LETTER OF OFFER

For Equity Shareholders only

Private and Confidential

ELECTROLUX KELVINATOR LIMITED

(Originally incorporated as Maharaja International Limited on August 8, 1989 under the Companies Act, 1956 in the state of Delhi. The registered office of the Company was shifted to the state of Rajasthan on December 13, 1995. Subsequently, the registered office was shifted to the National Capital Territory of Delhi on October 16, 2000. The name of the Company was changed to Electrolux Kelvinator Limited on February 8, 1999)

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, Mehrauli-Gurgaon Road, Gurgaon – 122 002
Tel: +91 124 280 3250; Fax: +91 124 280 3292
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Website: www.electrolux.co.in

Issue of 19,97,74,709 Equity Shares of Rs. 10/- each for cash at par aggregating Rs. 199,77,47,090/- on a rights basis to the 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).

GENERAL RISKS

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this offer unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors on page no. i carefully before taking an investment decision in this offering. For taking an investment decision investors must rely on their own examination of the Issuer and the offer including the risks involved. The securities have not been recommended or approved by the Securities and Exchange Board of India, nor does the Securities and Exchange Board of India guarantee the accuracy or adequacy of the information contained in this document.

ISSUERS ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for, and confirms that this Offer Document contains all information with regard to the Issuer and the Issue, which is material in the context of the Issue, that the information contained in this Letter of Offer is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respects.

LISTING

The Company's existing Equity Shares are listed on the Stock Exchanges at Delhi, Mumbai, Jaipur, Bangalore, Kolkata and Ahmedabad. The Company has received "in-principle" approvals from these Stock Exchanges vide their letters dated January 17, 2004, June 21, 2003, December 30, 2003, December 29, 2003, January 28, 2004 and July 15, 2003 respectively. Applications will be made to these Stock Exchanges for permission to deal in and for an official quotation in respect of the new Equity Shares now being offered in terms of this Letter of Offer. To ensure adequate capitalisation, ABE has declared its intention to subscribe to shares beyond its entitlement, if other shareholders do not exercise their rights entitlement. If as a result of the Rights Issue, the non-promoter shareholding, required to be maintained for continuous listing, in the Company falls below the prescribed limits, the Company and ABE will comply with the provisions of Securities & Exchange Board of India (Delisting of Securities) Guidelines - 2003 by offering to buy out the remaining holders at the price of the Rights Issue. However, investors may please 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 High Court of Delhi, inter-alia, challenging the validity of the SEBI (Delisting of Securities) Guidelines, 2003. For details of the litigation, please refer to Page no.76

Lead Manager to the Issue	Registrars to the Issue
Ambit Corporate Finance Private Ltd. 109-112, Dalamal Towers,Nariman Point, Mumbai - 400 021 Tel: 022-56371819 Fax : 022- 56373020 Email: EKLRights@ambitpte.com	**Intime Spectrum Registry Limited** A-31, Naraina Industrial Area, Phase I New Delhi – 110 028 Tel: 011 – 51410592/93/94 Fax: 011 – 51410591 Email: delhi@intimespectrum.com

ISSUE OPENS ON	LAST DATE FOR RECEIPT OF REQUESTS FOR SPLIT FORMS	ISSUE CLOSES ON
Friday, March 26, 2004	**Thursday, April 15, 2004**	**Monday, April 26, 2004**

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Abbreviations

ABE	AB Electrolux
AC	Air Conditioner
Act	The Companies Act, 1956
AGM	Annual General Meeting
AOA/AoA	Articles of Association of the Company
Articles	Memorandum and Articles of Association of the Company
AY	Assessment Year
Board	The Board of Directors of the Company
BSE / DgSE	The Stock Exchange, Mumbai (Designated Stock Exchange)
CAF	Composite Application Form
CEO	Chief Executive Officer
CFC	Chloro Flouro Carbons
CDSL	Central Depository Services (India) Limited
Collection centre	As defined in SEBI (Disclosure and Investor Protection) Guidelines, 2000 and amended thereafter
Crore	10 Million
DSE	The Delhi Stock Exchange Association Limited
DP	Depository Participant
EFL	Eureka Forbes Limited
EKL/the Company/Issuer	Electrolux Kelvinator Limited
EIL	Electrolux India Limited
EUR	Euro
EVL	Electrolux Voltas Limited
FCNR	Foreign Currency Non-Resident
FEMA	Foreign Exchange Management Act, 1999
FI	Financial Institution
FIIs	Foreign Institutional Investors
FY	Financial Year
Harish Kumar & Associates	Original Promoter of EKL
IL	Intron Limited
Issue/Offer/Rights Issue	the present rights issue of shares
Lac	100 thousand
Lead Managers to the Issue	Ambit Corporate Finance Private Limited
LoF/LOO/Offer Document	Letter of Offer

Ltd.	Limited
MS	Market Share
MOA/MoA	Memorandum of Association
MM/Mn	Million (10 Lacs)
NAV	Net Asset Value
NCT	National Capital Territory
NCPS	Non Convertible Preference Share
Networth	As defined in Sick Industrial Companies (Special Provisions) Act ; Includes preference capital
NR	Non-Resident
NRE	Non-Resident External
NRI	Non-Resident Indian
NRO	Non-Resident Ordinary
NSDL	National Securities Depository Limited
OCBs	Overseas Corporate Bodies
PAN	Permanent Account Number
POA	Power of Attorney
RBI	Reserve Bank of India
Rs. / Rupees	Indian Rupees
Record Date	Friday, March 12, 2004
Registrars	Intime Spectrum Registry Limited
RoC	Registrar of Companies
SAST	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997 read with amendments thereto
SEBI	The Securities and Exchange Board of India
SEBI Guidelines	SEBI (Disclosure & Investor Protection) Guidelines, 2000 read with amendments thereto
Shareholder	Equity shareholder of EKL
Shares / Equity	Common equity shares of EKL
SICA	Sick Industrial Companies (Special Provisions) Act, 1985
SEK	Swedish Kroner
VRS	Voluntary Retirement Scheme

The investors should consider the following risk factors together with all other information included in this Letter of Offer carefully in evaluating the Company and its business before making any investment decision. Any projections, forecasts and estimates contained herein are forward looking statements that involve risks and uncertainties. Such statements use forward looking terminology like "may", "believes", "will", "expect", "anticipate", "estimate", "plan", or other similar words. The Company's actual results could differ from those anticipated in these forward-looking statements as a result of certain factors including those, which are set forth in the "Risk factors".

The Letter of Offer also includes statistical data regarding the consumer durables industry. This data has been obtained from industry publications, reports and other sources that the Company and the Lead Manager believe to be reliable. Neither the Company nor the Lead Manager has independently verified such data.

Risk Factors envisaged by the Management and Proposal to address the risks

Internal to the Company

Internal Risk Factor 1

The Company has accumulated losses of Rs. 48,369 Lacs as on September 30, 2003 as per audited results and of Rs. 61,502 Lacs as at January 31, 2004 (unaudited results) against total shareholders funds of Rs. 37,450 Lacs. This has resulted in complete erosion of the Company's networth. The auditors in their report, as reproduced later in this LoF, have qualified their report stating that they are unable to comment on the appropriateness of the going concern assumption as the same is dependant upon the proposed rights issue and/ or continued financial support of AB Electrolux, Sweden, which is currently not certain.

Management's proposal to address the risk:

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 realisations, competitive industry environment and decreasing market share of the Company 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. The Company is presently undergoing a restructuring exercise that includes rationalisation of manpower and facilities. The restructuring has further impacted the bottom line. The benefits of such restructuring are believed to accrue in the coming years. However, the investors must note that though a significant part of the restructuring cost has already been incurred in the period up to September 30, 2003, some more restructuring costs are expected to be incurred in the current year and that may affect the profitability of the Company further. The Company may decide to have further infusion of capital via another rights issue or preferential allotment of equity or preference capital within six months of opening of the present Rights Issue. The necessary filings/ reportings and/or other procedures, in relation to the erosion of the networth, will be made /followed by the Company with the relevant authorities in accordance with law. As per the legal opinion received by the Company, the requirement of filings/reporting with the relevant regulatory authorities should be applicable on the finalization of duly audited accounts for the full financial year. Considering this proposed Rights Issue and AB Electrolux's commitment to support the Rights Issue by subscribing to the unsubscribed portion of the Rights Offer, beyond their entitlement, in the event the other shareholders of the Company do not subscribe to their entitlement, an amount of approximately Rs. 20,000 Lacs would be infused in the Company which will augment the networth of the Company to that extent. The Company may also require further infusion of capital within six months of opening of this Rights Issue to make its networth positive.

Internal Risk Factor 2

Investors may please note that if as a result of the instant Rights Issue, the non-promoter shareholding, required to be maintained for continuous listing, in the Company falls below the prescribed limits, the Company and ABE will comply with the provisions of Securities & Exchange Board of India (Delisting of Securities) Guidelines - 2003 by offering to buy out the remaining holders at the price of the Rights Issue as a result of that the shares of the company will be delisted.

Internal Risk Factor 3

Mr. Harish Kumar, one of the directors, has dissented to this Rights Issue in the Board meetings where this Rights Issue was approved. Harish Kumar and Associates have not given their consent to be declared as a promoter for the purpose of the Rights Issue. Mr. Harish Kumar has addressed a communication to the Company Secretary of the Company stating that he has not authorised anyone to refer to him or his associates as Promoter in any document being filed with any statutory body(ies) and that Company should desist from making any such declaration without his prior written consent/ authorisation. Further, in a separate communication giving his consent to include his name in the Letter of Offer as a director of the Company, he has stated that any other information related to him, if included, in Letter of Offer required as per SEBI Guidelines, other than as a director of EKL, is not his responsibility. Therefore, Mr. Harish Kumar has not responded to the Company's requests for disclosures and information, as applicable for promoters, required as per SEBI Guidelines, for the purposes of this LoF. Mr. Harish Kumar believes that the present Rights Issue is detrimental to the interest of shareholders. Mr. Harish Kumar – Director and Shareholder of the Company along with his associates have, filed company petitions / writ petitions / application(s) / appeals against the Company before Hon'ble High Court of Delhi and Company Law Board under Sections 250, 392, 397, 398 and 409 of the Companies Act, 1956 and Article 226 of the Constitution of India inter alia challenging the implementation of Scheme of Amalgamation between EKL, EIL and IL approved by the Hon'ble High Court of Delhi, alleging acts of oppression of minority shareholders and mismanagement of the Company and praying inter alia for directions restraining the Board of Directors of the Company from passing and giving effect to any resolution which has the effect of disposing off or alienating or encumbering or creating any third party rights, in respect of any of its fixed and movable assets, including any of the plants and alteration of the capital structure of the Company, including praying that SEBI should be directed not to clear this Letter of Offer. Some of the petitions also alleges that ABE has been in violation of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1994 ("Takeover Code of 1994") in relation to the preferential allotment of shares to ABE which took place in 1995 and allotment of shares to ABE in excess of their entitlement to ABE in the 1999 rights issue by EKL without making a public offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997. Mr. Harish Kumar and Mrs. Anita Kumar have also filed a civil writ petition before the High Court of Delhi challenging the validity of the SEBI (Delisting of Securities) Guidelines, 2003 on the ground that they provide a discriminatory mechanism in the case of delisting pursuant to a rights issue. Mr. Harish Kumar has also filed a civil miscellaneous application praying for a stay of the operation of the SEBI letter dated December 24, 2002 and also for an order restraining SEBI from giving effect to the provisions of the Delisting Guidelines and approving the Letter of Offer that has been filed by EKL. On February 12, 2004, Harish Kumar and Associates filed an application in respect of the proposed sale of the fixed assets of the plant located at Gurgaon. The application *inter alia* prays for directions restraining EKL from selling or disposing off any of the assets, whether movable or immovable acquired pursuant to the order dated September 14, 2001 approving the merger between EKL, EIL and IL. The application was listed on February 13, 2004 before the Hon'ble High Court and the Hon'ble High Court had issued notice and had directed EKL to file their counter affidavit. The Application was adjourned to February 24, 2004 for arguments. No interim reliefs were granted. On February 24, 2004 the Application was listed before the High Court of Delhi. The matter was argued at length and has now been adjourned to March 15, 2004 for further arguments. No interim reliefs were granted. Investors are requested to refer to page no.74 for details of the litigations filed by Mr. Harish Kumar and his associates. Mr. Harish Kumar has, through his legal advisors, sent a letter to the Company alleging that the Record Date fixed for the present Rights Issue by the Company is unlawful, illegal and misleading. The Company has responded to the letter refuting the allegations.

Management's proposal to address the risk:

The litigations between Harish Kumar and his associates and the Company are currently sub-judice and the impact of the outcome of the same on the accounts of the Company, if any, is not ascertainable at this stage.

