



13th Annual Report 2002



 **From the Electrolux Group. The world's No.1 choice.**

ELECTROLUX KELVINATOR LIMITED

BOARD OF DIRECTORS

Mr. Johan Gunnar Michael Fant	- Chairman
Mr. Rajeev Kataria	- Managing Director
Mr. Carl Fredrik Stenon Rystedt	
Mr. Harish Kumar	
Mr. Inder Khosla	
Mr. Dinkar Goswami	
Mr. Rohan Pradeep Shah	
Mrs. Anita Kumar	
Mr. Lars Bertil Ohlson	

ALTERNATE DIRECTORS

Mr. G.S. Davar	- Alternate to Mr. Johan Gunnar Michael Fant
Mr. Sujain Talwar	- Alternate to Mr. Rohan Pradeep Shah

COMPANY SECRETARY

Mrs. Geeta Puri Seth

BANKERS

Citibank N.A.
Hongkong & Shanghai Banking Corporation Limited
Standard Chartered Bank
Deutsche Bank

AUDITORS

M/s. Price Waterhouse
Chartered Accountants
PW Centre,
Saidulajab, Mehrauli - Badarpur Road,
Opp. D-Block, Saket,
New Delhi-110 030

Contents	Page
Notice	1
Directors' Report	6
Auditors' Report	16
Balance Sheet	18
Profit & Loss Account	19
Schedules to Accounts	20
Cash Flow Statement	31
Balance Sheet Abstract	32

REGISTERED OFFICE

Flat No. 201-202,
A-22, Green Park,
Aurobindo Marg,
New Delhi - 110 016

CORPORATE OFFICE

Global Business Park,
Tower-A, 2nd & 3rd Floor,
Mehrauli - Gurgaon Road,
Gurgaon-122002, Haryana

REGISTRAR & SHARE TRANSFER AGENT

M/s. Intime Spectrum Registry Limited
3, Community Centre,
Naraina Industrial Area, Phase-I,
New Delhi - 110 028

Phone: +91-11-26700712-12-13
Fax: +91-11-26700530

NOTICE

NOTICE IS HEREBY GIVEN THAT THE THIRTEENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF ELECTROLUX KELVINATOR LIMITED WILL BE HELD ON WEDNESDAY, THE 25TH DAY OF JUNE, 2003 AT 9.30 A.M. AT SHAH AUDITORIUM, 2, RAJ NIWAS MARG, CIVIL LINES, DELHI - 110 054 TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit & Loss Account for the 12 months' period ended 31st December, 2002 and the Balance Sheet as at 31st December, 2002 and the reports of the Auditors and Directors thereon.
2. To appoint a Director in place of Mr. Inder Khosla, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mrs. Anita Kumar who retires by rotation and who has not offered herself for reappointment.
4. To appoint Auditors to hold office from the conclusion of the Thirteenth Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. M/s Price Waterhouse, Chartered Accountants, the retiring Auditors are eligible for appointment.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT the vacancy caused by the retirement by rotation of Mrs. Anita Kumar, who has not offered herself for re-appointment, be not filled."
6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT Mr. Lars Bertil Ohlson, for whom the Notice has been received under Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation."
7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT Mr. Carl Fredrik Stenson Rystedt, for whom the Notice has been received under Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation."
8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT Mr. Johan Gunnar Michael Fant, for whom the Notice has been received under Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, not liable to retire by rotation."
9. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT Mr. Rajeev Karwal, for whom the Notice has been received under Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, not liable to retire by rotation."
10. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:
"RESOLVED THAT pursuant to the provisions of Sections 198, 269 read with "Schedule XIII", 309 and other applicable provisions of the Companies Act, 1956 [including any modification(s) or re-enactment(s) thereof for the time being in force] and subject to all necessary approvals, consents, permissions and/or sanctions of the Central Government, Reserve Bank of India and all other appropriate authorities, institutions and bodies, to the extent necessary and subject to such conditions and modification(s) as may be prescribed or imposed by them in granting any such approval, permission, consent or sanction, which may be agreed to, by the Board of Directors of the Company or any Committee thereof, the consent of the Company be and is hereby accorded to

the appointment and payment of remuneration (including "Minimum Remuneration" in case of absence or inadequacy of profits) payable to Mr. Rajeev Karwal, Managing Director and Chief Executive Officer, with effect from 1st February, 2003 for a period of 3 (Three) years on the terms and conditions as are detailed in the Employment Agreement dated 31st March, 2003, extracts whereof are provided in the Explanatory Statement hereto."

**By Order of the Board
for ELECTROLUX KELVINATOR LIMITED**

Date : 26th May, 2003
Place : Gurgaon

Sd/-
**RAJEEV KARWAL
MANAGING DIRECTOR**

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON POLL, TO VOTE INSTEAD OF HIMSELF/ HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK FORM OF PROXY IS ENCLOSED AND IN ORDER TO BE EFFECTIVE, SHOULD BE RETURNED DULY COMPLETED TO THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE SCHEDULED TIME OF THE MEETING.**
2. Pursuant to Section 154 of the Companies Act, 1956, the Register of Members and Share Transfer Books shall remain closed from Monday, 23rd June, 2003 to Wednesday, 25th June, 2003 (both days inclusive).
3. The Directors' Report, Report on Corporate Governance, Auditors' Report, Audited Balance Sheet as at 31st December, 2002 and the Profit & Loss Account for the year ended on that date are enclosed.
4. **Members holding Shares in identical order of names in more than one Folio are requested to write to the Company enclosing their Share Certificates to enable the Company to consolidate their holdings in one folio. Members are requested to notify correction/change in address, if any, to the Company at its Registered Office, quoting their Folio Number.**
5. Members desiring any information on the Accounts are required to write to the Company at its Registered Office, giving at least 7 days notice prior to the date of Annual General Meeting to enable the Management to compile and keep the information ready.
6. Members/proxies should bring the Attendance Slip sent herewith, duly filled in for attending the meeting. Members/Proxies are requested not to bring their family as the same creates administrative difficulties. Members/Proxies are requested not to bring any briefcase, suitcase, handbags, carry bags, etc., as the same will not be allowed to be taken inside the auditorium for security reasons.
7. Members are requested to bring their copy of this Annual Report to the Meeting.
8. **NO GIFTS WILL BE DISTRIBUTED AT THE ANNUAL GENERAL MEETING.**

