

Electrolux Kelvinator Limited

**Making life easier for millions
of homes around the world.**

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14th ANNUAL REPORT 2003

 **Electrolux**

BOARD OF DIRECTORS

Mr. Johan Gunnar Michael Fant	-	Chairman
Mr. Rajeev Karwal	-	Managing Director
Mr. Carl Fredrik Stenson Rystedt		
Mr. Harish Kumar		
Mr. Inder Kumar Khosla		
Mr. Dinkar Goswami		
Mr. Gautam Singh Davar		
Mr. Peter Magnus Silfwerbrand		

ALTERNATE DIRECTORS

Mr. David Alexander Porter	-	Alternate for Mr. Carl Fredrik Stenson Rystedt
Mr. Ravi Bishnoi	-	Alternate for Mr. Dinkar Goswami
Ms. Rani Nalwa	-	Alternate for Mr. Gautam Singh Davar
Mr. Robert Pavrey	-	Alternate for Mr. Peter Magnus Silfwerbrand

COMPANY SECRETARY

Mrs. Geeta Puri Seth

BANKERS

Citibank N.A.
Deutsche Bank
Standard Chartered Bank

AUDITORS

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

REGISTERED OFFICE

Flat No. 201-202, A-22, Green Park,
Aurobindo Marg, New Delhi-110 016
Tel : +91 11 2686 6184/85/86
Fax : +91 11 2686 2625

CORPORATE OFFICE

Global Business Park, Tower 'A' (3rd Floor)
Mehrauli-Gurgaon Road, Gurgaon-122002, Haryana
Tel : +91 124 280 3250
Fax : +91 124 280 3292
E-mail : Investors.Helpdesk@notes.electroluxindia.com
Website : www.electrolux.co.in

REGISTRAR & SHARE TRANSFER AGENT

Intime Spectrum Registry Limited
A-31, Naraina Industrial Area,
Phase-I, New Delhi - 110028
Tel : 91 11 5141 0592/93/94
Fax : 91 11 5141 0591
E-mail : delhi@intimespectrum.com

Contents	Page
Notice	1
Directors' Report	3
Report on Corporate Governance	8
Auditors' Certificate on Corporate Governance	13
Auditors' Report	14
Balance Sheet	16
Profit & Loss Account	17
Schedules to Accounts	18
Cash Flow Statement	31
Balance Sheet Abstract	32

NOTICE

NOTICE IS HEREBY GIVEN THAT THE FOURTEENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF ELECTROLUX KELVINATOR LIMITED WILL BE HELD ON TUESDAY, THE 22ND DAY OF JUNE, 2004 AT 9.30 A.M. AT SHAH AUDITORIUM, 2, RAJ NIWAS MARG, CIVIL LINES, DELHI -110 054 TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS

- To receive, consider and adopt the Audited Profit & Loss Account for the 12 months' period ended 31st December, 2003 and the Balance Sheet as at 31st December, 2003 and the reports of the Auditors and Directors thereon.
- To appoint a Director in place of Mr. Harish Kumar, who retires by rotation and being eligible, offers himself for reappointment.
- To appoint a Director in place of Mr. Dinkar Goswami, who retires by rotation and being eligible, offers himself for reappointment.
- To appoint Auditors to hold office from the conclusion of the Fourteenth 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

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

"RESOLVED THAT Mr. Peter Magnus Silfwerbrand, 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."

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

"RESOLVED THAT Mr. Gautam Singh Davar, 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."

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

"RESOLVED THAT the Authorized Share Capital of the Company is increased from Rs.650,00,00,000/- (Rupees Six Hundred Fifty Crores only) divided into 45,00,00,000 (Forty Five Crores) Equity Shares of Rs.10/- (Rupees Ten only) each, 1,50,00,000 (One Crore Fifty Lacs) 6% Cumulative Redeemable Non-Convertible Preference Shares of Rs.100/- (Rupees One Hundred only) and 50,00,000 (Fifty Lacs) 10% Cumulative Redeemable Non-Convertible Preference Shares of Rs.100/- (Rupees One Hundred only) each to Rs.1000,00,00,000/- (Rupees One Thousand Crores only) divided into 70,00,00,000 (Seventy Crores) Equity Shares of Rs.10/- (Rupees Ten only) each, 50,00,000 (Fifty Lacs) 10% Cumulative Redeemable Non-Convertible Preference Shares of Rs.100/- (Rupees One Hundred only) each and 250,00,000 (Two Crores Fifty Lacs) 6% Cumulative Redeemable Non-Convertible Preference Shares of Rs.100/- (Rupees One Hundred only) each by creation of 25,00,00,000 (Twenty Five Crores) Equity Shares of Rs.10/- (Rupees Ten only) each and 1,00,00,000 (One Crore) 6% Cumulative Redeemable Non-Convertible Preference Shares of Rs.100/- (Rupees One Hundred only) each aggregating Rs.1000,00,00,000/- (Rupees One Thousand Crores only)."