Internal Risk Factor 4

In view of the accumulated losses on its Balance Sheet, the Company may carry out a capital reduction exercise after this Rights Issue after obtaining all other requisite approvals. Such capital reduction will also impact the share capital proposed to be raised through this Rights Issue. The quantum and manner of such capital reduction exercise is, however, not yet decided.

Management's proposal to address the risk:

Capital reduction if carried out would be aimed at providing more accurate representation of the capital structure/networth of the Company and therefore being in the nature of a book entry and if carried out, would not affect the cash position or operations of the Company.

Internal Risk Factor 5

A show cause notice has been issued by SEBI to Mr. Harish Kumar, one of the directors of the Company and his associates under Section 11(4) of the SEBI Act for possible violation of Regulation 4(a) of SEBI (FUTP) Regulations, 1995.

Internal Risk Factor 6

Shareholders may note that the equity share price of the Company on the BSE has displayed a generally falling trend since 2000 onwards. The Equity Share has also traded below par during certain periods. Equity share trading data is given on page 69. Further, the Equity Shares of the Company have not been traded for the calendar year 2003 on the stock exchanges at Delhi, Jaipur, Bangalore and Ahmedabad. The shares were traded in some volumes on the Stock Exchange, Mumbai (BSE) and very marginally traded on the stock exchange at Kolkata.

Internal Risk Factor 7

The requirement and deployment of funds by the Company appearing in this LoF have not been appraised by any bank or financial institution and are based on the Company's own estimates.

Management's proposal to address the risk:

The deployment of funds is primarily for repayment of loans, funding the VRS and related expenditure and to meet the issue expenses. This is based on the Company's current perception of business and its current growth plans. The Company has already incurred an amount of Rs. 596.92 Lacs towards VRS and related expenditure in one of its refrigerator factory that has been funded out of further short- term loans. The Company intends to launch further VRS in its factories and the proceeds of the Issue will be utilized to fund the same.

Internal Risk Factor 8

The Registered User / Trademark License agreements between ABE and the Company are non-exclusive and therefore ABE has the right to market its products in India through any subsidiary/joint venture or through any entity other than EKL.

Internal Risk Factor 9

The promoter of the Company, ABE is in the same line of business however they do not have any operations in India other than as disclosed in the Letter of Offer. Please also refer to the risk factor mentioned above. Further, the Company understands that one of the directors – Mr. Harish Kumar – is associated with companies / firms which could be in the similar line of activity as the Company. However, the Company does not have details thereof and therefore the extent of conflict of interest, if any, cannot be determined.

Internal Risk Factor 10

The Company is yet to receive the renewal from the pollution control board for its manufacturing plant at Butibori, renewal of its factory licence at Warora and Butibori plant, renewal of explosive licence of MEK, Kerosene & Thinner at its Warora plant. The "Allwyn" Trademark has been registered in the name of the Company. However, there are certain applications for stylized Trademark of "Allwyn" which are pending.

Management's proposal to address the risk:

These licenses are required to be taken in the normal course of business and the Company has applied for the renewal of these licenses. The Company is also following-up for the registration of stylized Trademark of "Allwyn".

Internal Risk Factor 11

The value of unexpired counter-guarantees issued to the banks is of the order of Rs. 464.97 Lacs and outstanding letters of credit Rs. 1,218.26 Lacs as on September 30, 2003. The estimated amount of contracts remaining to be executed on capital account, not provided for (net of advances) is Rs. 284.58 Lacs as on September 30, 2003. The dividend on preference shares accrued but not due is Rs. 1,053.97 Lacs as on September 30, 2003.

Management's proposal to address the risk:

Counter guarantees, contracts and Letters of Credit have been given by the Company to the banks in the normal course of business.

Internal Risk Factor 12

Litigations involving the Company

As on February 27, 2004, there are 55 cases pending before various forums regarding labour and staff related issues

a) Warora Plant: 3 cases are pending before Labour Court, Chandrapur, and 14 cases are pending before Industrial Court, Nagpur. Most of the cases are pertaining to reinstatement and permanency claims filed by various direct and indirect personnel. The contingent liability for these cases would be Rs 480.35 Lacs.

b) Shahjahanpur Plant: 2 cases are pending before the High Court of Rajasthan and 26 cases are pending before Labour Court at Alwar. The workmen have challenged the termination and the same is being contested by the Company. The aggregate claim could be approximately Rs. 90 Lacs.

c) Sanathnagar Plant: 1 case is pending before the Additional Industrial Tribunal at Hyderabad. 1 writ petition filed by Allwyn Electrolux Officers Association praying for payment of VRS to them. Reply has been filed by the Company in the High Court of Andhra Pradesh under reference no.WP No. 8658 of 2003. The Court has dismissed the prayer of the petitioner for granting any interim order. The matter is sub judice. The aggregate claim could be approximately Rs. 180 Lacs.

d) Nandalur Plant: 1 case is pending before the Industrial Tribunal at Cuddapah. The case is filed under Industrial Disputes Act for recovery of Rs. 0.24 Lacs by a technician who was working in maintenance department.

e) Corporate Support Center: 2 cases are pending before Labour Court, Delhi and 1 case is pending at Industrial Tribunal – cum – Labour Court at Gurgaon. The cases are filed against the Company for recovery of alleged dues. The aggregate claim is approximately Rs. 6 Lacs.

f) Gurgaon Plant: 3 cases pending at Labour Courts. Two cases are filed against the Company for reinstatement and one case is filed for stay on transfer orders. The aggregate claim may be Rs. 6 Lacs approximately.

g) General Secretary of Voltas Employees Union had filed a complaint in the Industrial Court at Warora against the VRS introduced by the Company at its Warora plant requesting the Court to set aside the VRS. On a writ petition filed before the Hon'ble High Court of Judicature at Bombay, the Industrial Court- Nagpur, has been directed to dispose off the complaint on merits, within a period of four months from the date of receipt of its Order. The impugned order passed by the Industrial Court has been suspended.

In July 2000, the Company had temporarily suspended the operations at the Shahajahanpur factory due to some labour problem and the same were resumed in September 2000 pursuant to the discussions held between the management and the union.

Product Related Customer Complaints / Disputes

There are 154 complaints as on February 27, 2004 pending before Consumer Disputes Redressal Forum/ State Commission regarding product related and service deficiency complaints on EKL products by the customers and thereby claiming replacement/ refund/ interest/ penalty/ damages aggregating approximately Rs. 15.65 Lacs.

Debt Recovery Cases:

In order to bring down the accounts receivable, the Company embarked on a debt recovery exercise and had initiated legal action against its debtors. As on January 31, 2004 there are total 210 criminal complaints filed in courts at Gurgaon under Section 138 of the Negotiable Instruments Act, 1881 and 16 Civil Suits in courts at locations where dealers are operating from against 191 dealers of the Company for recovery aggregating approximately Rs. 2,666.59 Lacs. However, the realizable value of such outstanding(s) on settlement might be much lower in comparison to the outstanding value(s).

Litigations involving Criminal Offences

1. Mr. Kamal Agarwal, Advocate, customer of the Company had filed a First Information Report (FIR) under Section 420 of the Criminal Procedure Code, 1973 against the Company's Dealer - Rahul Electronics - Ghaziabad and Electrolux Kelvinator Limited with the Police Station, Kotwali, Bulandshahar (U.P.) in response to the Company's scheme "Bada Fridge Chhota Price" alleging cheating as he has been given 165 litres refrigerator instead of promised 210 litres. There is no further development as per the information available with the Company.

   In response to the debt recovery exercise undertaken by the Company, some of the dealers have filed criminal cases against the Company as under:

i. Dashmesh Teletronics (P) Ltd, a dealer of the Company in Ludhiana has filed a petition under section 482 of Criminal Procedure Code (CrPC) in High Court of Punjab & Haryana - Chandigarh in 2001 for quashing the complaint filed by the Company against them u/s 138 of the Negotiable Instruments Act, 1881 at Gurgaon. The reference number of the petition is 48686/2001. The value of cheque bounced is Rs. 24.44 Lacs. The matter is sub-judice.

ii. Shakti Teletronics (P) Ltd, a dealer of the Company in Patiala has filed a criminal complaint against the Company in the Court of Judicial Magistrate, Patiala in 2002 u/s 420, 467, 468, 478 and 120-B of Indian Penal Code (IPC) for misappropriation of cheques & other documents in response to the complaint filed by the Company against them u/s 138 of the Negotiable Instruments Act, 1881 at Gurgaon. The matter is coming up for hearing on March 18, 2004. The reference number of the petition is 16/2002. The value of cheque bounced is Rs. 160.68 Lacs. The Company has filed a petition under section 482 of the CrPC in High Court of Punjab and Haryana for getting the criminal complaint, filed by the dealer at Patiala, to be quashed. The said petition has been admitted and adjourned till February 12, 2004 for the appearance of dealer before the Court. The matter has been adjourned till April 1, 2004 and the Dealer has been directed to file its reply with a direction to the lower court to not to hear the matter till April 1, 2004.

iii. Fridge Agencies, a dealer of the Company, filed an FIR at Trichy for criminal trespass and intimidation against Company officials. The Company obtained bail for the employees against whom the FIR was filed. The said FIR is filed as a counterblast to the complaint filed by the Company under section 138 of the Negotiable Instruments Act, 1881 at Gurgaon. The matter is sub-judice.

iv. Mr. Nalin Patel of Timothy Sales, a dealer of the Company, filed a criminal complaint against the Company and Mr. Harish Kumar (Director) in the Court of Judicial Magistrate Ist class Gurgaon in 2003 u/s 340 of Criminal Procedure Code 1973 for enquiry under Section 191,192,193 and 196 and section 34 of Indian Penal Code alleging furnishing of false evidence by the Company. The said application is a counterblast to the complaint filed by the Company under section 138 of the Negotiable Instruments Act, 1881 at Gurgaon for dishonour of cheque of Rs. 41.81 Lacs. The matter is sub- judice as case No.53 of 2002-2003 and is coming up on April 24, 2004 for arguments/ evidence.

Litigations involving Securities Related Offences

1. In 1995, EKL made a preferential issue to ABE in accordance with SEBI guidelines for preferential issue dated August 4, 1994. The Company at that time did not seek clearance from SEBI/Stock Exchanges under SEBI (Substantial Acquisition of Shares & Takeover) Regulations and Clause 40A/ 40B of Stock Exchange Listing Agreement in the belief that these provisions were not applicable. However, SEBI vide its letter dated January 20, 1997 sought a clarification as to whether provisions of SEBI (Substantial Acquisition of Shares & Takeover) Regulations were complied with and whether the necessary clearances for increase in stake had been taken from SEBI to which a reply was sent to SEBI. The contravention, if any, the consequences thereof and remedial action are presently not ascertainable. The Company will however comply with any directions/instructions that SEBI may issue in this regard at a later date.

2. A suit has been filed by Vindhya Woodcraft Pvt. Ltd. in the Court of Senior Civil Judge – Delhi in 1997 under reference no. 64/1997 for an injunction restraining issue of duplicate share certificates and transfer of 25,000 shares allegedly misplaced/lost by them. The Company has been directed to maintain “Status – Quo” until further orders by the Court. Out of 25,000 shares, 3,400 shares are transferred and 7,000 shares are pending for transfer. The matter is currently sub-judice.

3. A case has been filed by A. H. Holdings Pvt. Ltd. in the High Court – New Delhi in 1996 under reference no. 2384/1996 demanding a stay on issue of duplicate share certificates and transfer of 2,00,000 shares to Tiger Management Corporation. The Delhi High Court has granted an ad-interim stay on the application of the party and subsequently the High Court clarified that any issuing of duplicate share certificate in respect of the shares in dispute would be subject to the results of the suit. The matter is sub-judice.

4. The State Consumers Redressal Commission, Haryana directed the Company vide its order dated December 24, 1998 to refund to Haryana Estate Agency a sum of Rs. 0.28 Lacs alongwith interest @ 18% p.a. pertaining to the application money paid by them in the public issue of the Company in 1991. An appeal has been filed by the Company vide petition no. 573/1999 before the National Consumer Redressal Commission, Delhi against the orders of the State Consumers Redressal Commission, regretting the inability of the Company to comply with the directives of the State Commission as the amount has been seized by the Income Tax Authorities and the said amount has been deposited by the Company with the Income Tax department. The Honorable National Consumer Redressal Commission has granted a stay and the matter is now sub-judice.

Litigations involving Civil Offences

1. There is a civil suit filed in 1998 by M/s Business Centre, one of the ex-distributors of the Company in Rajkot, Gujarat, before the Civil Judge (SD) under the reference no. 287/1998 for the recovery of a sum of Rs. 3.19 Lacs alongwith interest @ 18% p.a. The case is being contested since the amount of claim is disputed. The Company has presented its case to the appropriate authorities through its solicitors. The matter is currently sub-judice.

2. Bhattacharya & Associates, New Delhi, a law firm has filed a civil suit before the Civil Judge, Tis Hazari, Delhi under reference no. 456 of 2001 for recovery of Rs. 0.13 Lacs towards consultation fee in 2001. The matter is sub-judice.