EXPLANATORY STATEMENT

Pursuant to Section 173(2) of the Companies Act, 1956

Item No. 5

In accordance with the provision of Section 256 of the Companies Act, 1956 read together with the Articles of Association of the Company, Mrs. Anita Kumar retires by rotation at the Thirteenth Annual General Meeting of the Company. Mrs. Anita Kumar has not offered herself for reappointment. Since no proposal has been received for filling up the vacancy, it is decided not to appoint any Director in place of Mrs. Anita Kumar

currently and the resolution proposed as Item No. 5 is recommended for approval by the members.

Apart from Mr. Harish Kumar, who is related to Mrs. Anita Kumar, none of the Directors is interested or concerned in the Resolution.

Item No. 6

Mr. Lars Bertil Ohlson was appointed as an Additional Director on 24th December, 2002 vide Board resolution approved by circulation in terms of Section 289 of the Companies Act, 1956 and as per the provisions of Section 260 of the Companies Act, 1956, holds office upto the date of the Thirteenth Annual General Meeting of the Company. The Company has received a Notice under Section 257 of the Companies Act, 1956, from a member signifying the intention to propose the name of Mr. Lars Bertil Ohlson as a Director, along with a deposit of Rs. 500/-.

The Board of Directors recommend the Resolution for approval by the members.

None of the Directors except Mr. Lars Bertil Ohlson, is interested or concerned in the Resolution.

Item No. 7

Mr. Carl Fredrik Stenson Rystedt was appointed as an Additional Director in the Board Meeting held on 25th April 2003, and as per the provisions of Section 260 of the Companies Act, 1956 holds office upto the date of the Thirteenth Annual General Meeting of the Company. The Company has received a Notice under Section 257 of the Companies Act, 1956, from a member signifying the intention to propose the name of Mr. Carl Fredrik Stenson Rystedt as a Director, along with a deposit of Rs. 500/-.

The Board of Directors recommend the Resolution for approval by the Members.

None of the Directors except Mr. Carl Fredrik Stenson Rystedt, is interested or concerned in the Resolution.

Item No. 8

Mr. Johan Gunnar Michael Fant was appointed as an Additional Director in the Board Meeting held on 25th April, 2003, and as per the provisions of Section 260 of the Companies Act, 1956 holds office upto the date of the Thirteenth Annual General Meeting of the Company. The Company has received a Notice under Section 257 of the Companies Act, 1956, from a member signifying the intention to propose the name of Mr. Johan Gunnar Michael Fant as a Director, along with a deposit of Rs. 500/-.

The Board of Directors recommend the Resolution for approval by the Members.

None of the Directors, except Mr. Johan Gunnar Michael Fant is interested or concerned in the Resolution.

Item No. 9 and 10

Mr. Rajeev Karwal was appointed as an Additional Director in the Board Meeting held on 29th January, 2003, and as per the provisions of Section 260 of the Companies Act, 1956 holds office upto the date of the Thirteenth Annual General Meeting of the Company. The Company has received a Notice under Section 257 of the Companies Act, 1956, from a member signifying the intention to propose the name of Mr. Rajeev Karwal as a Director, along with a deposit of Rs. 500/-.

The Board of Directors of the Company has at its meeting held on 29th January, 2003 appointed Mr. Rajeev Karwal as the Managing Director and Chief Executive Officer of the Company with effect from 1st February, 2003 for a period of three years subject to the superintendence, control and direction of the Board. On the approval of the Board of Directors of the Company which was accorded at its meeting held on 31st March, 2003, the Company entered into an Employment Agreement with Mr. Rajeev Karwal, Managing Director and Chief Executive Officer on the following terms and conditions:

Remuneration:

Subject to the provisions of Schedule XIII to the Companies Act, 1956, the Company shall pay the remuneration to Mr. Karwal, as set out below:

- (i) Mr. Karwal shall be paid remuneration as set out in the attached

Schedule "1" till such time that the approval of the Central Government is received for the payment of remuneration set out in the Schedule "2" to the Employment Agreement.

- (ii) Mr. Karwal shall be paid remuneration as set out in the attached Schedule "2" to the Employment Agreement upon the receipt of the approval of the Central Government, effective the date specified in such approval.

Notwithstanding anything in the Agreement, if the Central Government approves a lower remuneration than set out in Schedule "2", then Mr. Karwal agrees and accepts that such lower remuneration as approved by the Central Government shall be paid to Mr. Karwal with effect from the Effective Date.