"RESOLVED FURTHER THAT the existing Clause V of the Memorandum of Association of the Company be substituted by the following Clause V:

- The Authorised Share Capital of the Company is Rs. 1000,00,00,000/- (Rupees One Thousand Crores only) divided into 70,00,00,000 (Seventy Crores) Equity Shares of Rs.10/- (Rupees Ten only) each, 50,00,000 (Fifty Lacs) 10% Cumulative Redeemable Non-Convertible Preference Shares of Rs.100/- (Rupees One Hundred only) each and 250,00,000 (Two Crore Fifty Lacs) 6% Cumulative Redeemable Non-Convertible Preference Shares of Rs.100/- (Rupees One Hundred only) each."
- To consider and if thought fit, to pass the following Resolution, with or without modification(s), as a **Special Resolution**:

"RESOLVED THAT subject to the provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) ("the Guidelines") and the necessary regulatory approvals, if any, and pursuant to Guideline 17 of the Guidelines, the delisting of the Company's securities from all of the Stock Exchanges upon which such Securities are currently listed be and is hereby approved and the Company shall take all necessary actions and make all necessary

filings to facilitate such delisting."

"FURTHER RESOLVED THAT Mr. Rajeev Karwal, Managing Director and Mr. Paul Gelardi, Chief Financial Officer, be and are hereby, jointly and severally, authorised to do all such acts, deeds, matters and things and to execute such documents or writings as may be necessary, proper or expedient for the purpose of giving effect to the aforesaid Resolution and for matter connected therewith or incidental thereto and to make or accept any conditions, modifications as may be prescribed, required or stipulated by the concerned authorities while granting any consents, sanctions or approvals or which the Board may consider appropriate in the best interests of the Company."

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

Sd/-

**RAJEEV KARWAL
MANAGING DIRECTOR**

Date : May 11th 2004
Place : Gurgaon

NOTES:

- 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.
- Pursuant to Section 154 of the Companies Act, 1956, the Register of Members and Share Transfer Books shall remain closed from Friday, 18th June, 2004 to Tuesday, 22nd June, 2004 (both days inclusive).
- The Directors' Report, Report on Corporate Governance and the Auditors' Certificate thereon, Auditors' Report, Audited Balance Sheet as at 31st December, 2003 and the Profit & Loss Account for the year ended on that date are enclosed.
- 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.
- 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.
- 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.
- Members are requested to bring their copy of this Annual Report to the Meeting.
- 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

Mr. Peter Magnus Silfwerbrand was appointed as an Additional Director in the Board Meeting held on August 28, 2003 and as per the provisions of Section 260 of the Companies Act, 1956, holds office upto the date of the Fourteenth 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. Peter Magnus Silfwerbrand as a Director, along with a deposit of Rs. 500/-.

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

None of the Directors except Mr. Peter Magnus Silfwerbrand, is interested or concerned in the Resolution.

Item No.6

Mr. Gautam Singh Davar was appointed as an Additional Director in the Board Meeting held on October 22, 2003 and as per the provisions of Section 260 of

the Companies Act, 1956 holds office upto the date of the Fourteenth 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. Gautam Singh Davar 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. Gautam Singh Davar, is interested or concerned in the Resolution.

Item No. 7

The present Authorised Capital of the Company is 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.

The accumulated losses of the Company as on December 31st 2003, have exceeded the net worth of the Company. The Board of Directors of the Company has completed the Rights Issue of 19,97,74,709 Equity Shares of Rs.10/- each for-cash at par on rights basis to the existing Equity Shareholders of the Company in the ratio of 8 (eight) Equity Shares for every 7 (seven) Equity Shares held on the Record Date i.e. March 12, 2004 aggregating Rs.199,77,47,090/- made vide "Letter of Offer" dated March 8, 2004. The Network of the Company has become positive to the extent of the net Rights Issue subscription received. However, in order to accommodate further capital infusion which may be required in the process of Capital restructuring to revive the financial health of the Company, it is proposed to increase the Authorised Share Capital of the Company by creation of additional 25,00,00,000 Equity Shares of Rs. 10/- each and 1,00,00,000, 6% Cumulative Redeemable Non-Convertible Preference Shares of Rs.100/- each, subject to the approval of Shareholders of the Company.

Consequently, Clause V (i.e.: the Capital Clause) of Memorandum of Association of the Company would require to be suitably altered. This requires shareholders' approval by way of an Ordinary Resolution as Item No. 7.

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

Except to the extent of shares held in the Company, none of the Directors is, in any way, concerned or interested in the passing of the Resolution.

Item No. 8

Presently the equity shares of the Company are listed on the Stock Exchange(s) at Mumbai, Delhi, Jaipur, Bangalore, Kolkata and Ahmedabad.