3. There is a civil suit filed by Bombay Electronics, Bharuch against Voltas Limited, Electrolux Voltas Limited & Others in respect of the recovery of an alleged outstanding amount of Rs. 2.65 Lacs in 2001. The case relates to the transactions entered by the dealer with Voltas Limited, prior to the acquisition by Electrolux Voltas Limited. The matter is being handled by Voltas Limited and has reference no.181/2000.

4. East India Rubber Works, New Delhi (former warehouse owner) has filed a recovery suit for arrears of rent for an amount of Rs. 2.26 Lacs, before the Additional District Judge in 2001 under reference no. 347/2001, Tis Hazari, New Delhi. The case is being contested by the Company.

5. In retaliation to cheque bouncing case filed by the Company at Gurgaon for recovery of Rs. 8.46 Lacs, Sanyo Sales, a dealer of the Company at Moradabad, has filed a recovery suit before the Civil Judge – Senior Division, Moradabad for its alleged claim of Rs. 4.99 Lacs under the reference no. 400/2002. The matter is currently sub-judice.

6. In retaliation to cheque bouncing case filed by the Company at Gurgaon for recovery of Rs. 9.59 Lacs,

Shyam Radios, a dealer of the Company at Mathura, has filed a recovery suit before the Civil Judge – Senior Division, Mathura for its various alleged claims aggregating to Rs. 3 Lacs under the reference no. 623/2002. The Court had passed a decree directing reconciliation of accounts. Application has been moved for setting aside the decree. The matter is currently sub-judice.

7. Sukh Sadhan Kendra, a dealer of the Company at Ajmer has filed a recovery suit before the Additional District & Sessions Court - Ajmer for recovery of security deposit of Rs. 0.50 Lacs and unsold stock of Rs. 4.50 Lacs & interest under reference no. 54/2001in 2001. The total alleged claim sought by the dealer is Rs. 6.20 Lacs. The matter is currently sub-judice.

8. In retaliation to cheque bouncing case filed by the Company at Gurgaon for recovery of Rs. 41.81 Lacs, Timothy Sales, a dealer of the Company at Coimbatore, has filed a recovery suit before the Court of Sub-ordinate Judge, Coimbatore under reference no.88 of 2003 for decree declaring the cheque as invalid. The matter is currently sub-judice.

9. In retaliation to cheque bouncing case filed by the Company at Gurgaon for recovery of Rs. 25.75 Lacs, Omni Sales, a dealer of the Company at Ludhiana, has filed a recovery suit before the Court of Civil Judge Junior Division, Ludhiana for rendition of accounts under reference no.135/2001 in 2001. The matter is currently sub-judice.

10. Concept Refrigerations, an ex service franchise of the Company at Delhi , has filed a recovery suit before the Civil Judge Tis Hazari, Delhi for its various alleged claims aggregating to Rs. 0.66 Lacs under the reference no. 209/02 in 2002. The matter is currently sub-judice.

11. Jagdish Gupta a dealer of Hyderabad Allwyn Limited, Jammu filed an execution petition for recovery of Rs. 5.69 Lacs against the Company. Case filed under reference no.124/85. The matter is being contested by the Company by way of objection to the execution petition and is presently sub- judice

12. Lipton India Limited (since amalgamated with Hindustan Lever Limited – “HLL”) had filed a suit in 1991 in the Court of the Senior Sub Judge, Gurgaon, for recovery of Rs. 60.00 Lacs. These dues pertain to Thackers Food & Beverages (P) Limited, from whom erstwhile IL (since amalgamated with EKL vide order of amalgamation dated September 14, 2001 passed by the Honorable High Court of Delhi) had purchased the land and factory premises at Gurgaon. The Company had won the case at the level of the Civil Judge (Senior Division). HLL filed an appeal before the District Judge Gurgaon. The appeal was dismissed by the District Judge – Gurgaon –as the Appeal has been found to be time – barred. HLL has now filed a Review Petition in the Court of District Judge Gurgaon against the order dated September 18, 2002 passed by the District Judge, Gurgaon. The Company is contesting the matter.

13. In retaliation to cheque bouncing case filed by the Company at Gurgaon for recovery of Rs 33.98 Lacs, Deepak Electronics, a dealer of the Company at Kolkata, had filed a suit for declaration and permanent injunction in the City Civil Court at Kolkata under the reference no. 1149/2003. Vide his order the learned judge refused the ad-interim injunction. Deepak Electronics preferred an appeal (stay petition) with High Court of Calcutta vide FMT No. 2772 of 2003. No interim order or stay is granted. Matter is sub judice.

14. M/s Beta Traders and Agencies (P) Ltd., the C&F Agent of the Company at Cochin had filed a petition under section 9 of the Arbitration and Conciliation Act, 1996 before the Hon’ble District Court, Ernakulum under reference no.2910 of 2003 and O.P (Arbitration) No. 287 of 2003.The Court granted a temporary injunction restraining the Company from removing the schedule articles from its place of storage. The Court further vide its order dated October 21, 2003 directed the Company to furnish the Bank Guarantee of Rs. 10 Lacs upon production of which the Company can deal with its products and injunction stands vacated. The Company has furnished the Bank Guarantee and injunction is vacated. Matter is sub judice and Company is contesting the same.

15. In retaliation to cheque bouncing case filed by the Company at Gurgaon for recovery of Rs 6.41 Lacs, Rahul Electronics, a dealer of the Company at Rohtak, had filed a suit for rendition of accounts and mandatory injunction in the Court of Civil Judge (Sr. Div.) at Rohtak under reference no.872/5/8/2003. The Company is in the process of filing its Written Submission. Matter is sub judice.

16. In retaliation to cheque bouncing case filed by the Company at Gurgaon for recovery of Rs 63.47 Lacs, Anuj Trading Co., a dealer of the Company at Delhi, had filed a suit for declaration and permanent injunction in the High Court of Delhi under the reference no. 1341/2003 in 2003. No interim order or stay is granted. Matter is sub judice.

17. In retaliation to cheque bouncing case filed by the Company at Gurgaon for recovery of Rs 12.55 Lacs, Dashmesh Teletronics (P) Ltd., a dealer of the Company at Ludhiana, had filed a Civil suit for quashing of complaint filed by the Company U/ s138 of Negotiable Instruments Act 1881 at Gurgaon.

18. Paras Electronics a dealer of Company at Rohtak has filed a civil suit before Civil Judge Rohtak for recovery of its purported claim of Rs. 7.24 Lacs under reference no. 780/1 of 17.10.2003.The Company is contesting and the matter is sub-judice

19. Company has filed petition under section 9 of Arbitration and Concilliation Act, 1996 against M/s Sterling Enterprises Pvt. Ltd.,one of its Distributors in Agra for attachment of Bank Account of the said Distributor under reference no.OMP71/2004. The Hon'ble High Court of Delhi vide its order dated February 23, 2004 has ordered the attachment of the Bank Account of M/s Sterling to the extent of Rs. 27.18 Lacs.The matter is currently sub-judice.

20. The Company has filed a Recovery suit for recovery against Horizen Enterprises a dealer of the Company in Cochin for a sum of Rs. 20 Lacs before the Hon'ble Court of Sub Judge Ernakulum, under reference no. 178/2004 .The Hon'ble Court vide its order dated February 26, 2004 has conditionally attached the property of the Dealer and asked them to furnish in the alternative a Bank Guarantee for a sum of Rs. 20 Lacs. The matter is sub judice.

Litigations involving Statutory and other offences

The following are the details of the proceedings of litigations / disputes/ penalties known to be contemplated by the Governmental authorities:

1. Notices have been received from the Office of the Controller of Legal Metrology for alleged contravention of the provisions relating to the declaration of Maximum Retail Price (MRP), Month and Year of manufacture on the packages, under the provisions of Standards of Weights and Measures Act, 1976. The Company has filed a writ petition before the High Court, Bombay (Writ Petition No 2805/2002) and obtained a stay on seizure of Company products and penal action by the Department. The matter is now sub-judice. Some other notices have been suitably replied to by the Company, after taking legal opinion from the Company's solicitors.

2. Municipal Corporation of City of Ahmedabad has served a notice to make payment of Rs. 2.54 Lacs on account of property tax of Ahmedabad Branch Office premises. A municipal valuation and tax appeal has been filed in the Court of Small Causes Judge, Ahmedabad under reference no. 1585 / 1998 against the order of the Appellate Officer. The appeal was rejected by the Small Causes Court at Ahmedabad. The Company had requested to Municipal Corporation to reconsider the demand which they favourably considered and Company will pay the reduced demand.

3. The Company had received directions vide notice no F-4/170-B/SDE/AKB/02/9346 dated May 31, 2002 from the "Enforcement Directorate" for submission of information and documents in relation to the advertisements of its products on Sony / Star T.V. worth Rs. 355 Lacs in violation of various provisions under FERA, 1973. The Enforcement Directorate is to allow inspection of files by the Company.

4. The Company had availed custom duty benefits worth Rs. 245 Lacs by purchasing DEPB Pass Books from M/s Padmini Polymers Limited. The Company received a show cause notice No. 50D/ 25/98CI dated April 24, 2001 wherein the department had alleged that M/s Padmini Polymers Limited had fraudulently got DEPB pass books issued from the customs authorities and the benefits availed by the Company should be refunded to the authorities. The Company has filed its reply before the Customs authorities denying the allegations and establishing the bonafide availment of the duty concessions. An application under section 127B (1) of the Customs Act, 1962 has been filed by the Company in sequel to application filed by M/s Padmini Polymers Limited before the Customs and Excise Settlement Commission, Bench at New Delhi. The matter is under consideration.

5. The Company had availed custom duty benefits worth Rs. 27.70 Lacs by purchasing DEPB Pass Books from M/s Classic ITM, Delhi. The Company has received a show cause notice No. DRI.F.No. 50D/58/99-CI dated 28.03.2002 wherein the department had alleged that Classic ITM, Delhi had fraudulently got issued DEPB Pass Books from the customs authorities and the benefits availed by the Company should be refunded to the Authorities. The Company has submitted the papers as enquired by the authorities. Till date, there is no further demand from the department.

6. The Company had availed custom duty benefits worth Rs. 12.82 Lacs and Rs. 19.33 Lacs by purchasing DEPB Pass Books from M/s Mangali Impex Ltd., Delhi and M/s J.K.Impex, Delhi respectively. The Company has received a show

cause notice no. SIIB/CUS/SCN/47/2000/SSS9 dated 31.10.2003 wherein the Department had alleged that M/s Mangali Impex Ltd., Delhi and M/s J.K.Impex, Delhi had fraudulently got DEPB pass books issued from the customs authorities and the benefits availed by the Company should be refunded to the authorities. The Company is in the process of replying to the said show cause notice.

7. The office of the Commissioner of Customs(General) Special Valuation Branch, New Delhi vide its order no. 2/SR/2004 dated 23.01.2004 has loaded the Invoice price of imports of the Company from AB Electrolux, and its associate companies by 20%.SVB allegations are that the existing relationship between the importer i.e. the Company and the Supplier i.e. Electrolux(Far East) Ltd., Hong Kong (an associate company of AB Electrolux) are enough to treat them as related within the meaning of rule 2(2) of the Customs Valuation Rules 1988. Further as per them there are not enough documents to establish that such relationship did not influence the import price. The Company is in the process of preferring an appeal before Commissioner of Customs (Appeals) New Delhi against the said order.

8. Writ Petition against the land revenue assessment by Maharashtra Government was filed by Voltas Limited before the Nagpur Bench of the High Court, Bombay on January 24, 1992 under reference no. 260/92. The Company has been advised to pay land revenue at the enhanced rate under protest. The case has not been decided till date. The Company filed a civil application 744/97 on March 14, 1997 amending the writ petition filed by Voltas Limited. The change of name has been effected from Electrolux Voltas Limited to Electrolux Kelvinator Limited. The Company has deposited tax for the year 2001-02, i.e. Rs. 4.88 Lacs pertaining to the balance of last year and Rs. 6.65 Lacs for year 2002-03.

9. Aluminium sheets imported from Italy were classified under Chapter 7606.11 (6,026 Kilograms – Value EUR 21,633.34). Deputy Commissioner of Customs – IV, New Delhi had issued notice no. SCN. VIII / 12 / ACU / 7 / CRAD / 01 / CH / 76 / 2002 / 141-142 dated January 7, 2002 alleging the classification as Chapter 8418.99 and demanded additional duty of Rs. 1.28 Lacs with interest of 24% p.a. Representation has been made before the department.