Schedule - 1 to the Employment Agreement with Mr. Rajeev Karwal

- a) The Company will pay Mr. Karwal a basic annual salary of Rs.17,34,000/- (Rupees Seventeen Lacs Thirty Four Thousand Only) payable monthly.
- b) Mr. Karwal will be provided with suitable furnished accommodation, including maintenance services at the Company's costs subject to a ceiling of Rs.12,00,000/- (Rupees Twelve Lacs only) per annum.
- c) The Company will reimburse all utility costs including Electricity, Gas & Water at Mr. Karwal's residence on actual basis.
- d) The Company will provide Mr. Karwal two telephone(s) at his residence for official purposes, cost of all personal calls would be recovered from him.
- e) Mr. Karwal will be entitled to claim reimbursement of medical expenses incurred for self and the family against submission of actual bills.
- f) Mr. Karwal will be entitled to claim Leave Travel Concession once a year for self and the family involving return passage for travel anywhere in India, as per Company Rules.
- g) Mr. Karwal will be provided with two Company Cars and drivers for official use.
- h) Mr. Karwal will be entitled to reimbursement of Fees of Clubs subject to a maximum of two clubs. However, this will not include admissions and life membership fee.
- i) Mr. Karwal will be entitled to use of maximum two Corporate Credits Cards.
- j) Mr. Karwal will be entitled to Mediclaim Insurance, Group Personal Accident Insurance and other benefits for self and family in accordance with the Company's Policy.
- k) The Company will contribute @ 27% or such percentage, as may be applicable from time to time, of Mr. Karwal's basic salary to the Provident Fund / Superannuation Fund / Annuity Fund.
- l) Mr. Karwal will be entitled to Gratuity payments at a rate not exceeding half a month's salary for each completed year of service.
- m) Mr. Karwal will be entitled to 30 days of annual vacation during each year of service and the unutilised leaves can be encashed as per the Company's policy.
- n) Mr. Karwal will be eligible for those local holidays as recognised by the Company.
- o) The provisions of these benefits will be in accordance with the Company's Policies.
- p) Mr. Karwal will be entitled to other benefits, if any, in accordance with the Company's rules and policies, subject however, to applicable statutory approvals.

The above remuneration, will however, be subject to an overall ceiling of Rs. 48,00,000/- (Rupees Forty Eight Lacs Only) per annum, worked out in accordance with the provisions of Schedule XIII of the Companies Act, 1956.

Schedule - 2 to the Employment Agreement with Mr. Rajeev Karwal

1. Remuneration
 - 1.1. Gross Basic Salary
Basic salary on and from the Effective Date will be Rs. 3,225,000/- per annum payable in arrears on the last date of each month. The

Board will review the basic salary on January 1 each year and consider for increases. The basic salary will be first reviewed for a possible change on January 1, 2004.

1.2. Flexible benefits

Flexible benefits of Rs. 4,275,000/- per annum will be payable to meet personal expenses including leave travel allowance.

The split up is as follows:

Special Allowance	Rs. 3,979,250/-
LTA	Rs. 268,750/-
Education Allowance	Rs. 12,000/-
Medical	Rs. 15,000/-

1.3. Bonus (Performance related)

The Board will establish annual performance targets under which there will be eligibility for an annual bonus up to a maximum 75% of the basic salary plus flexible benefits (1.1 + 1.2). Bonus for 2003 is, at stretched target, a maximum of Rs. 5,625,000/- and to be evaluated on a pro rata basis depending on starting date.

Up to reaching target/budget for the year of 2003, 50% of maximum bonus, i.e. Rs. 2,812,500/- or less on pro rata basis will be paid. The last 50% of maximum bonus will be guaranteed for the year 2003 on pro rata basis.

2. Housing

2.1. The Company will support accommodation costs of up to Rs. 1,800,000/- per annum including electricity and the cost of any housing loan, security deposit for the purpose of accommodation etc. In case a housing loan is taken from the Company, such loan will be subject to such regulatory approvals as are necessary, of up to Rs. 7,200,000/- subject to the income tax laws, to be adjusted against the annual rental support agreed by the Company. The Board will review the aforesaid housing costs upward revision annually and consider the same for increases if it deserves a review.

2.2. A hard furnishing allowance of a maximum Rs. 50,000/- renewable every 5 years and a soft furnishing allowance of a maximum Rs. 20,000/- renewable every 3 years will be provided.

2.3. The Company shall also provide a range of Electrolux' appliances including air conditioners, refrigerator, cooking range at the residence.

Car

The Company will provide two fully maintained air-conditioned cars with drivers. The choice of cars is a Hyundai Sonata and an Opel Astra (or any other car of equivalent price). The cars shall be insured under a comprehensive insurance policy.

The Company cost considered on an annual basis for the above is approximately Rs. 1,200,000/- based on standard depreciation rules, salary of drivers, insurance, running and maintenance etc.

The cars may be changed after 3 years of running subject to the condition of the cars and running expenses.

Residential Telephone/Fax

Two telephones at the residence for official use will be provided. Long-Distance personal calls will be recoverable from the salary.

Medical Care

1. Insurance

Self, spouse and children shall be insured under Group Personal Accident coverage. The amount of insurance cover will be Rs. 2,500,000/-. The premium for the same shall be paid by the Company.

2. Mediciam (Health Insurance-self & family)

Self, spouse and children including parents shall be insured under a Mediciam policy. The amount of insurance cover will be Rs. 1,000,000/- per person and the premium for the same (excluding the premium for the parents) shall be paid by the Company. The premium for the parents shall be deducted from the salary.

3. Medical Expenses

The Company will reimburse the medical expenses as part of the flexible benefits. All medical expenses will have to be settled with bills.

6. Club Membership

Nominations under Corporate Club Membership will be provided for two clubs, namely, the Delhi Gymkhana and the DLF Golf Club, in order to advance the business interest of the Company. The cost for such membership will be borne by the Company.

7. Contribution to Company's Provident Fund

12% (or as applicable rates for the time being in force under law) of monthly basic salary shall be deducted and contributed to the Electrolux Kelvinator Staff Provident Fund, in accordance with the Electrolux Kelvinator Staff Provident Fund Trust Deed, the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and the Income Tax Rules, 1962. An equivalent amount shall be contributed by the Company.

8. Contribution to Company's Superannuation Fund

15% (or as applicable rates for the time being in force under law) of the monthly basic salary shall be contributed by the Company to the Company's Superannuation Fund. However, such sum shall not together with the Company's contribution to the Provident Fund exceed 27% (or as applicable rates for the time being in force under law) of the basic monthly salary.

9. Gratuity

Gratuity shall be payable in accordance with the Payment of Gratuity Act, 1972.

10. Other payments

The Company shall provide corporate credit cards, and gadgets like computer/ laptop, mobile phones etc for smooth discharge of duties. Other facilities provided by the Company on Travel, Transfer, etc. will be as per applicable Company Policy/Guidelines from time to time.