The Company has recently concluded the Rights Issue of 19,97,74,709 Equity Shares of Rs.10/- each for cash at par on rights basis to the existing Equity Shareholders of the Company in the ratio of 8 (eight) Equity Shares for every 7 (seven) Equity Shares held on the Record Date i.e. March 12, 2004 aggregating Rs.99,77,47,090/- made vide "Letter of Offer" dated March 8, 2004.

To ensure adequate capitalization, AB Electrolux had declared its intention to subscribe to shares beyond its entitlement if other shareholders do not exercise their rights entitlement in the said Letter of Offer. It had also been disclosed in the said Letter of Offer that AB Electrolux will buy out the remaining shareholders at the rights issue price in accordance with the Securities & Exchange Board of India (Delisting of Securities) Guidelines, 2003.

Under the letter dated December 24, 2002, SEBI had earlier clarified that AB Electrolux was permitted to subscribe to the unsubscribed portion of the Rights Issue, provided it adhered to one of the options given in the said letter which was to buy out the remaining shareholders at the Rights Issue price.

Pursuant to the said letter dated December 24, 2002 and the undertaking given by AB Electrolux in the Letter of Offer for the Rights Issue, the Company has received a letter dated May 6, 2004 from AB Electrolux confirming its intention to buy out the remaining shareholders at the price of the Rights Issue under the SEBI (Delisting of Securities) Guidelines, 2003.

AB Electrolux has fully subscribed to its entitlement in the Rights Issue and the shortfall in the Rights Issue.

However, investors may note that Mr. Harish Kumar, a shareholder and Director of the Company, and his wife Mrs. Anita Kumar have filed a Civil Writ Petition before the Hon'ble High Court of Delhi, inter-alia challenging the validity of the SEBI (Delisting of Securities) Guidelines, 2003.

Copies of the letter dated December 24, 2002 addressed by SEBI to the Company and the letter dated May 6, 2004 addressed by AB Electrolux to the Company are available for inspection at the registered office of the Company from 11.00 AM to 1.00 PM.

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

Except to the extent of shares held in the Company, none of the Directors is, in any way, concerned or interested in the passing of the Resolution.

By Order of the Board
for ELECTROLUX KELVINATOR LIMITED

Sd/-

RAJEEV KARWAL
MANAGING DIRECTOR

Date : May 11th 2004
Place : Gurgaon

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

Name of Director	Date of Birth	Date of Appointment	Expertise in specific functional area	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. Harish Kumar	15-03-56	08-08-89	He is the original promoter and has been associated with the Company since inception. He has over 25 years of experience of the Industry	B.Com	- AH Holdings P Ltd. - Maharaja Appliance Ltd - Appliance City Ltd. - Asiatic Engineers P Ltd. - Kaveri Shilpkala Ltd. - Vindhya Woodcrafts P Ltd. - Maharaja Aircan Ltd. - Unicorn Electromech Ltd. - Swati Fashions P Ltd. - Shogan Lamination P Ltd. - Indo Asiatic Appliances P Ltd.	@
Mr. Dinkar Goswami	20-11-59	25-03-02	He is an Advocate by Profession and has significant experience in the field of law	L.L.B. (University of London)	- Gausa India Ltd. - V & C Constructions P Ltd.	#
Mr. Peter Magnus Silfwerbrand	20-08-61	28-08-03	He is senior Vice President Operations - International with AB Electrolux, Sweden	Master of Science, Mech. Engg.	- None	None
Mr. Gautam Singh Davar	06-03-37	22-10-03	He is a Patents and Trade Marks Attorney and has 42 years of experience in Intellectual Property Rights matters	B.E., L.L.B.	- Gujarat Toolroom Ltd. - Swan (India) Ltd. - L S Davar & Co. Holdings P Ltd.	\$

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

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

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

DIRECTORS' REPORT**TO THE MEMBERS**

Your Directors have pleasure in presenting their Fourteenth Annual Report on the operations of the Company and the Audited Statement of Accounts for the year ended December 31st 2003.

FINANCIAL HIGHLIGHTS

	For the year ended <u>Dec. 31, 2003</u>	(Rs. in Lacs) For the year ended <u>Dec. 31, 2002</u>
Gross Sales and Service Income	32,232.50	48,365.81
Less: Excise Duty on sales	3,967.76	6,691.80
Net Sales and Service Income	28,264.74	41,674.01
Other Income	991.43	1,501.29
Profit/(Loss) before Interest and		
Depreciation / amortization	(9,072.52)	(10,713.28)
Less: Interest	1,731.62	2,912.11
Profit/(Loss) after Interest but before		
Depreciation / amortization	(10,804.14)	(13,625.39)
Less: Depreciation / amortization	2,693.93	2,847.18
Profit/(Loss) for the year before		
Exceptional Items and Tax	(13,498.07)	(16,472.57)
Less: Exceptional Items (Net)	9,133.20	560.87
Profit/(Loss) for the year after		
Exceptional Items but before Tax	(22,631.27)	(17,033.44)
Tax Expense	—	—
Net Profit/(Loss) after Tax	(22,631.27)	(17,033.44)

OPERATIONS

The gross turnover of the Company decreased during the year to Rs. 32,232 Lacs from Rs. 48,366 Lacs in the previous year. The Company registered a 37% degrowth in refrigerators and 20% degrowth in the washing machines as compared to 2002 in volume terms. Overall sales volume went down by 36% and the same when translated in value terms showed a lower decline at 33% in spite of consistent price erosion in the market during the year, mainly due to improved product/customer mix. The main reasons for the drop in sales are discontinuation of non-profitable domestic/exports sales during the year and also discontinuation of usage of Allwyn brand during the year due to brand integration strategy in the long-term interest of the Company and its shareholders.