10. The Company has received directions from the “Enforcement Directorate” – New Delhi for adjudication proceedings in respect of non - submission of Bill of Entries in respect of imports made by the Company during the years1992, 1993, 1994 and 1999. The Company had made an appearance before the Special Director and clarified its position. In respect of imports made by the Company during 1992, 1993 and 1994, the Company has made its submission that as the authorized dealer – Karnataka Bank did not provide the reference number of the Bill of Entries it was not possible to trace the Bill of Entries. The Special Director has issued directions for issue of notice to the authorized dealer. Vide its order no.SDE/SKP/III/119/2003 dated 9.9.03 passed by Special Director Enforcement Directorate has levied penalty of Rs. 100 Lacs on the Company. All efforts are being made to trace the Bills of Entry and Proof of Import. Appeal against the order of Special Director has been filed before the Appellate Tribunal for Foreign Exchange, New Delhi.

11. The Company has received notice under section 160 of the Criminal Procedure Code, 1973 from the Central Bureau of Investigation (CBI), New Delhi in respect of two DEPB licenses. The CBI has desired for the proof of purchase of the DEPB licenses.

12. The Company has received a show cause notice from the Government of Karnataka – Department of Labour, Bangalore in respect of alleged violations under the labour laws. The Company has made appropriate representation as advised.

Internal Risk Factor 13

Litigations against the Directors:

A perjury application (Criminal Application No. 3 of 2003 in Company applications No. 685-687 of 2003 in Company Petition No. 218 of 2001) has been filed against Mr. Rajeev Karwal, Managing Director of EKL under Section 340 read with Section 190 of the Code of Criminal Procedure in relation to alleged misstatements in relation to the rounding off of certain figures qua the 1999 rights issue of the Company made in the Counter Affidavit dated July 14, 2003 filed on behalf of EKL in the Company Application No. 686 of 2003 in Company Petition No. 218 of 2001. It has been alleged that Mr. Karwal has intentionally sworne a false affidavit and therefore should be punished for the offence of perjury. The matter has been listed on several occasions before the High Court of Delhi. However no notice has been issued in respect of the application. The perjury application has been filed against Mr. Rajeev Karwal in his personal capacity. The offence of perjury is punishable under Code of Criminal Procedure, 1973 and a person if convicted of the offence may be liable to imprisonment for a term 7 years or upwards. The perjury application has no direct implications on the Company.

Mr. Nalin Patel of Timothy Sales, a dealer of the Company, filed a criminal complaint against the Company and Mr. Harish Kumar (Director) in the Court of Judicial Magistrate Ist class Gurgaon in 2003 u/s 340 of Criminal Procedure Code, 1973 for enquiry under Section 191,192,193 and 196 and section 34 of Indian Penal Code alleging furnishing of false evidence by the Company. The said application is a counterblast to the complaint filed by the Company under section 138 of the Negotiable Instruments Act, 1881 at Gurgaon for dishonour of cheque of Rs. 41.81 Lacs. The matter is sub- judice as case No.53 of 2002-2003 and is coming up for hearing on April 24, 2004 for arguments/evidence.

Internal Risk Factor 14

The Company does not have a clear title in respect of freehold land (net book value as on September 30, 2003- Rs. Nil) and the building thereon (net book value as on September 30, 2003- Rs. Nil) at Nandalur.

Management's proposal to address the risk:

It is anticipated that the cost of transfer of immovable property will be close to the value that can be obtained on its disposal and hence it is considered that holding the immovable property at nil value is the prudent thing to do.

Internal Risk Factor 15

The Company had entered into a contract, without the prior approval of the Central Government, with Asiatic Engineers Private Limited, a private company in which one of the directors is interested. The application made by the Company to the Central Government seeking approval under the provisions of Section 297 of the Companies Act, 1956 has been rejected. The Company has received a show cause notice dated November 20, 2003 from Deputy Registrar of Companies, NCT of Delhi and Haryana, stating that the Company and its officers have contravened the provisions of section 297 of the Act with effect from June 1, 2002 and as to why legal action as provided under section 629A of the Companies Act, 1956 should not be initiated against the Company and its officers. The aforesaid violation under section 297 gives rise to a penalty under Section 629A of the Act which states that the Company and every officer of the Company who is in default or such other person shall be punishable with fine which may extend to Rs. 5000/- and where the contravention is a continuing one, with a further fine which may extend to Rs. 500/- for every day during which the contravention continues.

Management's proposal to address the risk:

On December 26, 2003, the Company has filed an application under section 621A of the Act seeking compounding of offence under section 297(1) of the Act. The Company has submitted that the offence is not of such a nature so as to prejudice the interest of the members or creditors or others dealing with the Company and the Company has requested that offence may kindly be compounded expeditiously.

Internal Risk Factor 16

The Company has closed down operations of its Gurgaon washing machine plant with effect from April 30, 2002, Warora compressor plant with effect from September 2002, Sanathnagar compressor plant with effect from December 31, 2002 and Nandalur refrigerator plant with effect from August 31, 2003. Excepting Warora compressor plant, VRS has been offered to all its workmen and executive employees at these plants subject to all regulatory approvals. For further information, investors are requested to refer to page no. 32.

Management's proposal to address the risk:

The closure of the plants is a part of an overall restructuring exercise undertaken by the Company. As regards the compressor operations, it is non-core to the Company's business and needs heavy investments to convert the plants to non CFC facilities. The Company is already procuring compressors from various vendors and adequate capacity is available in the country from where the Company can procure its requirements.

Internal Risk Factor 17

Ambit Corporate Finance Private Limited, the Lead Managers to the Issue has been shown as a related party in the Annual Report of the Company for the year ended December 2002.

Management's proposal to address the risk:

Ambit Corporate Finance Private Limited was shown as a related party as per Accounting Standard 18 as Mr. Ketan Dalal, one of the directors of Ambit, was on the Board of the Company as an independent director from March 25, 2002 to April 30, 2002.

Internal Risk Factor 18

Interest of promoters / directors / key management personnel: The same are disclosed at notes to risk factors.

Internal Risk Factor 19

On September 30, 2003 the Company had claims not acknowledged as debts of

a) Sales Tax - Rs. 496.03 Lacs;

b) Excise Duty – Rs. 1,858.86 Lacs ; and

c) Others – Rs. 1,872.99 Lacs

Disputed Tax Liabilities: As on September 30, 2003, the Company has 78 excise related matters pending at various stages with Excise Commissioner (Adjudication), Excise Commissioner (Appeals), Additional Commissioner, CEGAT and with excise range and divisions for an aggregate amount of Rs. 1858.86 Lacs as per details given below:

Sr. No.	Particulars /Plant	Amount (Rs. in Lacs)	Remarks / status
1	CEGAT- Shahjahanpur	823.18	5 matters pending
2	Excise Commissioner – Shahjahanpur	3.04	2 matters pending
3	Excise Division /Range-Shahjahanpur	364.76	20 matters pending
4	Excise Division/Range-Warora	588.30	31 matters pending
5	Excise Commissioner – Butibori	26.27	4 matters pending
6	Excise Division/Range-Gurgaon	12.00	12 matters pending
7	Excise Division/Range-Nandalur	24.95	2 matters pending
8	Excise Commissioner-Nandalur	16.36	2 matters pending
	Total	**1858.86**	

The Company also has various sales tax matters pending at various stages with local sales tax authorities and the disputed tax liability is Rs. 496.03 Lacs. Apart from above Company also has Customs related and other disputed tax liabilities aggregating to Rs. 347.90 Lacs.

Management's proposal to address the risk:

The Company has filed appeals before the appropriate authorities for the Sales Tax and Excise Duty cases and the matters are currently sub-judice.

Internal Risk Factor 20

At the time of the previous rights issue (December 1999), there was an outstanding amount of Rs. 6.81 Lacs (excluding interest for delayed payments) due towards the balance interest payable at the rate of 18% on Part "B" of Rs. 10/- each of the Fully Convertible Debentures of face value Rs. 50/- each allotted during September 1993. The main allottees of the Fully Convertible Debentures were the original promoter of the Company and also various other small investors.

Management's proposal to address the risk:

The Company has since paid the amount and remitted the unpaid/unclaimed amount to the 'Investor Education and Protection Fund'.

Internal Risk Factor 21

EKL had made a rights issue of equity shares aggregating Rs. 3,416.03 Lacs on June 30, 1997 to part finance the cost of the project of expanding manufacturing facilities for refrigerators from 2,50,000 numbers to 4,00,000 numbers per annum. The project was estimated to be completed by December 1997. As such, EKL has not been able to achieve the projections made in the then letter of offer. Further, EKL had made a rights issue of Equity Shares at par aggregating Rs. 6,832.06 Lacs on December 27, 1999 at par to primarily augment the networth of the Company, repay loans and meet the long term working capital requirement of the Company. The Company had made financial forecast for the year 1999-2000. EKL has not been able to achieve the projections made in that letter of offer. Similarly the Company made a rights issue of Fully Convertible Debentures aggregating Rs. 534 Lacs in July – August 1993 to part finance the cost of manufacturing semi-automatic Twin Tub Washing Machines and Compressors for refrigerators. The actual results achieved were different than the projections made in the then letter of offer. For details, investors are requested to refer to Page no. 42.

Management's proposal to address the risk:

Since 1993 rights issue, the Company had discontinued production of washing machines and compressors as the desired quality levels were not achieved and the production lines were proposed to be put to some alternative use which was to be decided. In 1997 rights issue, the Company experienced a time over-run of approximately 1 year towards the final completion of the project. In 1999 rights issue, due to depressed market conditions the Company was not able to meet up its sales projections.

Internal Risk Factor 22

There are outstanding litigations/disputes against group companies in India as detailed below:

Details of Outstanding Litigations

1. Eureka Forbes Limited:

- Company entered into an Memorandum of Understanding (MOU) on March 7, 1996 for marketing and distribution arrangement with respect to electronic domestic appliances manufactured by Surya Morphy Richards Ltd (SMRL) under "Morphy Richards" brand. An advance of Rs. 50.00 Lacs plus further advance of Rs. 35.00 Lacs over and above advances against specific orders aggregating to Rs. 40.00 Lacs were given from time to time. Due to non-performance by SMRL in its commitment for return of advances, supplies as per orders and also non-adherence to quality standards, EFL filed suit before the Honourable High Court, Bombay for recovery of its outstanding dues. Due to provision of Arbitration clause in the MOU the matter was referred to the Arbitrators. In the Arbitration proceedings an order was passed in favour of EFL for an amount of Rs. 83.28 Lacs plus interest @ 12% p.a. effective March 16, 1998 till date of payment by SMRL.

Management's proposal to address the risk:

Execution proceedings have been initiated for attachment of one of the properties belonging to SMRL under application 254 of 2003 before the Honourable High Court, Bombay.

- 3 cheques aggregating Rs. 5.20 Lacs were drawn on Mr. Mahesh D Shukla – (Sub-broker of M/s B. Champaklal & Devidas dealing in Government Securities) for purchase of 5,07,000 units of 6.75% State Government Securities as part of investments in Government Securities under Superannuation regulations. M/s B. Champaklal & Devidas, have been declared as notified person under Special Court (Trial and Offences relating to Securities) Act, 1992. The stock of the said securities belonging to M/s B. Champaklal & Devidas were lying with Bank of Karad, Mumbai at the time of its liquidation.

  The said suits are before the Honourable High Court, Bombay and were filed on April 26, 1995 under suit nos. 3242/1995, 3469/1995 and 5276/1995. The respondent is Mr. Mahesh D. Shukla. The matter has not been listed for hearing till date. Financial implication in the said suit is Rs. 6.77 Lacs plus interest @ 11% p.a.

- EFL's premises at Kolkata taken on lease was sub-let in the year 1983 for a period of three years to a proprietorship organisation M/s Indo Marketing owned by Mr. Deepak Kumar Chaudhary. M/s Indo Marketing borrowed working capital from Allahabad Bank (the Bank) against their stocks. Indo Marketing closed its operation in 1987 and handed over the premises to EFL alongwith some of its stocks that were hypothecated to the said Bank. Indo Marketing owed Rs. 1.63 Lacs to EFL against the outstanding lease rental and EFL was requested by Indo Marketing to sell the stocks and hand over the realized amount after adjusting the outstanding amount due to EFL. EFL could only sell one of its stock and few spares for Rs. 1.57 Lacs and the amount realized was adjusted against its dues from Indo Marketing. The said Bank initiated recovery proceedings against Indo Marketing making EFL also as one of the respondents to the said suit since the hypothecated stocks were held by EFL. No one appeared and the matter was decided ex-parte in favour of the said Bank holding EFL jointly and severally liable for the amount due to the said Bank from Indo Marketing. Warrant of attachment was issued for decreed amount. Writ Petition was filed by EFL before the Honourable Calcutta High Court bearing No. WP-1804 of 1995 challenging the vires of the Recovery of Debts due to the Banks & Financial Institution Act, 1993 (the Act). The said Writ was disposed off with liberty to raise the issue of jurisdiction before the Honourable Debt Recovery Appellate Tribunal, Calcutta. Necessary applications have been filed before DRAT under appeal no. DRAT/CAL/43/2003 and the matter is sub-judice. The financial implication is Rs. 22.11 Lacs plus interest @ 6% p.a.