11. One time benefits/payments on account of joining the employment of the Company

The Company shall provide assistance in admission of the children to Indian schools and will bear the admission costs. It is expressly clarified that the Company shall not bear any donation or similar contributions in relation to the admission of children to Indian schools. The Company will reimburse reasonable relocation expenses from Mumbai to Delhi for the family.

A one-time lump sum amount of Rs. 400,000/- will be paid on or after the Effective Date.

The Company will provide housing for the family in Mumbai till the current academic session of the children is over.

The Company will make good the loss (if any) suffered on account of loss of variable pay in the immediate previous employment due to resignation before the current calendar year 2002. Such payment will be made subject to furnishing of proof of the income certificate from the immediate previous employer.

The above remuneration was also approved by the Remuneration Committee at its meeting held on 29th January, 2003.

The Board of Directors recommend the Resolution for approval by the Members.

None of the Directors except Mr. Rajeev Karwal, is interested or concerned in the Resolution.

The Statement pursuant to Clause 1(B) and Clause 1(C) of Section II of Part II of Schedule XIII to the Companies Act, 1956 is enclosed to the Notice of Annual General Meeting of the Company.

By Order of the Board
for ELECTROLUX KELVINATOR LIMITED

Date : 26th May, 2003
Place : Gurgaon

Sd/-
HAJEEV KARWAL
MANAGING DIRECTOR

DETAILS OF DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AT THE THIRTEENTH ANNUAL GENERAL MEETING

Name of Director	Date of Birth	Date of Appointment	Expertise in specific functional areas	Qualifications	List of Companies in which outside Directorship held	Chairman/Member of the Committees of the Board of the Companies on which he is a Director
Mr. Inder Khosla	28-6-47	11-05-97	He is well experienced in various management and sales techniques prevalent in the industry	B.A.(Hons.); Diploma from Small Industries Service Institute.	- Gyan Marketing Associates P.Ltd. - Runwell Securities P Ltd. - Harbans Distributors Ltd.	@
Mr.Lars Bertil Ohlson	29-1-48	24-12-02	He has held several senior positions in diverse fields.	M.Sc. (Elec. Eng.)	- None	None
Mr. Rajeev Karwal	11-4-63	1-2-03	He has rich experience in consumer durable industry.	B.Sc., MBA (IMT, Ghbd), A Course in Product Management & Strategy, Hyderabad, An advanced course in Market Research & Planning; XLRI, Jamshedpur & An Advanced Course in Data Analysis for Marketing Decisions at IIM, Ahmedabad	- None	\$
Mr. Johan Gunnar Michael Fant	19-8-59	25-4-03	He is senior vice president of finance and strategy - EHPI. He has held several senior positions in treasury and as corporate controller	Accounting and Finance degree in International Business	- Electrolux do Brasil S.A. - Electrolux Home Products Operation (Sweden) AB	*
Mr. Carl Fredrik Stenson Rystedt.	28-12-63	25-4-03	He has expertise in Controlling, Accounting, Taxes, Auditing, IT	M.Econ.	- Electrolux Home Products Corporation N.V. - Electrolux do Brasil S.A. - A/S Vestfrost - Electrolux France S.A. - Electrolux Deutschland GmbH - Electrolux Zanussi S.p.A. - Electrolux Holding B.V. - Electrolux Espana S.A. - Electrolux Investments - Electrolux Plc - Electrolux North America Inc.	#

@ Holds membership of the "Audit Committee" of the Board of Directors of Electrolux Kelvinator Limited.

\$ Holds membership of the "Shareholders'/Investors' Grievance Committee" of the Board of Directors of Electrolux Kelvinator Limited.

* Holds Chairmanship of the "Shareholders'/Investors' Grievance Committee" and membership of the "Audit Committee" and "Remuneration Committee" of the Board of Directors of Electrolux Kelvinator Limited.

Holds membership of the "Shareholders'/Investors' Grievance Committee" of the Board of Directors of Electrolux Kelvinator Limited.

STATEMENT PURSUANT TO SCHEDULE XIII OF THE COMPANIES ACT, 1956
I GENERAL INFORMATION

- Nature of Industry:
 - Manufacturing of Consumer Durables - Refrigerator, Washing Machine, Air conditioner, Dishwashers etc.
- Date of Commencement of Commercial Production:
 - March 1992
- In case of new Company, expected date of commencement of activity as per project approved by the financial institutions appearing in the prospectus.
 - Not applicable
- Financial Performance based on given indicators:
 - Please refer Annual Accounts for the year ended 31st December, 2002 enclosed with the Notice of Annual General Meeting.
- Export Performance and net foreign exchange earnings:
 - Foreign Exchange earnings from exports (FOB Value) - Rs. 487.72 Lacs
- Foreign Investment or Collaborators, if any:
 - AB Electrolux, Sweden (ABE) is one of the world's leading manufacturers of household appliances, operating in over 150 countries and employing around 82,000 personnel globally. ABE recorded a consolidated Group

turnover of SEK 133,150 million for the year ended December 31, 2002. Your Company entered into a Technical Collaboration with ABE on December 14, 1996. Subsequently, ABE has vide its letter dated July 31, 2002, agreed for suspension of payment of 5% royalty under the above said agreement, for the period commencing from January 1, 2002 to December 14, 2004. Pursuant to the Scheme of Amalgamation of Electrolux India Limited and Intron Limited into the Company, AB Electrolux, Sweden holds - (a) 13,24,46,008 Equity Shares constituting 75.96% of the Equity Share Capital of the Company; (b) 50,00,000 10% Cumulative redeemable non-convertible preference shares of face value Rs. 100 each and (c) Further, in order to augment the net worth of the Company, AB Electrolux, Sweden has also subscribed to 6% cumulative non-convertible preference shares aggregating Rs. 15,000 Lacs on December 19, 2002.