The Gross margins/(Loss) before interest, depreciation and exceptional items, though have improved during the year in spite of drop in sales to (Rs. 9,073 Lacs) against (Rs. 10,713 Lacs) in 2002. The improvement is caused due to various restructuring and cost control initiatives taken by the Company during the year. With financial support from AB Electrolux during the year by way of voluntary, discretionary revenue grants of Rs. 65 Crores provided to the Company used in further repaying debts coupled with declining interest rates in Indian Economy, use of innovative financing methods and efficient management of working capital, the interest charge also came down from Rs. 2,912 Lacs in 2002 to Rs. 1,732 Lacs during 2003, a drop of almost 41%. In fact, by efficiently managing its inventories and receivables your Company has been able to achieve negative working capital during the year that remains a rare phenomenon in this industry.

As a result of above, the net profit/(loss) for the year before exceptional items improved by 18% to (Rs. 13,498 Lacs) as against (Rs. 16,473 Lacs) in the previous year.

Your Company continued its restructuring initiatives involving

consolidation of manufacturing capacities and brands during the year which has resulted in reduction of its workforce strength by more than 1,250 numbers and closed down its manufacturing facilities at Nandalur. The Company is gradually disposing off the assets that are rendered surplus because of restructuring. During 2003 your Company completed the disposal of its assets at Sanathnagar Compressor factory.

The 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 approved by the Board of Directors of the Company in 2002 and then again in 2003 has finally opened on March 26, 2004 and will close on April 26, 2004. Amongst other objects, the issue would also help in augmenting the net worth of the Company.

The inordinate delay in this Rights Issue has, however, led the Company to a situation where its accumulated losses as at end of 2003 have exceeded the net worth of the Company and necessary filings/reportings with the relevant regulatory authorities will now be made in due course in accordance with law.

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

As explained above the Rights Issue of approx. Rs. 20,000 Lacs that opened for subscription on March 26, 2004 and will close on April 26, 2004 will increase the paid-up share capital of the Company. AB Electrolux has given its consent to fully subscribe to its own entitlement and also subscribe to the under subscribed portion of the Rights Issue, if any. The issue proceeds will help in augmenting the net worth of the Company. However, the Company may also require further infusion of share capital to enable it to make its net worth positive.

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, Mr. Harish Kumar and Mr. Dinkar Goswami retire by rotation.

During the year under review, Mr. Gautam Singh Davar and Mr. Peter Magnus Silfwerbrand were co-opted as Additional Directors on the Board of Directors.

Mrs. Anita Kumar retired by rotation and was not re-appointed at the last Annual General Meeting. During the year, Mr. Ravi Bishnoi, Mr. Hans Mikael Ostman, Mr. Nicholas John Sowden and Ms. Rani Nalwa were appointed as Alternate Directors.

AUDIT COMMITTEE

The Audit Committee of your Company held 6 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 and
5. Mr. Gautam Singh Davar

Mr. Rajeev Karwal, Managing Director of the Company is the permanent invitee. 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, 2003 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, 2003.

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.

The qualifications in the Auditors' Report are self-explanatory and Notes to Accounts appropriately explain and deal with the management perception thereon.

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 2003 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/-
Johan Gunnar Michael Fant
Chairman

Sd/-
Rajeev Karwal
Managing Director

Date : March 30th 2004.
Place : Gurgaon

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure & Developments

The year 2003 has seen Indianization of global consumer durables brands in India. Several multinationals tried to re-enter as well in an already overcrowded Indian market. The year was marked by the smaller brands being hit hard as a result of the larger players multi-pricing strategy. Price-erosion continued along with more feature-packed better quality products entering the Indian market. Outlook for the household segment looks positive for 2004. The "feel-good" factor is feeding into more purchases in the high-end segment.