- Contingent liabilities not provided for as on March 31, 2003 (a) Claims not acknowledged as debts Rs. 42.37 Lacs (b) Disputed I.T. demands Rs. 26.76 Lacs (c) Disputed sales tax demands Rs. 412.58 Lacs (d) Bank guarantees issued on behalf of the company Rs. 76.88 Lacs (e) Disputed Central Excise demands Rs. 147.88 Lacs

- There are 56 complaints before Consumer Dispute Redressal Forum / State Commission alleging deficiency in service of EFL's products by the customers and thereby claiming replacement, refund, interest, compensation. The total financial implication is Rs. 0.73 Lacs. EFL has filed its reply cum affidavits in all these cases and the hearing is awaited.

- Trademark dispute: EFL are the registered proprietors in India of the trade mark "Aquaguard" vide original Registration Certificate No. 571897B dated September 13, 2002 issued by the Trade Mark Registry, Mumbai. AB Electrolux also claims to be the Registered Proprietor in India of the trade mark "AQUA GUARD", which claim is contested by EFL. In this regard both AB Electrolux and EFL have filed their rectification applications before the Hon'ble Trade Mark Registry at Mumbai and Kolkata respectively, seeking removal of other's registered trade mark from the Register of Trade Marks. The Hon'ble Asst. Registrar of Trade Marks, Mumbai passed an order on December 5, 2003 dismissing the Rectification application No. BOM 81532 filed by AB Electrolux and thereby allowing the entry relating to the registered trade mark no. 571897B in the name of EFL to continue to remain in the Register. EFL has filed Rectification application No. KOL-106482 for removal from Register of the Registered Trade mark "AQUA GUARD" bearing No. 371464B in class 11 in the name of AB Electrolux. No order has been passed in this regard.

- Guarantees given as on March 31, 2003 aggregates Rs. 76.88 Lacs.

2. Aquamall Water Solutions Limited:

- Contingent Liabilities not provided for as on March 31, 2003 (i) Disputed Central Excise demand Rs. 577.61 Lacs (ii) Disputed sales tax demand Rs. 4697.77 Lacs (iii) Disputed income tax demand Rs. 9.76 Lacs.

- The company paid excise duty as per new valuation rules, effective July 1, 2000. The Department issued show cause notices aggregating to Rs. 721 Lacs on the three manufacturing units of the company disputing the new method of valuation adopted by the company. Based on the order received from the Excise Department for one unit, an amount of Rs. 366 Lacs is provided in the accounts for Excise Duty liability for all the three units of the company. Out of the above a sum of Rs. 123 Lacs has been paid under protest complying with the order of CEGAT in the case of Bangalore factory.

Internal Risk Factor 23

Litigations involving ABE for its operations in India: Investors are requested to refer to page no. 76 for the details.

External to the Company

External Risk Factor 1

The Government's import policy as well the exchange rate variation will have a direct bearing on the operations and profitability to the extent of imports by the Company.

Management's proposal to address the risk:

The Company does not have significant imports and has a policy of hedging majority of its exposure against exchange risk fluctuations.

External Risk Factor 2

The profitability of the Company is subject to competition from existing and new players. The profitability is also subject to competition from cheaper imports of consumer durables in the liberalised environment.

Management's proposal to address the risk:

Although competition is increasing, the Company is making concerted efforts to increase its market share.

External Risk Factor 3

General economic conditions and the political climate may affect the buying behaviour in the white goods industry.

Management's proposal to address the risk:

The Company is working towards restructuring its operations so as to reduce its fixed costs and therefore the impact of temporary dips in demand.

External Risk Factor 4

The business activities of the Company have an element of seasonality - April to June and October till December are peak months for refrigerators. The other months usually show a declining trend of sales of refrigerators. Similarly, July-December is normally considered peak season for washing machines where humid weather conditions prevail.

Management's proposal to address the risk:

This risk is applicable to the industry in which the Company operates.

NOTES:

- Please read this LoF and the instructions contained herein carefully before taking any action. The instructions contained in the accompanying Composite Application Form (CAF) are an integral part of the conditions of this LoF and must be carefully followed, failing which, the application is liable to be rejected.
- The Company has appointed Intime Spectrum Registry Limited as Registrars to the Issue. All enquiries in connection with this LoF or the accompanying CAF should be addressed to the Registrars to the Issue, Intime Spectrum Registry Limited, A-31, Naraina Industrial Area, Phase- I, New Delhi 110 028, quoting the name of the first/ sole applicant, Ledger Folio Number, Application serial number and the CAF number as mentioned in the CAF.
- The Rights Issue will be kept open for not less than 30 days and may be extended at the discretion of the Board. However, the Issue will not be kept open for more than 60 days.
- If the Company does not receive the minimum subscription amount of 90% of the Issue size or if the subscription level falls below 90% after the closure of the Issue on account of cheques having been returned unpaid or withdrawals of applications, the Company shall forthwith refund the entire subscription amount received within 42 days from the date of closure of the Issue. If there is delay in the refund of application money by more than 8 days after the Company becomes liable to pay the amount (i.e. forty two days after closure of the Issue), the Company will pay the amount for the delayed period, at rates prescribed in sub- sections (2) and (2A) of Section 73 of the Companies Act, 1956.
- The Issuer accepts no responsibility for the statements made otherwise than in the LoF or in the advertisement or any other material issued by or at the instance of the Issuer and that anyone placing reliance on any other source of information, would be doing so at their own risk.
- Investors are advised to read this LoF thoroughly, especially the paragraph on Basis for Issue Price on page no. 69 before making an investment in this Issue.
- Investors may note that in the event of over-subscription, allotment shall be made within the overall size of the Issue and in consultation with the Stock Exchange, Mumbai (BSE).

- Net worth before the Issue as on September 30, 2003 is Rs. (10,919) Lacs (as per audited results) and as on January 31, 2004 is Rs. (24,052) Lacs (as per unaudited results) thereby, resulting in complete erosion of the net worth of the Company. The necessary filings/reportings and/or other procedures, in relation to the erosion of the networth, will be made/followed by the Company with the relevant authorities in accordance with law. As per the legal opinion received by the Company, the requirement of filings/reporting with the relevant regulatory authorities should be applicable on the finalization of duly audited accounts for the full financial year. Considering this proposed Rights Issue and AB Electrolux's commitment to support the Rights Issue by subscribing to the unsubscribed portion of the Rights Offer, beyond their entitlement, in the event the other shareholders of the Company do not subscribe to their entitlement, an amount of approximately Rs. 20,000 Lacs would be infused in the Company which will augment the networth of the Company to that extent. The Company may also require further infusion of capital within six months of opening of this Rights Issue to make its networth positive. The Issue size is Rs. 19,977.47 Lacs. Net Asset Value per Equity Share is negative Rs. (17.73) as on September 30, 2003 and Rs. (25.27) as on January 31, 2004.
- The Company has 58,272 shareholders as on December 31, 2003
- The average cost per equity share to the promoter is as follows:

	Number of Shares	Average Price Pre Merger (Rs / share)	Average Price Post Merger (Rs / share)
Allotment for Cash	5,07,14,218 (equivalent to 7,60,71,329 shares pre capital reduction)	12.93	19.40
Merger of IL and EIL	8,17,31,790	NA	14.51
Average acquisition price	**13,24,46,008**		**16.38**

The swap ratio for merger was 4 equity shares of EKL (Face Value Rs. 10) for 5 fully paid-up equity shares (Face Value Rs. 10) of Electrolux India Limited ("EIL") and 1 equity share of EKL for 4 fully paid-up equity shares (Face Value Rs. 10) of Intron Limited ("IL"). Since ABE was holding 9,49,99,787 fully paid-up equity shares of EIL (Average acquisition price Rs. 10.07) and 2,29,27,846 fully paid-up equity shares of IL (Average acquisition price Rs. 10), the average acquisition price of 8,17,31,790 fully paid-up equity shares pursuant to merger was Rs. 14.51 (Rs. 12.59 for 7,59,99,829 fully paid-up equity shares issued in exchange of 9,49,99,787 fully paid-up equity shares of EIL and Rs. 40 for 57,31,961 fully paid-up equity shares issued in exchange of 2,29,27,846 fully paid-up equity shares of IL).

Further, in 2001 pursuant to the Scheme of Amalgamation of EIL and IL into EKL 50,00,000 10% cumulative redeemable non-convertible preference shares of face value Rs. 100/- each were allotted to the shareholders of erstwhile EIL. ABE was also allotted 150,00,000 6% cumulative redeemable non-convertible preference shares of Rs. 100/- each aggregating Rs. 15,000 Lacs in 2002.

- ABE may also be deemed to be interested in the Company to the extent of the royalty payable for use of trade name and trademark Kelvinator to Electrolux Home Products Inc, by the Company, in terms of the Technical Collaboration and Trademark Registered User Agreements and to the extent as disclosed in related parties transactions as appearing later in this LoF. Please refer to pages no 40, 49 for further details. The promoters of EKL or any of the members of the promoter group or any of the group companies of the promoter / promoter group or any ventures promoted by the promoters/promoter group are interested in EKL to the extent of shares held by them in EKL and to the extent of the benefits arising out of their shareholding and to the extent as disclosed in the related parties transactions' as appearing later in this LoF. The directors of the Company are interested to the extent of their remuneration, fees, if any, payable to them for attending meetings of the Company and reimbursement of expenses and to the extent of shares of EKL held by them or their relatives and associates or held by the companies, firms and trust in which they are interested as directors, members, partners, and / or trustees, to the extent of benefits arising out of such shareholding and payments made for professional services rendered by them to the Company. The details of the payments made for the professional services are shown below in the table of related party transactions. The key management personnel have no interest in the Company other than dividends received from the Company, if any, in respect of their shareholding (if any), reimbursement of expenses incurred or normal remuneration or benefits and bonus or profit sharing plan and commission on profits received from the Company, if any. The details of the bonus or profit sharing plans are given on page no. 27.

- The name of the Company was changed from Maharaja International Limited to Electrolux Kelvinator Limited on February 8, 1999 in order to identify the name of the Company with its products' brand name(s) and with a view to promote the market awareness in respect of the products and the manufacturer.
- Break-up of advances receivable from Related Parties: (Rs. in Lacs)

Particulars	Sept - 03	Dec - 02
E.H.P. International	10.26	
Electrolux Cash Management Services	1.01	
Electrolux Floor Care Light Appliances A.B.	0.59	
Electrolux Lehel-kft	3.69	1.65
Electrolux Distripart AB	1.59	1.59
Electrolux Home Products Corporation N.V. BEE-Belgium	38.06	94.67
Eureka Forbes Ltd	0.02	
Electrolux AB		5.01
Electrolux Far East Ltd		0.38
Maharaja Appliances Limited		11.06
Mr. Ram S. Ramsunder		44.71
Mr. Inder Khosla		110.00
Total	**55.21**	**269.07**

- Break-up of Sundry Debtors balances recoverable from Related and Unrelated Parties: (Rs. in Lacs)

Particulars	Sept - 03	Dec - 02
Appliance City Limited	10.11	53.94
Total	**10.11**	**53.94**
Unrelated parties	1,110.58	8,597.87
Total	**1,120.69**	**8,651.81**

- Material transactions with related parties during the last 3 years and nine months ending on September 2003, are listed below:

Rupees in Lacs

Sl. No.	Company name	Nature	Dec-00	Dec-01	Dec –02	Sept-03 (9 Months)
1	Eureka Forbes Ltd.	AMC Service Charges	0.01	0.07	0.02	
		Purchases - Water purifier		0.16		0.26
		Sharing of office expenses	1.41			
2	Whiteline Telecom Ltd.	Consultancy - Telecom Network Study			15.00	
3	Maharaja Appliances Ltd.	Purchase of promotional items	585.91	345.51	320.75	13.14
4	Far East Marketing Pvt. Ltd.	Purchase of promotional items	102.50			
5	AB Electrolux	Royalty (net of taxes)	883.66	782.76		
		Service/Consultancy Charges	10.08	0.33		
		Purchases – Machinery and Spares	4.64	7.47		
		Revenue Grant			(5,000.00)	(6,500.00)
		6% Preference Share Capital			(15,000.00)	
		Reimbursement of Exp to EKL			(5.00)	
		Repayment of Loan	874.60			
		Interest on Loan	34.01			
		Equity Share Capital	(3,800.36)			

