54	Dividend Rate (%)	300

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

Item Code No. (ITC Code)	84211905
Product Description	DECANTERS
Item Code No. (ITC Code)	84211910
Product Description	SEPARATORS
Item Code No. (ITC Code)	841950
Product Description	HEAT EXCHANGERS

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.

• Read more at www.alfalaval.com