The refrigerator industry grew by 4.4% in volume terms for the period Jan-Dec 2003 over 2002. It continues to be dominated by Direct cool (84.5%) as compared to Frost-Free (15.5%), however, future growth is clearly expected from Frost-Free. Your Company has a significant share of the total refrigerator market (13.6%), is a trusted brand in the direct cool segment (14.9%) and is the fastest growing brand in the frost-free segment with a share of 6.4% and growth rate of 57.8% over 2002. Also, within the frost-free segment the leading capacity is that of 226-270 litres, and your Company's offering in this segment introduced in 2002, the state-of-the-art "Ozone" range of refrigerators is also the fastest growing across the country for the year 2003. To further strengthen Ozone's leadership position, two third-party research studies were conducted, by AC Nielsen and FRAC (Food Research & Analysis Center) benchmarking the Ozone against competitive offerings in the segment, and the Ozone emerged as the clear winner. Adding to the Ozone range, your Company also launched the imported Brazilian model "Elsa" in the frost-free segment in the 400-450 litres capacity, which has been selling successfully. Also, keeping in line with the brand philosophy of producing innovative products that cater to the needs of the woman, your Company also launched "India's only Hands-Free refrigerator" - the Oxy Swing, in the direct cool segment. (Source: ORG-gfk)

The Washing Machine category has seen a rebound in the year 2003. Front-load machines were introduced giving competition to established players. Penetration levels for washing machines however are still amongst the lowest when compared to other household appliances. Higher capacity (6.0 kg plus) segment is witnessing maximum growth. The industry grew by 9% and relies heavily on the semi-automatic segment that contributes 78.8% to the entire market, however fully automatic with a share of 18.5% is leading growth at the rate of 18.2%. Your Company holds a share of 1.8% in the entire washing machine market, within the semi-automatic segment its share is 1.9%, however, in the growing fully-automatic segment your Company's share continues to increase with a share of 3.1% in the year 2003. (Source: ORG-gfk)

In 2004, you can look forward to more innovative, consumer-foresight driven products in the existing product categories- refrigerators & washing machines, along with a foray into two new highly lucrative product categories, that of Microwaves & Air-Conditioners.

SWOT Analysis and future Outlook

The Company is a subsidiary of AB Electrolux, Sweden (ABE), which is one of the largest producers of household appliances and products for professional use. Ongoing technical collaboration agreement with ABE will ensure that your Company has access to latest technology and management expertise. The products of the Company that are available across various price segments are now being marketed under international brand, i.e. 'Electrolux'. Over the years, your Company has been able to develop a strong manufacturing and distribution infrastructure across the country. Restructuring initiatives taken by your Company during 2002 and 2003 have made the Company leaner and more efficient enabling it to effectively face competition.

Strong parental support from AB Electrolux, both financial and technical, international brand, 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 product categories of Microwave and Air-conditioners, aggressive foray into No-frost segment in refrigerators, launch of new and innovative products in refrigerators and washing machines and the new women oriented 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 from existing as well as new players with consistent pressure on realizations, need for continued investment in product up gradations and new product introductions and delayed entry in other appliances category which are facing high growth like air-conditioners, micro wave ovens etc. are the main areas of concern for the management.

Segment wise Performance

The Company operates in a single business segment 'White Goods'. Within this segment the Refrigerators category declined by about 37% and Washing Machines declined by about 20% in terms of volume over previous year. The main reasons for decline vis-à-vis previous year are gradual discontinuation of non-profitable exports and OEMs business and also discontinuation of usage of 'Allwyn' brand due to brand integration strategy of your Company.

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 & Special Assignments (MASA) 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. In addition, the Company has also deployed external auditors to undertake Controllers' review of the operations in its sales offices across the country. The observations of the MASA and Internal Auditors 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 2003. As a part of restructuring of operations to improve the financial performance of the Company in the long run, all the employees at Refrigerator Plant, Nandalur were separated during the year and operations at Nandalur plant were discontinued. Voluntary Retirement Scheme (VRS) was introduced at Warora and Shahjahanpur plants and the response was encouraging. The restructuring resulted in bringing down the total manpower by more than 1,250 numbers during 2003. Long Term Wage settlement for Refrigerator Plants, Shahjahanpur and Washing Machine Plant, Butibori were signed in record time of one month with zero Man days loss. To improve the productivity of the plants, MOST (Maynard Operations Sequence Technique) was implemented at Refrigerator plant at Shahjahanpur. Presently the management is conducting productivity improvement studies at its other plants also to further improve efficiency levels at its manufacturing facilities to bring them at par with other comparable facilities in the industry.

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.

ANNEXURE 'B' TO THE DIRECTORS' REPORT**INFORMATION AS PER SECTION 217(1)(e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST DECEMBER, 2003****CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:**

In accordance with the requirements of Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, statement showing particulars with respect to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and outgo is as under:

A. CONSERVATION OF ENERGY**a) Energy conservation measures taken:**

- ☐ Power factor capacitor banks have been added to raise power factor for availing maximum discounts on electricity bill from Electricity Board.
- ☐ New Jet type cooling tower is added for new chillers to eliminate increase in power consumption of fan motors.
- ☐ HSD Flow meters have been installed on Thermo Pac & DG Sets to monitor HSD consumption.
- ☐ For minimizing the energy losses heated type Air drier is being replaced with Refrigerated type Air drier.
- ☐ Intermediate Air control System is being installed to bring in substantial savings in Air System.
- ☐ For better Power monitoring metering devices have been installed on all major Consuming Department.
- ☐ Modified Machines Control Systems to save undue operation of machines.
- ☐ Strict Control on Air Leakages/running of compressors is in practice.