Sl. No.	Company name	Nature	Dec-00	Dec-01	Dec –02	Sept-03 (9 Months)
6	Electrolux Cash Management Services	Consultancy Charges – Cash Management Services	3.68			
		Shared services				50.30
7	Electrolux Shenzhen Jens-China	Purchases – Machinery and Spares	7.14			
8	Electrolux Distripart AB	Purchase of Spares		1.18	8.64	
		Advance Given			1.60	
9	Electrolux Far East Limited	Purchase of Power cord		0.64		
10	Electrolux Home Products Corporation N.V. BEE-Belgium	Purchase of Traded Goods		195.36	164.47	13.15
		IT infrastructure consultancy			20.82	
		Reimbursement of Exp to EKL			(63.05)	
11	Electrolux IT Solution A.B.	Service/Consultancy charges towards IT facility	0.01		132.91	86.98
12	Electrolux Lehel- kft	Purchase of Spares		0.52		
		Purchase of Traded Goods	21.35	107.49	1.74	(2.03)
13	Electrolux Romaina S.A.	Purchase of Spares	0.79		0.51	
		Purchase of Traded Goods		39.32		
14	Electrolux Spenny More	Purchase of Machinery and Spares	15.19	2.47		
15	Electrolux Thailand Co. Ltd.	Reimbursement of expenses	0.58			
16	Electrolux Zanussi SPA	Purchase of Machinery and Spares	149.87	63.48		
		Purchase of Traded Goods	114.52	45.06	0.27	
		Reimbursement of Exp. to EKL				(1.14)
17	L.S.Davar & Co.	Consultancy/Service charges-Trade Marks etc	0.11	0.69	1.56	0.95
18	Goswami Associates	Consultancy/Service charges	12.44	3.49	30.92	21.11
19	Saudi Refrigerators Ltd.	Purchase of Traded Goods	-	109.93	9.16	
20	RSM & Co.	Consultancy Charges			3.60	
21	Ambit Corporate Finance Private Ltd.	Consultancy Charges			13.70	
22	Asiatic Engineers (P) Ltd.	Consultancy Charges			32.25	
23	Husqvarna A.B.	Loan		(9,604.00)		
		Payment of Interest		202.67	986.33	737.72
24	White Consolidated Industries	Royalty (Net of Taxes)			251.44	152.78
25	Electrolux Floor Care Light Appliances A.B.	Purchase				0.97
		Reimbursement of exp to EKL				(0.59)

Sl. No.	Company name	Nature	Dec-00	Dec-01	Dec –02	Sept-03 (9 Months)
26	Appliance City Ltd.	Sales		(5.34)	(112.10)	(46.96)
27	Directors	Remuneration (with sitting fee)	16.75	17.22	46.30	108.03
	Mr. Ram S. Ramsunder	Loan received back				(35.45)
		Travel Advance			9.26	
	Mr. Inder Khosla	Loan Given		110.00		
		Loan Received back				(110.00)
28	Electrolux S.A.R.L.	NACO Service Income	(30.09)	(23.91)	(23.91)	(18.00)
29	Kelvinator Int’l Pitsbeurg	Sales (with freight recovery)			(32.99)	
30	EHP International	Re-Export				(41.32)
		Reimbursement of exp to EKL			(94.89)	(65.47)
31	Kelvinator Int’l Sierra Lone	Sales (with freight recovery)			(8.75)	
32	Electrolux S.E.A. Pte. Ltd. – Singapore	Sales			(0.12)	
33	Electrolux Voltas Ltd.	Loan taken	(1,300.00)	(2,500.00)		
		Loan repaid	1,300.00			
		Interest	6.58			

Note: Figures in brackets indicate receipts.

- Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, 1956, which is reproduced below :

“Any person who -

(a) makes in a fictitious name, an application to a company for acquiring, or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of, shares therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years.”

HIGHLIGHTS:

1. The Company is a subsidiary of AB Electrolux, Sweden, a worldwide manufacturer and marketer of household appliances. For the year ended December 2002, ABE had a group turnover of SEK 133,150 Mn.
2. The Company has an ongoing technical collaboration agreement with AB Electrolux, Sweden. This enables the Company to have access to the latest white goods technology used in ABE’s European facilities and benefits of the R&D activities undertaken by the Electrolux Group.
3. The products of the Company are being marketed under international brand like ‘Electrolux’.
4. The Company has a widespread network of distributors/direct dealers and a large network of retailers spread across the country and 18 branches managing and supervising this large network.

Dear Shareholder,

Your Company hereby offers 19,97,74,709 Equity Shares of Rs. 10 each for cash at par aggregating Rs. 199,77,47,090 on a rights basis to the Equity Shareholders of the Company in the ratio of 8 (eight) Equity Shares for every 7 (seven) Equity Shares held. As a Shareholder of the Company on the Record Date i.e. March 12, 2004, you are entitled to this Offer.

I. General Information

1. Name and Address of Registered Office of the Company

Electrolux Kelvinator Limited

Registered Office: Flat No 201-202, A 22, Green Park, Aurobindo Marg, New Delhi – 110 016, India.

Corporate Office: Global Business Park, Tower A, Mehrauli-Gurgaon Road, Gurgaon – 122 002.
Telephone No: + 91 124 280 3250.
Fax: +91 124 280 3292
Email: Investors.Helpdesk@notes.electroluxindia.com
Website: www.electrolux.co.in

2. Corporate Status

Electrolux Kelvinator Limited (EKL) was incorporated as a public limited company on August 8, 1989, under the Companies Act, 1956 under the name and style of Maharaja International Limited. Subsequently, the name was changed to Electrolux Kelvinator Limited and a Certificate of Incorporation consequent to the change of name dated February 8, 1999, was issued by the RoC, Rajasthan, Jaipur.

3. Eligibility for the Issue

EKL is an existing company under the Act, whose equity shares are listed on stock exchanges at Delhi, Mumbai, Jaipur, Bangalore, Kolkata and Ahmedabad. It is eligible to make this Rights Issue in terms of Clause 2.4 (iv) of the SEBI Guidelines.

The Company, its directors, associates of group companies, the person(s) in control of the body corporate forming part of the Promoter Group and the companies with which the directors of the Company are associated as director or promoters have not been prohibited from accessing the capital markets under any order or direction passed by SEBI. The directors of ABE or the persons in control of ABE have not been prohibited from accessing capital markets under any order / direction passed by SEBI. However, as mentioned elsewhere in this LoF, SEBI has issued a show cause notice to Mr Harish Kumar, one of the directors of the Company, under Section 11(4) of the SEBI Act for possible violation of Regulation 4(a) of SEBI (FUTP) Regulations, 1995.

4. Government Approvals

As the Company does not propose to undertake any new activities, it will not need any further approvals from any Government authority / RBI. At present the Company has the required approvals from the concerned Government authorities to undertake the Company's current business, save and expect those approvals which may be required to be taken in the normal course of business from time to time. The Company has applied for and is yet to receive the renewal from the pollution control board for its manufacturing plant at Butibori. The Company has also applied for and is yet to receive renewal of its factory licence at Warora and Butibori plant. The Company has also applied for and is yet to receive renewal of explosive licence of MEK, Kerosene & Thinner at its Warora plant.

Disclaimer Clause of SEBI

IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THE OFFER DOCUMENT TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE OFFER DOCUMENT. LEAD MERCHANT BANKER, AMBIT CORPORATE FINANCE PRIVATE LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT, WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE OFFER DOCUMENT, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER, AMBIT CORPORATE FINANCE PRIVATE LIMITED HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED JUNE 3, 2003, IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

"I. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE OFFER DOCUMENT PERTAINING TO THE SAID ISSUE;

II. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY;

WE CONFIRM THAT:

(A) THE OFFER DOCUMENT FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

(B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; and

(C) THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.

III. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THIS LETTER OF OFFER ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID."

The Lead Manager has confirmed to SEBI vide their letter dated February 12, 2004 , that all observations made by SEBI vide their letter no. CFD/DIL/SNB/24133/2003 dated December 19, 2003 have been incorporated in the LoF.

THE FILING OF THE OFFER DOCUMENT DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER

SECTION 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MERCHANT BANKER(S) ANY IRREGULARITIES OR LAPSES IN THE OFFER DOCUMENT.

Disclaimer Clause of the Stock Exchanges

Disclaimer Clause of THE STOCK EXCHANGE, MUMBAI (BSE)

The Stock Exchange, Mumbai ('the Exchange') has given, vide its letter dated June 21, 2003, permission to the Company to use the Exchange's name in this Letter of Offer as one of the stock exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinized this Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. BSE does not in any manner –

1. warrant, certify or endorse the correctness or completeness of any of the contents of this Letter of Offer;
2. warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
3. take any responsibility for the financial or other soundness of this Company, promoters, management or any scheme or project of this Company;

And it should not be, for any reason be deemed or construed that this Letter of Offer has been cleared or approved by BSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated herein or any other reason whatsoever.

Disclaimer Clause of THE BANGALORE STOCK EXCHANGE LIMITED (BgSE)

The Stock Exchange Bangalore ('BgSE') has given, vide its letter dated December 29, 2003, permission to the Company to use the name of the Exchange in this offer document as one of the Stock Exchanges on which the Company's securities are listed. BgSE has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. BgSE does not in any manner –

warrant, certify or endorse the correctness or completeness of any of the contents of this offer document

warrant that this Company's securities will be listed or will continue to be listed on BgSE

take any responsibility for the financial or other soundness of this Company, promoters, management or any scheme or project of this Company;

And it should not be, for any reason be deemed or construed that this offer document has been cleared or approved by BgSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BgSE, whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated in the offer document or any other reason whatsoever.

Disclaimer Clause of THE CALCUTTA STOCK EXCHANGE ASSOCIATION LIMITED (CSE)

The Calcutta Stock Exchange ('Exchange') has given, vide its letter dated January 28, 2004, its permission to the Company to use the name of the Exchange in the Offer Document as one of the stock exchange on which the Company's securities are proposed to be listed. The Exchange has vetted this Offer Document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. The Exchange does not in any manner –

1. warrant, certify or endorse the correctness or completeness of any of the contents of this Letter of Offer; or
2. warrant that the Company's securities will be listed or will continue to be listed on this Exchange; or
3. take any responsibility for the financial or other soundness of this Company, its promoters, management or any scheme or project of this Company;

and it should not be, in any reason be deemed or construed that this Letter of Offer has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted in the Offer Document or any other reason whatsoever.

Disclaimer Clause of THE STOCK EXCHANGE, AHMEDABAD (ASE)

As required, a copy of this LoF has been submitted to ASE. ASE has given, vide its letter dated July 15, 2003, permission to the Issuer to use the Exchange's name in this LoF as one of the Stock Exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinized LoF for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Issuer. It is to be distinctly understood that the aforesaid permission given by ASE should not in any way be deemed or construed that the LoF has been cleared or approved by ASE; nor does it in any manner warrant that the Issuer's securities will responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer;

Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysts and shall not have any claim against the exchange whatsoever by reason of any loss, which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Disclaimer In Respect of Jurisdiction

This offer is made to the existing shareholders of the Company. This Offer Document does not, however, constitute an offer to sell or an invitation to subscribe to shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this LoF comes is required to inform himself about and to observe any such restrictions.

Caution

The Company, the Lead Manager and the Experts/Advisors accept no responsibility for statements made otherwise than in the LoF or in the advertisements or any other material issued by or at the instance of the Company and that anyone placing reliance on any other source of information would be doing so at their own risk. In addition to the Lead Manager, the Company is also obliged to update the Offer Document and keep the public informed of any material changes till the listing and trading commencement.

Filing of Letter of Offer

A copy of the draft LoF is filed with SEBI at their office at Mumbai, and with the stock exchanges at Delhi, Mumbai, Jaipur, Bangalore, Kolkata and Ahmedabad for their observations. The final LoF has been filed with the Stock Exchange, Mumbai, being the Designated Stock Exchange.

Listing

The Company's existing Equity Shares are listed on the Stock Exchanges at Delhi, Mumbai, Jaipur, Bangalore, Kolkata and Ahmedabad. The Company has received "in-principle" approvals from these Stock Exchanges vide their letters dated January 17, 2004, June 21, 2003, December 30, 2003, December 29, 2003, January 28, 2004 and July 15, 2003 respectively. The Stock Exchange, Mumbai (BSE) is the Designated Stock Exchange of the Company for the purpose of the Rights Issue.

An application will be made to the Stock Exchange(s) at Delhi, Mumbai, Jaipur, Bangalore, Kolkata and Ahmedabad for permission to deal in and for an official quotation in respect of the Equity Shares of the Company now being offered in terms of this LoF.

In case the permission to deal in and for an official quotation of the Equity Shares is not granted by the stock exchanges where the listing application will be made, the Issuer shall forthwith repay without interest, all monies received from the applicants in pursuance of this LOO and if such money is not repaid within eight days after the day from which the Issuer is liable to repay it, then the Company and every Director of the Company who is an officer in default shall, on and from the expiry of eight days, be jointly and severally liable to repay the money with interest as prescribed under Section 73(2)/ 73(2A) of the Companies Act, 1956.