II INFORMATION ABOUT THE APPOINTEE

- Background details:
 - Mr. Rajeev Karwal is a Bachelor of Science (B.Sc.) and a qualified MBA (IMT, Ghaziabad) and equipped with diploma in Business Management a course in product management and strategy, an advanced course in Market research and planning and a course in advanced Data Analysis for marketing decisions from prestigious institutes like IMT, IIM, XLRI and ASCI. Mr. Rajeev Karwal, at 40, is credited with turning around the fortunes of three mega consumer durables manufacturers - Onida, LC

and Philips. He possesses to his credit 18 years of professional experience in India and abroad. Prior to joining Electrolux India - Mr. Rajeev Karwal was with LG Electronics & Philips as their Vice President, Sales & Marketing and Consumer Electronics Business Head. He transformed LG from a two-time entry failure to the most successful MNC in India in the Consumer Electronics and Home Appliances sector, till date. He has worked with Philips India Limited, as Vice President - Head of their Consumer Electronics business. Within three years, under his able stewardship, the Consumer Electronics division has witnessed a tremendous improvement in profitability, topline and market shares.

2. Past Remuneration:

➤ Rs. 65 Lacs +

3. Recognition and awards:

➤ Mr. Rajeev Karwal has been accredited with the following recognition(s) and awards over the years:

- Voted Marketing person for the year 1999 by A&M.
- Voted in 2000, as one of the "Stars of the New Millennium" by Business India (a premium Business magazine of India) in their cover story, which featured the top 50 people to look out for in the new Millennium.
- CII Young Managers Trophy for 2001 - He was awarded the CII Young Managers Trophy for 2001, by the Confederation of Indian Industry (CII). This trophy is in recognition of an individual's outstanding performance and leadership qualities.
- Philips Leadership Award for 2001 - Mr. Karwal was awarded the Philips Leadership Award 2001, for the Asia Pacific, Middle East and Africa region, at a Senior Management meet, held in Bangkok. He was rated above other Senior Managers heading the Consumer Electronics Businesses from 15 other countries, in this region.
- Member of the Advisory Board of "The Retail Academy" - set up by the ASIA Charitable Trust. This is the first of its kind in India and the aim is to introduce the participants to retailing as a profession and equip them with the basic skill for becoming true sales persons.
- Member - YOUNG INDIANS - CII National Council on Young Business (YBC) - 2002-2003.
- President of CETMA - Very actively involved in the affairs of the "Consumer Electronics & TV Manufacturers' Association" (CETMA); a 75 member strong body. Was elected President for a record three consecutive terms (2000-2001, 2001-2002 and 2002-2003). The association aims to promote the Development of Consumer Electronics Industry like Television, Video, Audio, Games, toys, Electronic Clocks and Watches, Microwave Ovens, Washing Machines, etc. and components used solely in these products, through the development of a healthy and progressive activity in research and development, manufacture, trade, commerce and sales of these items.
- Winner of the 2003-IMM Award - (Institute of Marketing & Management-Delhi) for Excellence as a Top Professional Manager Marketing (Jan. 2003)
- Winner of the 2nd INDIAN EXPRESS AWARDS (January 2003) for Achieving Marketing Excellence (presented by the Indira Group of Institutes, Pune jointly with the Indian Express Group)

4. Job Profile and his suitability:

➤ Managing overall affairs of the management of the Company under the direction, supervision and control of the Board of Directors of the Company. He is accredited with rich experience in the similar Consumer Durable Industry.

5. Remuneration proposed:

➤ As detailed herein the Explanatory Statement annexed to the Notice dated 23rd May, 2003 calling the Thirteenth Annual General Meeting of the Company.

6. Comparative Remuneration Profile with respect to Industry, Size of the Company, Profile of the position and person (in case of expatriates, the relevant details would be w.r.t. the country of origin:

- The remuneration proposed is comparable with respect to the Industry and profile of the position.
- 7. Pecuniary relationship, directly or indirectly with the Company, or relationship with the managerial personnel, if any:
- Mr. Rajeev Karwal is not related to any Director or any employee of the company.

III OTHER INFORMATION

1. Reason for loss or inadequate profits:

➤ The major part of the losses were accumulated in the last two years, which have been poor years for the Indian economy as a whole. During the period, depressed market conditions with pressure on sales realizations, higher spends on brand building and competitive industry environment has impacted the financial state of the Company adversely. This coupled with increasing debt burden and higher depreciation charge, resulted in higher losses during the period.

2. Steps taken or proposed to be taken for improvement:

➤ The Company is presently undergoing a restructuring exercise that includes rationalization of manpower and facilities, the benefits of which would accrue in the coming years. With a view to economize the business operations for an overall improvement in its performance, the Company had introduced a Voluntary Retirement Scheme (VRS) on an all India basis for the workmen and executives employed/posted at Company's manufacturing facilities situated at Nandalur, Warora and Shahjahanpur during first quarter of 2003. However, the response to the said VRS was not very encouraging. The Company intends to introduce revised VRS in a phased manner for its various plants. The Board of Directors of the Company has proposed and approved a Rights Issue of upto 199,774,709 equity shares of Rs. 10/- each for cash at par to the existing shareholders of the Company in the ratio of 8 equity shares for every 7 equity shares held by them on a Record Date to be announced for the purpose. Amongst other objects, the issue would also help in augmenting the net worth of the Company. The issue got delayed due to some technical issues and is likely to be launched sometime during the year 2003. In view of the delays in launch of the rights issue and possible losses on account of ongoing restructuring initiatives, requiring investment for CFC free conversion, AB Electrolux, as a principal shareholder, has made on two occasions, one time voluntary, discretionary, revenue grant of Rs 5,000 Lacs and Rs. 2,000 Lacs to the Company to cover inter alia some significant expenses such as advertising costs, costs incurred in connection with brand transitions and possible losses of the Compressor plants.

3. Expected increase in productivity and profits in measurable terms

➤ Proposed steps are expected to bring about a marked change in the financial performance of the Company in next 3-5 years with a possible turn around.