b) Additional investment and proposals if any, being implemented for reduction of consumption of energy:

- ☐ Installing VFD in paint shop which will bring in saving of nearly Rs. 2 Lacs annually.
- ☐ Using energy efficient CFL lamps which will results in saving of 52 Kwh / Day.
- ☐ Usage of reliance super LDO in place of HSD which will result in saving of Rs.2/Ltr.
- ☐ All non-insulated portions of Pipeline/Valves are being insulated for reducing Heating/Chilling Losses.
- ☐ Thrust on reducing compressed air leakage by vigorous maintenance and which has a saving potential of Rs. 12 lacs per annum.
- ☐ Installation of solar water heater to preheat make up water in Paint shop.
- ☐ Utilization of waste flue gases from hot water generator to heat up the water.

c) Impact of measures at a) & b)

- ☐ There is overall reduction in Power consumption by 1.5 units per Refrigerator & 0.5 units in Washing Machine.
- ☐ Direct saving in fuel has also been achieved in Heating Systems.
- ☐ Rebate of nearly Rs. 3.0 lacs has been availed from Electricity Boards on account of Power factor improvement.

B. TECHNOLOGY ABSORPTION**1. RESEARCH & DEVELOPMENT (R & D)****a) Specified areas in which R&D carried out by the Company:**

- ☐ Design and Development of new 170L DC (Oxymint) entry-level refrigerator.
- ☐ Design and Development of an upgraded 185L DC (Oxyfresh) refrigerator with new elegant exteriors and stylish handle.
- ☐ Introduction of a new variant in 170L DC (Oxyfreeze) refrigerator segment with a built-in ice pack for better retention of cooling even in the event of power failure.
- ☐ Design and development of new 190L and 230L DC refrigerator (Starbucks) series based on a new platform intended for premium

segment with contemporary looks and innovative features.

- ☐ Introduction of first-of-its kind 220L DC refrigerator (Swing) with a Pedal operated door-opening feature providing novel utility to the consumers.
- ☐ Introduction of a new variant Ozone 230L no-frost refrigerator for an entry-level segment.
- ☐ Design and Development of new 170L DC refrigerator with inverter/ battery back up to ensure uninterrupted operation of refrigerator during power failure.
- ☐ Design and Development of new 190L / 230L DC refrigerator with elegant electronic panel on door with features including FM radio, Clock, Alarm, Door open alarm, Voice message recording.
- ☐ In Washing Machine segment, development of a new 6.8kg Semi Auto, washing machine based on a new design platform with built-in electronic control.

b) Benefits derived as a result of the above R&D:

- ☐ Up-gradation and improved quality of the products.
- ☐ New models with improved and innovative features are well accepted by customers.
- ☐ Product up gradation, improvement and optimization of process for increasing productivity.
- ☐ Indigenization of items leading to import substitution.

c) Future Plan of Action:

- ☐ Development of new Models to cover whole range from a minibar in DC to high-end frost free, including Premium and Luxury variants.
- ☐ Development of new models for standardization.
- ☐ Focus on new ranges of refrigerators and washing machines with modern electronics.
- ☐ New refrigerators to fulfill upcoming energy efficiency rating directive.

d) Expenditure on R&D:

<input type="checkbox"/> Capital	-	Rs. 42,03,978/-
<input type="checkbox"/> Recurring	-	Rs. 2,03,00,253/-
<input type="checkbox"/> Total	-	Rs. 2,45,04,231/-

☐ Total R&D Expenditure as a percentage of Total Turnover ~ 0.76%

2. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION:**a) Efforts in brief, made towards technology absorption, adaptation and innovation**

- ☐ Development and introduction of new aesthetic and customer friendly value added and innovative features in the products.

b) Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.

- ☐ Process and quality improvement resulting in product upgradation.
- ☐ Cost optimization through process improvement, design changes and improvement.

- ☐ Reduction in foreign exchange outflow by suitable import substitution.

c) In case of imported technology (imported during last 5 years reckoned from the beginning of the financial year) following importation may be furnished:

- ☐ None

C. FOREIGN EXCHANGE EARNINGS AND OUTGO**(a) Activities relating to exports: initiatives taken to increase exports; development of new export markets for products and services; and export plans**

The Company had during the year exported refrigerators to African Countries and the product is very well received. The Company has also initiated the process of entering the SAARC market and expect to start business with these countries in the coming years. We are also trying to explore other markets in Asia Pacific countries through the help of our group companies.