The Company has issued 50,00,000 10% cumulative redeemable non-convertible preference shares of Rs. 100/- each aggregating Rs. 5,000 Lacs in 2001 and 150,00,000 6% cumulative redeemable non-convertible preference shares of Rs. 100/- each aggregating Rs. 15,000 Lacs in 2002 to ABE. These preference shares are not listed on any stock exchanges.

To ensure adequate capitalisation, ABE has declared its intention to subscribe to shares beyond its entitlement, if other shareholders do not exercise their rights entitlement. If as a result of the Rights Issue, the non-promoter shareholding, required to be maintained for continuous listing, in the Company falls below the prescribed limits, the Company and ABE will comply with the provisions of Securities & Exchange Board of India (Delisting of Securities) Guidelines - 2003 by offering to buy out the remaining holders at the price of the Rights Issue. However, investors may please 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 High Court of Delhi, inter-alia, challenging the validity of the SEBI (Delisting of Securities) Guidelines, 2003. For details of the litigation, please refer to Page no.76.

Personation for Acquisition

As a matter of abundant caution, the attention of the investor is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, 1956, which is reproduced below:

"Any person who -

(a) makes in a fictitious name, an application to a Company for acquiring, or subscribing for, any shares therein, or

(b) otherwise induces a Company to allot, or register any transfer of, shares therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

Minimum Subscription

If the Company does not receive the minimum subscription amount of 90 per cent of the Issue amount or if the subscription level falls below 90 per cent after the closure of the Issue on account of cheques having been returned unpaid or withdrawals of applications, the Company shall forthwith refund the entire subscription amount received within 42 days from the date of closure of the Issue. If there is delay in the refund of application money by more than 8 days after the Company becomes liable to pay the amount (i.e. forty two days after closure of the Issue), the Company will pay the interest for the delayed period, at prescribed rates in sub- sections (2) and 2(A) of Section 73 of the Companies Act, 1956.

Allotment and Refunds

The Company will issue or credit the allotted securities to the respective DP accounts or dispatch Letter of Allotment/Shares Certificates and/or Letter of Regret alongwith Refund Orders, if any within 42 days from the date of closure of the subscription list by registered post. If excess application money is not repaid within eight days from the day the Company becomes liable to pay it, the Company shall, as stipulated under Section 73(2A) of the Companies Act, 1956 pay the money with interest as prescribed under section 73(2) / 73(2A) of the Companies Act, 1956.

Declaration

The Board states that all monies received out of the issue of shares through this LoF shall be transferred to a separate bank account(s) maintained with a Scheduled Bank and the Company would not have access to such funds unless they have satisfied the BSE (being the Designated Stock Exchange) with suitable documentary evidence that application money relating to minimum subscription of 90% of the Issue has been received by the Company.

All information shall be made available by the Lead Manager and the Company to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road shows, presentations, in research reports or sales reports etc.

Issue Schedule

The subscription list will open at the commencement of banking hours and will close at the closure of banking hours on the date mentioned below or such extended date (subject to the total Issue period being a maximum of 60 days) as may be determined by the Board.

Issues Opens on	:	**Friday, March 26, 2004**
Last date for receiving request for split forms	:	**Thursday, April 15, 2004**
Issue Closes on	:	**Monday, April 26, 2004**

Lead Manager to the Issue

Ambit Corporate Finance Private Limited

109-112 Dalamal Towers
Nariman Point, Mumbai 400 021
Tel: +91 22 5637 1819, Fax: + 91 22 5637 3020
Email – EKLRights@ambitpte.com

Registrar to the Issue

Intime Spectrum Registry Limited
A-31, Naraina Industrial Area, Phase - I,
New Delhi - 110 028
Tel: +91 11 5141 0592-93-94, Fax: +91 11 5141 0591
Email - delhi@intimespectrum.com

Auditors to the Company

M/s Price Waterhouse,
Chartered Accountants,
P W Centre, Saidulajab,
Mehrauli Badarpur Road,
Opposite D- Block, Saket,
New Delhi 110 030
Tel: +91 11 51250512, Fax: +91 11 26967249
Email – anupam.dhawan@in.pwc.com

Legal Advisors to the Issue

Crawford Bayley & Company
State Bank Building, 4th Floor
NG Vaidya Marg
Mumbai 400 023
Tel: + 91 22 2266 3713, Fax: +91 22 2269 2952

Bankers to the Issue

CitiBank N.A.
Jeevan Vihar Building,
3, Sansad Marg,
New Delhi 110 001

Vijaya Bank
Rohit Chambers
S A Braivi Road, Fort
Mumbai

Principal Bankers to the Company

Citibank N. A.
Jeevan Vihar Building,
3 Sansad Marg,
New Delhi 110 001

Standard Chartered Bank,
IMD Regent Square,
DLF Phase II,
304 A, 3rd Floor, Gurgaon Mehrauli Road
Gurgaon 122 001

Deutsche Bank AG
15-17, Tolstoy House
Tolstoy Marg
New Delhi – 110 001

Apart from the above banks with whom the Company enjoys either overdraft or term loan facilities, the Company also has current accounts with various other banks for business needs.

Compliance Officer & Company Secretary

Ms. Geeta Puri Seth
Company Secretary,
Electrolux Kelvinator Limited,
Global Business Park, Tower A,
Mehrauli-Gurgaon Road,
Gurgaon 122 002
Tel: +91 124 280 3250; Fax: +91 124 280 3292
Email: Investors.Helpdesk@notes.electroluxindia.com

NOTE: The investor should contact the Compliance Officer or the Registrars to the Issue in case of any pre-Issue/post Issue related problems such as non-receipt of letters of allotment/refund orders etc.

Credit Rating and Trustees

This being an Issue of Equity Shares, credit rating or appointment of Trustees is not required.

II. CAPITAL STRUCTURE

(Rupees)

II.	**Capital Structure of the Company as on September 30, 2003**			
A.	Authorised Capital			
	45,00,00,000	Equity Shares of Rs. 10/- each	450,00,00,000	
	50,00,000	10% cumulative redeemable non-convertible preference shares of Rs. 100/- each	50,00,00,000	
	150,00,000	6% cumulative redeemable non-convertible preference shares of Rs. 100/- each	150,00,00,000	650,00,00,000
B.	Issued, Subscribed & Paid Up Capital			
	17,48,02,870	Equity Shares of Rs. 10/- each		
	4,50,000	Less: rights kept in abeyance u/s. 206 A (refer note 5)		
	17,43,52,870	Subscribed Equity Capital	174,35,28,700	
	50,00,000	Subscribed 10% cumulative redeemable non-convertible preference shares of Rs. 100/- each	50,00,00,000	
	150,00,000	Subscribed 6% cumulative redeemable non-convertible preference shares of Rs. 100/- each	150,00,00,000	
		Total Subscribed & Paid Up Capital		374,35,28,700
C.	Present Issue			
	19,97,74,709	Issue of Equity Shares of Rs. 10/- each for cash at par on a 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 as on the Record Date i.e. March 12, 2004	1,99,77,47,090	
	6,85,714	Less: rights kept in abeyance u/s. 206 A (refer note 5)	(68,57,140)	
	19,90,88,995	Net Issue to the existing shareholders	199,08,89,950	
D.	Issued & Paid up capital after the present Issue			
	37,45,77,579	Equity Shares of Rs. 10/- each	374,57,75,790	
	11,35,714	Less: rights equity shares kept in abeyance u/s. 206 A (refer note 5)	(1,13,57,140)	373,44,18,650
	50,00,000	10% cumulative redeemable non-convertible preference shares of Rs. 100/- each		50,00,00,000
	150,00,000	6% cumulative redeemable non-convertible preference shares of Rs. 100/- each		150,00,00,000
E.	Share Premium Account			
	Before the Issue			Nil
	After the Present Issue			Nil

NOTES:

1) Since the Issue is a Rights Issue, promoters' contribution and lock-in provisions are not applicable.

2) The Company has not issued any warrants, options or convertible loans or any convertible debentures which are presently outstanding.

3) There are no 'buyback', 'standby' or similar arrangement for the purchase of securities offered through this LoF by the promoters, Directors of the Company and the Lead Managers.

4) The Authorised Capital of the Company has been increased from Rs. 50,000 Lacs 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. 65,000 Lacs 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 shareholders' approval for the increase in Authorised Share Capital had been obtained at the extra-ordinary general meeting of the Company held on December 4, 2002.

5) 6,85,714 Rights Equity Shares out of the present Issue have been kept in abeyance under Section 206 A of the Companies Act, 1956. This corresponds to the rights entitlement in respect of

(a) 1,50,000 Equity Shares (previously 2,25,000 subscribed and paid-up Equity Shares, reduced to 1,50,000 Equity Shares on reduction of Share Capital on amalgamation), due to the ownership dispute going on in the Court of Law, in order to meet the requirements of allotment of the previous rights issue as and when the same be decided by the appropriate authorities; and

(b) 4,50,000 rights Equity Shares (originally 6,75,000 rights Equity shares, reduced to 4,50,000 Equity shares on reduction of share capital on amalgamation), issued but kept in abeyance under Section 206A of the Companies Act, 1956 from the previous rights issues in respect of the above referred equity shares under the ownership dispute

The total number of rights equity shares kept in abeyance after the present Issue would be 11,35,714.

6) The promoter / directors have not been restrained from accessing the capital markets by SEBI or any other authority/(ies). However, it may be noted that a show cause notice has been issued by SEBI to Harish Kumar & Associates under Section 11(4) of the SEBI Act for possible violation of Regulation 4(a) of SEBI (FUTP) Regulations, 1995 and Mr. Harish Kumar, one of the Directors of the Company was summoned to appear in person on October 16, 2002 before the investigating authority under Section 11 (3) of the SEBI Act, 1992 regarding dealing in the shares of the Company vide an order dated July 25, 2002 by SEBI Chairman. The Company has not received any further information on the same either from Mr. Harish Kumar or from SEBI.

7) Build-up of ABE equity shareholding:

Sr. No.	Date/Month of Allotment	No. of Shares	Shareholding as on date	Method of Allotment	Face Value (Rs.)	Issue Price (Rs.)
1	28/02/95	1,74,25,000	1,74,25,000	Preferential issue	10	23
2	26/08/97	2,05,78,550	3,80,03,550	Rights issue	10	10
3	16/02/00	3,93,67,779	7,73,71,329	Rights issue	10	10
4	14/07/01	(13,00,000)	7,60,71,329	Transfer from ABE to Harish Kumar	NA	NA
5	19/12/01	(2,53,57,111)	5,07,14,218	Merger Scheme – Capital reduction	10	NA
6	19/12/01	8,17,31,790	13,24,46,008	Merger Scheme – allotment of shares	10	NA

The issue of Equity Shares to ABE on a preferential basis in 1995 was certified vide letter dated November 30, 1994 by Sandeep Kumar & Associates, Chartered Accountants in accordance with the requirements contained in the SEBI guidelines issued on August 4, 1994.

8) As per FEMA Regulations, a general permission has been given to (a) Indian Companies to issue rights / bonus shares to Non-Residents and to send such shares out of India and (b) Non-Residents to acquire such shares, subject to stipulated conditions. Hence the Company does not require an in-principle permission from RBI for Issue of Shares to Non-Residents and the Non-Resident (except OCBs) shareholders need not apply to RBI for any such approval.

9) As per the clarification given by SEBI vide its letter dated December 24, 2002, the Company may allot the undersubscribed portion, if any, of the proposed Rights Issue to the promoters , subject to compliance with the provisions of clause 40A of the listing agreement within 6 months of completion of the Rights Issue as well as other conditions specified in the letter. In this respect the SEBI has given two options to the Company:

a) the promoters can off load the Equity Shares so that the non promoters shareholding is at least 25% of the listed securities; or

b) the promoters can make an open offer to the remaining shareholders at the same price at which the Rights Issue is made resulting in delisting of shares of the Company in terms of the SEBI Delisting Guidelines.

The Company is required to make a disclosure in the Letter of Offer as to the option that it would pursue upon completion of the Rights Issue. To ensure adequate capitalisation, ABE has declared its intention to subscribe to shares beyond its entitlement, if other shareholders do not exercise their rights entitlement. This could potentially lead to a situation where the ABE holding in the Company reaches approx 89% (of the total equity share capital of the Company, after the Rights Issue). If as a result of the Rights Issue, the non-promoter shareholding required to be maintained for continuous listing in the Company falls below the prescribed limits, the Company and AB Electrolux will comply with the provisions of the Securities & Exchange Board of India (Delisting of Securities Guidelines – 2003) by offering to buy out the remaining holders at the price of the Rights Issue within a period of 3 months from the date of completion of this Rights Issue. However, investors may please 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 High Court of Delhi, inter-alia, challenging the validity of the SEBI (Delisting of Securities) Guidelines, 2003. For details of the litigation, please refer to Page no.76.

10) The Company has received the approval confirming change in name of the Company to Electrolux Kelvinator Limited from the Government of India, Ministry of Industry, Department of Industrial Policy & Promotion SIA (FC.II.Section) vide its letter No. FC.II. 105(95)/101 (95)- Amend dated May 18, 1999.