IV DISCLOSURES

1. The shareholders of the company shall be informed of the remuneration package of the managerial person:

➤ The remuneration package of Mr. Rajeev Karwal, the Managing Director is provided in the Notice of the Annual General Meeting. There are no other Managerial persons drawing remuneration within the meaning of Section 198 read with Section 309 of the Companies Act, 1956.

2. The following disclosures shall be mentioned in the Board of Directors' Report under the heading "Corporate Governance", if any, attached to the annual report: (i) All elements of remuneration package such as salary, benefits, bonuses, stock options, pensions, etc., of all the directors; (ii) Details of fixed component and performance linked incentives along with the performance criteria; (iii) Service contracts, notice period, severance fees; (iv) Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable:

➤ The necessary disclosures with regard to the above shall be made in the next Board of Directors' Report, subsequent to the approval of the Shareholders and the Central Government.

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting their Thirteenth Annual Report on the operations of the Company and the Audited Statement of Accounts for the year ended December 31st 2002.

FINANCIAL HIGHLIGHTS

	(Rs. In Lacs)	
	For the year ended Dec. 31 st , 2002	For the year ended Dec. 31 st , 2001
Sales	48,365.81	47,356.75
Other Income	1,523.66	678.65
Total Income	49,889.47	48,035.40
Profit/(Loss) before Interest and Depreciation / amortization	(11,176.13)	(7,530.61)
Less: Finance Charges	3,169.12	4,080.72
Profit/(Loss) after Interest but before Depreciation / amortization	(14,345.25)	(11,611.33)
Less: Depreciation / amortization	2,847.18	2,825.56
Profit/(Loss) for the period	(17,192.43)	(14,436.89)
Provision for Taxation	-	-
Profit/(Loss) for the period after Provision for Taxation	(17,192.43)	(14,436.89)
Less: Prior Period (Expenses)/Income	158.99	-
Net Profit/(Loss) carried to Balance Sheet	(17,033.44)	(14,436.89)

OPERATIONS

The turnover of the Company increased to Rs. 48,366 Lacs from Rs. 47,357 Lacs in the previous year. The Company registered a 12% growth in the total number of refrigerators and 18% growth in the total number of washing machines. However, the same could not translate to a comparable value increase as there was an increased pressure on realisations due to Brand Integration and Non-CFC transition resulting in lower gross margins. The finance charges also came down from Rs. 4,081 Lacs to Rs. 3,169 Lacs due to reduced debt burden, lower interest rates and efficient financing methods. However, the net loss of the Company increased to Rs. 17,033 Lacs during the year as compared to Rs. 14,437 Lacs in the previous year.

To derive economies of scale and synergise its operations, your Company had announced a restructuring program, which inter-alia envisaged relocation of its Gurgaon washing machine plant to Butibori. The operations of the Gurgaon plant have been closed effective April 30th, 2002 and its workforce has also been separated/suitably relocated.

The Board of Directors of the Company also during the year proposed and approved a Rights Issue of upto 199,774,709 equity shares of Rs.10 each for cash at par to the existing shareholders of the Company in the ratio of 8 equity shares for every 7 equity shares held by them on a Record Date to be announced for the purpose. Amongst other objects, the issue would also help in augmenting the net worth of the Company. The issue got delayed due to some technical issues and is likely to be launched sometime during the year-2003.

In view of the delays in launch of the Rights Issue and possible losses on account of ongoing restructuring initiatives, requiring investment for CFC free conversion, AB Electrolux, as a principal shareholder, has made a one time voluntary, discretionary, revenue grant of Rs 5,000 Lacs to the Company on September 26th, 2002 to cover inter alia some significant expenses such as advertising costs, costs incurred in connection with brand transitions and possible losses of the Compressor plants. The grant has been used at the discretion of the Board of Directors in the interest of the Company, its shareholders and creditors.

In order to augment the net worth of the Company, AB Electrolux also subscribed to 6% cumulative non-convertible preference shares aggregating Rs. 15,000 Lacs on December 19th, 2002.

In terms of the Ozone Depleting Substances (Regulations and Control) Rules, 2000 framed under the Environment Protection Act, 1986, manufacture, sales, distribution and stocking of refrigerators using CFC was not permitted beyond December 31st 2002. The said deadline for liquidation of the old CFC stock was further extended upto March 31st, 2003 by the Government of India. Your Company has taken necessary steps for conversion of its refrigerator manufacturing facilities to make them fully compliant with such regulations.

In view of the above regulations, the Company also decided to discontinue its Compressor operations as a result of which the Company offered VRS to all its employees at "Sanathnagar Compressor Plant" and discontinued production of CFC compressors at both Sanathnagar and Warora plants. The operations of the Company are not likely to be impacted by discontinuation of compressor manufacturing operations since Company has been sourcing CFC free compressors from other compressor suppliers.

As a further step in the overall restructuring exercise and with a view to economize the business operations for an overall improvement in its performance, the Company, introduced a Voluntary Retirement Scheme (VRS) on an all India basis for the workmen and executives employed/posted at Company's manufacturing facilities situated at Nandalur, Warora and Shahjahanpur during first quarter of 2003. However, the response to the said VRS was not very encouraging. The Company intends to introduce revised VRS in a phased manner for its various plants.

In view of the delay in the launch of the Rights Issue and weak financial performance of the Company, AB Electrolux has given a further voluntary, discretionary revenue grant of Rs. 2,000 Lacs on April 7th, 2003.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report as required under the Listing Agreements with Stock Exchanges is enclosed as Annexure A'.

FINANCE AND CAPITAL STRUCTURE

The Authorised, Subscribed and Paid-up Share Capital of your Company has been increased by Rs.150,00,00,000 on allotment of 150,00,000 6% cumulative redeemable non-convertible preference shares of Rs. 100 each to AB Electrolux, Sweden on December 19th, 2002.