(b) Total foreign exchange earned and used

(i)	Foreign Exchange Earnings	-	Rs. 21,016,807/-
(ii)	Foreign Exchange Expenditure		
	- CIF Value of Imports	-	Rs. 369,505,077/-
	- (Including Capital Expenditure of	Rs.	60,847,466/-)
	- Others	-	Rs. 146,243,168/-

Statement of Particulars under Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975, forming part of the report of the Directors for the Financial Year ended 31st December, 2003.

(A) Employed throughout the Financial Year under review and were in receipt of remuneration for the period in aggregate of not less than Rs. 24,00,000/-

Name	Designation & Nature of Duties	Remuneration Received (Rs.)	Qualification	Experience (Yrs.)	Date of Commencement	Age (Yrs.)	Particular of Last Employment
Chandrakant Agarwal	BU-GM (Vice President)	30,91,884	MS (Mech. Engg.)	23	01.02.2000	46	Vice President - Tefal India Household Appliance P Ltd.
Sanjiv Misra	Executive Vice President (New Products)	31,99,076	BA, MBA (Marketing & Finance)	16	01.01.1996	44	Commercial Director - Intron Limited
Romesh Kaul	Vice-President (Quality)	26,87,695	B.E., M.Tech	26	01.08.2002	46	Director - Sourced Products Operations - Whirlpool of India Ltd.
Mikael Klein	GM (R&D, Cold Products)	87,15,395	Bachelor's Degree in Mech. Engg.	12	01.09.2002	38	Sr. Project Manager - Electrolux Zhongyi Refrigerators Co. Ltd.

(B) Employed for part of the Financial year under review and were in receipt of remuneration for any part of the Financial year at rate which in aggregate was not less than Rs. 200000/- P.M.

Name	Designation & Nature of Duties	Remuneration Received (Rs.)	Qualification	Experience (Yrs.)	Date of Commencement	Age (Yrs.)	Particular of Last Employment
Shantanu Banerjee.	Executive Vice President - Human Resources & Corporate Services	39,13,366	PGD IR & PM, ICWA (I)	22	01.07.1998	46	Vice President - Human Resources & Corporate Affairs - Pepsi Co India Holdings Ltd.
A B Singhal	Executive Vice President - Manufacturing	52,73,528	BE (Mech.), PG Diploma (Mktg.)	26	01.10.1998	47	Corporate General Manager - Manufacturing - Voltas Ltd.
Koustuv Mitra	Vice President - Human Resource & Corporate Services	6,05,336	BSc, Diploma in Social Work, Certificate in Labour Welfare	14	15.10.2003	41	General Manager - HR - Coca Cola India
Rajesh Puri	Vice President (Sales & Marketing)	14,02,461	Degree in Mech. Engg., Master in Management Studies(Marketing)	19	11.08.2003	42	Vice President - Om Kotak Mahindra LIC Ltd.
R Ravi	General Manager - Sales	4,66,303	B.A.	23	01.11.2003	46	Vice President - Godrej & Boyce Appliance Division
Ashok Tiwari	General Manager - Sales	4,73,657	B.E. Mech., International Marketing MBA	16	01.12.2003	38	Regional Head - Sony India Pvt. Ltd.
Paul Gelardi	Chief Financial Officer	75,30,581	BSc Hons, ACA (England & Wales), IMD- Lausanne - Managing after Acquisition, Financial Management & Control	28	01.07.2003	52	Hibermia Foods - Chief Financial Officer
Christophe Lepeltier	Supply Chain Manager	84,25,500	M.A. (English), M.A. (Spanish), MBA (Major in Operation), MS in Supply Chain	15	01.05.2003	39	Supply Chain Manager - Electrolux Floor Care, Stockholm, Sweden

NOTES:

- (1) Remuneration includes Basic Salary, Allowances, Medical and other reimbursements, Leave Encashment, Incentive, Rent paid for providing residential accommodation, Ex-gratia, Gratuity, Notice period Compensation, Company's contribution to Provident Fund and Superannuation Fund/Pension Fund and monetary value of the perquisites provided to the employees. However, where it is not possible to ascertain the actual amount expended by the Company in providing a perquisite, the value of such perquisite is calculated in accordance with the Income Tax Act, 1961 and rules framed thereunder have been taken into account.
- (2) None of the Employees is a relative of any Director of the Company.
- (3) None of the Employees hold more than 2% of the shares of the Company.

REPORT ON CORPORATE GOVERNANCE
(Pursuant to Clause 49 of the Listing Agreement)

Corporate Governance Philosophy

Electrolux is committed to implementing the highest standards and most effective processes to ensure that its operations create long-term value for its shareholders and other stakeholders. This philosophy is manifested in its operations which include an efficient organizational structure, operating systems for internal control and risk management and ensuring transparency in internal and external financial reporting.

Board of Directors

Composition and size of the Board of Directors

It is well recognized that there should be optimum combination of Executive and Non-executive Directors. Your Company's Board meets with requirement as it consists of 7 Non-executive Directors out of total 8 Directors as on December 31st 2003, who account for more than 50% of the total strength of the Board. Further, 3 Non-executive Directors are independent.