The Authorised Capital of your Company has been increased from Rs. 500,00,00,000 divided into 45,00,00,000 Equity Shares of Rs. 10 each and 50,00,000 10% cumulative redeemable non-convertible preference shares of Rs. 100 each to Rs. 650,00,00,000 divided into 45,00,00,000 Equity Shares of Rs. 10 each, 50,00,000 10% cumulative redeemable non-convertible preference shares of Rs. 100 each and 150,00,000 6% cumulative redeemable non-convertible preference shares of Rs. 100 each on obtaining the shareholders' approval at the Extra Ordinary General Meeting of the Company held on December 4th, 2002.

TRANSFER TO RESERVES

During the year no amount has been transferred to reserves.

DIVIDEND

In view of the unavailability of distributable profits, your Directors express their inability to declare any dividend for the year.

FIXED DEPOSITS

The Company has not accepted any Fixed Deposits from the Public or Shareholders or Employees during the year.

DIRECTORS

Your Company is committed to continuously improve upon the process of Corporate Governance.

In accordance with the provisions of the Companies Act, 1956 and the Article 89 of the Articles of Association of the Company, Mrs. Anita Kumar and Mr. Inder Khosla retire by rotation. Mr. Inder Khosla has offered himself for re-appointment.

During the year under review, Mr. Ram S. Ramasundar, Managing Director, resigned as the Director and Managing Director of the Company. Mr. Andrew Bentley, Chairman, has also resigned from the Board of Directors of the Company with effect from 30th March, 2003. Your Directors place on record their appreciation for the valuable contribution made by Mr. Andrew Bentley and Mr. Ram S. Ramasundar towards the growth and development of the organization.

Mr. Rajeev Karwal has been appointed as the Managing Director and Chief Executive Officer of the Company effective 1st February, 2003.

Mr. Johan Gunnar Michael Fant and Mr. Carl Fredrik Stenson Rystedt have been co-opted as the Additional Directors on the Board of Directors of the Company effective 25th April, 2003. Mr. Lars Bertil Ohlson has been appointed as the Additional Director on the Board of Directors of the Company on 24th December, 2002.

During the year under review, Mr. Mikael Norman joined the Board of Directors on 30th July, 2002 and resigned effective April 25, 2003. Ms. Marie Louise Wingard, Mr. Peter Silfwerbrand and Mr. G.S. Davar were appointed as his Alternate Director(s). Mr. Johan Bygge joined the Board of Directors on 31st March, 2003 and resigned effective April 25, 2003.

AUDIT COMMITTEE

The Audit Committee of your company held 5 meetings during the year. Presently the constitution of the Audit Committee comprises of:-

1. Mr. Johan Gunnar Michael Fant
2. Mr. Harish Kumar
3. Mr. Inder Khosla
4. Mr. Dinkar Goswami
5. Mr. Rohan Pradeep Shah

Mr. Rajeev Karwal, Managing Director and the Financial Controller of the Company are the permanent invitees. The Company Secretary is the Secretary of the Audit Committee.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm:

- (i) that in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that year;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the Annual Accounts on a going concern basis.

The financial statements for the year ended 31st December, 2002 are in full conformity with the requirements of the Generally Accepted Accounting Principles (GAAP) and the Accounting Standards issued by the Institute of Chartered Accountants of India till date and have been prepared on a going concern basis.

The Directors of Electrolux Kelvinator Limited accept responsibility for the integrity and objectivity of these financial statements as reflected through the consistent application of the Accounting Policies as well as for the estimates made and the judgments exercised relating to matters not concluded by year-end. The Directors believe that the financial statements reflect fairly the form and substance of the transactions concluded and reasonably present:

- the Company's financial condition,
- a true and fair view of the results of the operations for the year and
- the state of affairs of the business as at 31st December, 2002.

The financial statements have been audited by Price Waterhouse, Chartered Accountants. The Audit Committee of Electrolux Kelvinator Limited pursuant to Section 292A of the Companies Act, 1956, has reviewed these financial statements.

AUDITORS AND AUDITORS' REPORT

M/s Price Waterhouse, Chartered Accountants, the Auditors retire at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. A Certificate in terms of Section 224(1B) of the Companies Act, 1956 has been received from them.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS / OUTGO

The information required under Section 217 (1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is given in Annexure B, forming part of this report.

INFORMATION UNDER THE LISTING AGREEMENT WITH THE STOCK EXCHANGE(S)

Pursuant to Clause 38 of the Listing Agreement with the Stock Exchange(s), it is confirmed that the Annual Listing Fee for the financial year 2002 has been paid to all the Stock Exchange(s) on which the shares of the Company are listed.

PERSONNEL

The Statement under Section 217(2A) of the Companies Act 1956 read with Companies (Particulars of Employees) Rules, 1975 is given in Annexure C, forming part of this report.

ACKNOWLEDGEMENT

Your Directors wish to place on record their gratitude to various Union and State Government authorities, banks, financial institutions, shareholders and other business associates for their valuable co-operation and assistance. The Directors also wish to place on record, their sincere appreciation for the contribution made by the employees at all levels.

For and on behalf of the Board of Directors

	Sd/-	Sd/-
Date : April 25 th 2003	RAJEEV KARWAL	LARS BERTIL OHLSON
Place : Gurgaon	MANAGING DIRECTOR	DIRECTOR

ANNEXURE 'A' TO THE DIRECTORS' REPORT**MANAGEMENT DISCUSSION AND ANALYSIS REPORT****Industry Structure & Developments**

The Household Appliance industry remained sluggish in the year 2002 largely due to economic slowdown caused due to poor monsoon in various parts of the country and various other factors impacting consumer sentiments and their purchasing decisions.

The refrigerator industry grew by 10.8% for the period Apr-Dec 2002 over 2001. The industry continues to be dominated by low end Direct Cool segment where your Company is a significant player. Your company had a share of 20% of the total industry, with a share of 22.6% in the Direct Cool segment (Source:ORG-gfk).

The Washing Machine industry has been almost flat in the year 2002. The industry continues to be dominated by low end semi-automatic segment. The penetration levels, however, continue to be low when compared with China and that gives the management confidence that a small turnaround in the economy and growth in infrastructure sector coupled with rising income levels can boost demand in the industry.

2002 was a unique year for the company since the two brands Electrolux and Kelvinator were merged together to form a single brand Electrolux Kelvinator, a brand inculcating the modernity of Electrolux with the trust and reliability of Kelvinator. This brand envelops both refrigerators and washing machine categories. The transition from Kelvinator and Maxlean to Electrolux Kelvinator was done through focused media and trade related exercises and proved to be smooth and successful.

The company consolidated its position in the Frost Free segment by introducing a range of premium No Frost refrigerators called "Ozone" in September 2002. These refrigerators have state-of-the-art technology and have won the "Elle Design of the Year Award" for kitchen appliances. Another innovative product, "Aquaflow" with water dispenser was launched last year to drive volumes and profitability. Five new models were also introduced under the "Allwyn" brand.

In the Washing Machine category, your company has created history by introducing the World's First Talking Washing machine, the "Washy Talky", which has featured in Ripley's 'Believe it or Not' and in the "Limca Book of Records". In the single tub semi automatic segment, the brand has gained 5.7% in terms of market share (from 2.7% in Jan-Dec 2001 to 8.4% in Apr-Dec 2002) (Source:ORG-gfk).

In 2003, you can look forward to more innovative, consumer-oriented products in the second half of the year.

SWOT Analysis and future Outlook

The Company is a subsidiary of ABE, which is one of the largest producers of white goods globally. The brand Kelvinator that is being used by the Company to market its product in the country has been in India for decades and is a household name. Over the years, the Company has been able to develop a strong manufacturing and distribution infrastructure and thereby a loyal customer base.

Strong parental support from AB Electrolux, both financial and technical, strong brands, innovative and environment friendly products continue to remain the main strengths of the Company.

Low penetration levels in the industry-both refrigerators and washing machines, growing middle class with high disposable income, the entry into 'No-Frost' segment with the launch of 'Ozone', a segment where the Company was not a major player and the new advertisement campaign focusing on 'Life Nourishing System' are expected to enable the Company to effectively meet the competition and to increase its share in the Indian market.

However, intense competition with consistent pressure on realizations, need for continued investment in product up gradations and new product introductions, limited brand spends and an insignificant presence in other appliances category which are facing high growth like air-conditioners, micro wave ovens, cooking ranges etc. are the main areas of concern for the management.

The Company has accumulated losses of Rs. 32,091.84 Lacs as on December 31, 2002 against total shareholders funds of Rs. 37,450.29 Lacs. This has resulted in erosion of more than 50% of the Company's peak net worth. The major parts of the accumulated losses have resulted in the year 2001 and 2002. During both the years, depressed market conditions with pressure on sales realisations, higher spends on brand building, high interest burden and competitive industry environment has

put severe pressure on pricing, thus impacting the financial state of the Company adversely. This, coupled with increasing debt burden and higher depreciation charge, resulted in higher losses during the years. The Company is presently undergoing a restructuring exercise that includes rationalization of manpower, brands and facilities. A part of the restructuring cost was incurred in the last year but substantial portion of the restructuring cost is expected to be incurred in the current year and that may affect the profitability of the Company further. As required under the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 an intimation has been given to the Board for Industrial and Financial Reconstruction (BIFR) on August 5th, 2002, informing that the Company is potentially sick. In the event the Company is not able to capitalise itself adequately during the current year and its financial performance deteriorates, the Company will become sick under the provisions of SICA.

Segment wise Performance

The Company operates in a single business segment 'White Goods'. Within this segment the Refrigerators category grew by about 12% and Washing Machines grew by about 18% in terms of volume over previous year. The exports declined slightly during the year as compared to last year.

Internal Control Systems and Adequacy

The company has an ERP based accounting system and appropriate software applications in functional areas to aid operational transactions. The Company has an effective internal control system in place and the Management Assurance Group (MAG) conducts routine internal audits and special operational reviews on a periodic and consistent basis throughout the year covering all major business locations, processes and controls. The observations of the MAG are reviewed by the Audit Council periodically and the key findings are discussed for implementation and/or correction, as the case may be. This, subject to the inherent limitations in any system and procedure and coverage thereof, provides management with reasonable assurance that the established policies and the procedures of the Company have been followed, its assets safeguarded and any form of fraud and other irregularities prevented from occurring.

Financial Performance

The operational and financial performance of the Company has been explained separately in the Directors' Report.

Material Developments in Human Resources / Industrial Relations front, including number of people employed

The industrial relations continued to remain cordial and satisfactory throughout the organisation during the year 2002. As a part of restructuring of operations to improve the financial performance of the company in the long run, the employees at Washing Machine plant at Gurgaon and Compressor plant at Sanathnagar, Hyderabad were separated during the year. The restructuring resulted in bringing down the total manpower by approximately 650 numbers during 2002. Subsequently in the first quarter of 2003 also the management has introduced Voluntary Retirement Scheme (VRS) for its employees across all refrigerators plants where the response was not very encouraging. The management intends to continue its efforts during the year 2003 in further right sizing the Company at various locations since it is expected to be a significant step that may contribute to the overall turnaround of the Company in future.

Cautionary Statement

Statements in this report on Management's Discussion and Analysis describing the Company's objectives, future outlook, estimates, expectations, projections or predictions may be 'forward looking statements' within the meaning of applicable laws and regulations. These statements are based on certain assumptions and expectations of future events. Actual results could differ materially from those express or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting global and domestic demand-supply, finished goods prices in the domestic and overseas markets in which the Company operates, raw-material costs and availability, changes in Government regulations, tax regimes, economic developments and other factors such as litigation and industrial relations. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.