Number of other Companies in which Director is a Director/Chairperson or Member/Chairperson of Committees

S. No.	Name of Director(s)	Category of Directorship	No. of other Companies in which Director/Chairperson #	No. of Committees of other Companies in which Member/Chairperson
1.	Mr. Johan Gunnar Michael Fant	Non-Executive Chairman	3	None
2.	Mr. Rajeev Karwal	Managing Director	None	None
3.	Mr. Harish Kumar	Non-Executive	12	None
4.	Mr. Inder Khosla	Non-Executive (Independent)	3	None
5.	Mr. Dinkar Goswami	Non-Executive (Independent)	2	None
	Mr. Ravi Bishnoi	Alternate Director	None	None
6.	Mr. G.S. Davar	Non-Executive (Independent)	3	None
	Ms. Rani Nalwa	Alternate Director	None	None
7.	Mr. Peter Magnus Silfwerbrand	Non-Executive	None	None
	Mr. Nicholas John Sowden	Alternate Director	None	None
8.	Mr. Carl Fredrik Stenson Rystedt	Non-Executive	10	None
	Mr. Hans Mikael Ostman	Alternate Director	None	None

Including Directorships of Private Limited Companies

Meetings and Attendance

During the Financial Year 2003, Eight Board Meetings were held. The dates on which the said meetings were held are as follows: 29th January, 31st March, 25th April, 1st August, 28th August, 22nd October, 17th November and 17th December.

The **Annual General Meeting** was held on **25th June, 2003**. No Extra-ordinary General Meeting was held during the year.

The attendance of the Directors in the Meetings was as under:

S. No.	Name of the Director	Category of Directorship	No. of Board meetings attended*	Attendance at last Annual General Meeting
1.	Mr. Andrew Bentley (upto 30.03. 2003)	Non-Executive Chairman	1 of 1	N.A
2.	Mr. Johan Bygge (w.e.f. 31.03.2003 upto 25.04.2003)	Non-Executive Chairman	1 of 1	N.A
3.	Mr. Johan Gunnar Michael Fant (w.e.f 25.04.2003)	Non-Executive Chairman	6 of 6	Yes
4.	Mr. Rajeev Karwal (w.e.f 01.02.2003)	Managing Director	7 of 7	Yes
5.	Mrs. Anita Kumar (upto 25.06.2003)	Non Executive	1 of 3	No
6.	Mr. Harish Kumar	Non-Executive	7 of 8	Yes
7.	Mr. Inder Khosla	Non-Executive (Independent)	8 of 8	No
8.	Mr. Dinkar Goswami	Non-Executive (Independent)	5 of 8	No
9.	Mr. G.S. Davar (w.e.f. 22.10.2003)	Non-Executive (Independent)	3 of 3	N.A.
10.	Mr. Rohan Pradeep Shah (upto 22.10.2003)	Non-Executive (Independent)	3 of 5	Yes
11.	Mr. Mikael Norman (upto 25.04.2003)	Non-Executive	1 of 2	N.A.
12.	Lars Bertil Ohlson (upto 28.08.2003)	Non-Executive	4 of 4	Yes
13.	Mr. Peter Magnus Silfwerbrand (w.e.f. 28.08.2003)	Non-Executive	4 of 4	N.A.
14.	Mr. Carl Fredrik Stenson Rystedt (w.e.f. 25.04.2003)	Non-Executive	5 of 6	Yes

* include meetings attended by Alternate Directors

Brief resumes of the Directors being appointed /re-appointed are given in the Notice of 14th Annual General Meeting, forming part of the Annual Report.

Committees of the Board

Audit Committee

The Audit Committee comprises of Five Directors viz. Mr. Johan Gunnar Michael Fant, Mr. Harish Kumar, Mr. Inder Khosla (Independent Director), Mr. Dinkar Goswami (Independent Director) and Mr. G S Davar (Independent Director). All the Directors in the Audit Committee are Non-Executive Directors. During the year Mr. Rohan Pradeep Shah resigned as a Director of the Company w.e.f. 22nd October, 2003. Mr. G. S. Davar was co-opted as a member of the Audit Committee in the Board Meeting held on 22nd October, 2003 who is a Non-executive Independent Director. The Audit committee comprises of 5 Non-executive Directors 3 of which are Independent Directors. The Terms of reference of the Audit Committee are as per the guidelines given in the Code of Corporate Governance, which inter-alia include the over view of Company's Financial Reporting Process, review of Quarterly and Annual Financial Statements, adequacy of Internal Control System etc. The Statutory Auditors, Mr. Rajeev Karwal, Managing Director, Mr. Paul Gelardi, Chief Financial Officer and Mr. Bharat Madan, Financial Controller are regularly invited to attend the meetings of the Audit Committee. The head of Internal Audit is also invited when Internal Control related matters are to be discussed. Mrs. Geeta Puri Seth, Company Secretary, acts as the Secretary of the Audit Committee.