11) The rights enjoyed by ABE with respect to dividend on 50,00,000 10% cumulative redeemable preference shares (allotted on December 16, 2000 by EIL) have been changed with effect from September 17, 2002, after obtaining their consent. The said dividend which was due every 12 months shall be due and payable only on the expiry of four years from the date of original

allotment i.e. on December 16, 2004 or on exercise of the put or call option, whichever is earlier. Subsequent dividend till 2007 will be due every twelve months, till maturity or on exercise of put / call option, whichever is earlier.

12) AB Electrolux intends to subscribe to its rights entitlement. AB Electrolux also intends to acquire additional shares beyond its entitlement if the Issue is undersubscribed. Subscription by ABE beyond its entitlement would be exempt under Regulation 3(1)(b) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and amendments thereto.

13) The details of existing paid up equity share capital of the Company is as follows:

Date of Allotment	No. of Shares Allotted	Face Value (Rs.)	Issue Price per share (Rs.)	Nature of Issue
08/08/89	70	10	10	Initial subscription
09/11/91	84,52,430	10	10	Public issue for Cash
30/09/93 (Part 'A' of 10,56,562 18 % Fully Convertible Debentures each converted into 4 Equity Shares, on Allotment)	42,26,248	10	10	Rights issue for Cash
01/04/94 (Conversion of Part 'B' of Fully Convertible Debentures)	10,56,562	10	10	Cash
12/09/94	17,00,000	10	10	Preferential allotment for cash
10/10/94	13,00,000	10	10	Preferential allotment for cash
28/02/95 *	1,74,25,000	10	23	Preferential allotment for cash
Total	3,41,60,310			
26/08/97 **	3,39,35,310	10	10	Rights issue for cash
Total	6,80,95,620			
16/02/2000***	6,78,70,620	10	10	Rights issue for cash
Total	13,59,66,240			
19/12/2001[$]	(4,53,41,242)	10		Capital reduced as a part of scheme of amalgamation (Please see below)
19/12/2001[$]	8,37,27,872	10	10	Shares issued as a part of scheme of amalgamation (Please see below)
Total	17,43,52,870			Share capital after amalgamation
Preference share capital				
19/12/2001[$$]	50,00,000	100	100	10% cumulative redeemable non – convertible preference shares allotted to ABE as part of the scheme of amalgamation
19/12/2002	150,00,000	100	100	Preferential allotment to ABE of 6% cumulative redeemable non –convertible preference shares

Notes:

*In 1995, EKL made a preferential issue to ABE in accordance with SEBI guidelines for preferential issue dated August 4, 1994. The Company at that time did not seek clearance from SEBI/Stock Exchanges under SEBI (Substantial Acquisition of Shares & Takeover) Regulations and Clause 40A/40B of Stock Exchange Listing Agreement in the belief that these provisions were not applicable. However, SEBI vide its letter dated January 20, 1997 sought a clarification as to whether provisions of SEBI (Substantial Acquisition of Shares & Takeover) Regulations were complied with and whether necessary clearances for increase in stake had been taken from SEBI to which a reply was sent to SEBI. The contravention if any, the consequences thereof and remedial action are presently not ascertainable. The Company will however comply with any directions/instructions that SEBI may issue in this regard at a later date.

** Excluding 2,25,000 Equity Shares then kept in abeyance under Section 206A of the Companies Act, 1956 relating to disputed shares from the rights issue.

*** Excluding 2,25,000 Equity Shares then kept in abeyance under Section 206A of the Companies Act, 1956 relating to the disputed shares and another 2,25,000 Equity Shares then kept in abeyance in respect of shares kept in abeyance from the previous rights issue.

$ Pursuant to the Scheme of Amalgamation of EIL and IL into EKL and reduction of EKL capital, approved by the Hon. High Court of Delhi on September 14, 2001, EKL has allotted 8,37,27,872 equity shares of Rs. 10 each to the shareholders of the erstwhile IL (1 equity share of EKL fully paid up for every 4 fully paid-up equity shares held in IL and 1 equity share of EKL fully paid up for every 21 partly paid-up equity shares held in IL) and erstwhile EIL (4 equity shares of EKL for every 5 fully paid-up equity shares held in EIL) and credited 9,06,24,998 equity shares of Rs. 10 each to the shareholders of Electrolux Kelvinator Limited post capital reduction (2 fully paid up equity shares for every 3 fully paid up equity shares held in EKL and 1 fully paid up equity share for every 3 partly paid up equity shares held in EKL) as per the Scheme of Amalgamation. IL was a listed company. EIL was an unlisted company.

$$ Pursuant to the Scheme of Amalgamation of EIL and IL into EKL 50,00,000 10% cumulative redeemable non-convertible preference shares of face value Rs. 100 each were allotted to the shareholders of erstwhile EIL

	EKL (Pre-Scheme) as on 10th December 2001		EIL (Pre-Scheme) as on 10th December 2001		IL (Pre-Scheme) as on 10th December 2001		No. of Shares of EKL allotted to the Shareholders of EIL as per the Scheme	No. of Shares of EKL allotted to the Shareholders of IL as per the Scheme	EKL (Post-Scheme)	EKL (Post-Scheme) Consolidated as on 19th December 2001	
	No. of Shares	(%)	No. of Shares	(%)	Nos. of Shares	(%)	No. of Shares.	No. of Shares.	No. of Shares.	No. of Shares.	(%)
							1	2	3	(1+2+3)	
PROMOTERS											
AB Electrolux	76,071,329	55.95	94,999,787	100.00	22,927,846	74.14	75,999,829	5,731,961	50,714,218	132,446,008	75.96
Harish Kumar & Associates	25,218,591	18.55	-	-	-	0.00	-	-	16,812,380	16,812,380	9.64
Other Promoters, if any	-	-	-	-	2,534,640	8.20	-	633,660	-	#	-
NON-PROMOTERS											
Institutional Investors											
MFs & UTI	1,477,796	1.09	-	-	-	0.00	-	-	985,195	985,195	0.57
Banks/ FIs	79,000	0.06	-	-	-	0.00	-	-	52,666	52,666	0.03
FIIs	1,500	0.00	-	-	-	0.00	-	-	1,000	1,000	0.00
Body Corporates	8,529,326	6.27	-	-	271,390	0.88	-	67,846	5,685,943	5,753,789	3.30
Indian Public	24,576,394	18.08	213	0.00	5,022,894	16.24	171	1,252,730	16,365,405	18,251,966	10.47
NRI/ OCB	12,304	0.01	-	-	166,700	0.54	-	41,675	8,191	49,866	0.03
Others	-	-	-	-	-	0.00	-	-	-	-	0.00
TOTAL	**135,966,240**	**100.00**	**95,000,000**	**100.00**	**30,923,470**	**100.00**	**76,000,000**	**7,727,872**	**90,624,998**	**174,352,870**	**100.00**

\# *Shareholding of Mr. Inder Khosla & Associates, the promoter of erstwhile Intron Limited, has been included in the Indian Public, as he is not a promoter of EKL.*

The terms of redemption of Preference Shares are as under:

(i) 10% Cumulative Redeemable Non-Convertible Preference Shares are redeemable at par on 19.12.2007. These Preference Shares carry put and call option for redemption at the end of 19.12.2003, 19.12.2004, 19.12.2005 and 19.12.2006, subject to notice period of three months prior to the due date of redemption.

(ii) 6% Cumulative Redeemable Non-Convertible Preference Shares are redeemable at par on 16.12.2007. These Preference Shares carry put and call option for redemption, which can be exercised at any time on or after 16.03.2003.

The put / call options have not been exercised as on date.

14) The shareholding pattern before and after the Issue is as under:

Category	Existing (As at December 31, 2003)		After the proposed Issue #	
	No. of Shares*	Percentage	No. of Shares*	Percentage
AB Electrolux	13,24,46,008	75.96	2,838,12,874	76.00
Harish Kumar & Associates@	1,74,18,181	9.99	3,71,63,303	9.95
Others	2,44,88,681	14.05	5,24,65,688	14.05
Total	174,352,870	100.00	373,441,865	100.00

*Equity Shares of Face Value Rs. 10/-

\# Based on the Shareholding as on December 31, 2003 and assuming all the shareholders apply for their entitlement in full. The projected post Issue shareholding is on the paid-up share capital basis. The shareholding pattern post Rights Issue is projected to change slightly as the computation does not take into account the previous rights kept in abeyance on 150,000 shares (post share capital reduction upon amalgamation) under ownership dispute. Of these, 1,41,199 shares are currently forming part of the shareholding of Harish Kumar and Associates and balance of the public shareholding. For further details on the disputed shares refer to the litigation section.

@ the cumulative holding of the constituents of Harish Kumar and Associates, as per the last declaration given to the Company on April 25, 2003

15) The aggregate shareholding of the promoters as on February 5, 2004 is detailed below.

Shareholders	No. of Shares	Percentage of Issued Capital (%)
AB Electrolux, Sweden	13,24,46,008	75.96%

As at March 07, 2004, none of the directors of ABE and the directors nominated by ABE on the Board of EKL were holding shares in the Company.

16) The shares offered through this Rights Issue shall become fully paid on allotment, except to the extent of rights shares kept in abeyance.

17) There is no lock in period in force for the shares already allotted to the promoters.

18) During the past six months no transaction in the securities of the Company have been undertaken / financed directly or indirectly by AB Electrolux and/or their subsidiaries / associates, and /or the directors of AB Electrolux and / or the directors of EKL. Mr Harish Kumar, director of the Company has not provided the information in this regard.

19) As per the information available with the Company, the Directors of EKL have not purchased or sold any securities of the Company six months prior to filing the LoF with SEBI.

20) The maximum and minimum price at which purchases and sales, if any, referred to in notes 18 and 19 above, along with the relevant dates is not applicable.

21) There are no natural persons in control (holding 10% or more voting rights) of any body corporate forming part of promoters group.

The following are the names of persons on the Board of Directors of any body corporate forming part of promoters group

Sr. No.	Name of the Body Corporate	Name of the Board of Directors
1.	Eureka Forbes Limited	Mr.S.P.Mistry, Mr.K.C.Mehra, Mr.S.L.Goklaney, Mr.D.E.Udwadia, Mr.J.C.Chopra, Mr.C.G.Shah, Mr.N.D.Khurody, Mr.Ashok Barat, Mr.Suresh Balan, Mr.Knut Stangenberg (Alternate Director to Mr.Magnus Yngen)
2.	Aquamall Water Solutions Limited	Mr.S.L.Goklaney, Mr.P.J.Reddy, Mr.A.V.Suresh, Mr.J.N.Ichhaporia
3.	Forbes Aquamall Limited	Mr.S.L.Goklaney, Mr.P.J.Reddy, Mr.A.V.Suresh, Mr.J.N. Ichhaporia, Mr.R.Ganguly, Mr.Vicco Syiem
4.	*AB Electrolux*	Key Management:Board of Directors:Rune Anderson (Chairman), Peggy Bruzelius, Thomas Halvorsen, Louis R. Hughes, Hans Straberg (President and CEO), Barbara Thoralfsson, Michael Treschow, Karel Vuursteen and Jacob Wallenberg (Deputy Chairman).Employee representative members are Ulf Carlsson, Bert Gustafsson, Annika Ogren, Malin Bjornberg (Deputy Member), Mats Ekblad (Deputy Member) and Ola Bertilsson (Deputy Member).

22) There have been no bonus shares issued by the Company in the last five years.

23) The names of the ten largest shareholders of the Company as on:

a) The date of signing of the Offer Document (As on close of March 6, 2004)

Sl. No.	Name of the Shareholder	No. of Shares
1	AB Electrolux	13,24,46,008
2	A.H. Holdings Pvt. Ltd.	1,43,94,554
3	Harish Kumar	9,42,425
4	SBI Capital Markets Limited a/c India Magnum Fund N V Mutual Fund	8,75,014
5	Vindhya Wood Crafts (P) Limited	8,06,939
6	Integrated Financial Services Limited	7,50,000
7	Asiatic Engineers Pvt. Ltd.	6,92,972
8	Inder Kumar Khosla	4,15,426
9	Kaveri Shilpkala Ltd.	3,38,566
10	Balraj Malhotra	2,74,466

As on the date of the Offer Document, the shareholders of the Company are not entitled to any shares arising from exercise of warrant, option, right to convert a debenture, loan or any other instrument.

b) Two years prior to the date of the signing of the Offer Document (As on December 10, 2001)

Sl. No.	Name of the Shareholder	No. of Shares
1.	AB Electrolux	7,60,71,329
2.	A.H. Holdings Pvt. Ltd.	2,06,91,831
3.	SBI Capital Markets Limited a/c India Magnum Fund N V Mutual Fund	14,45,271
4.	Harish Kumar	14,13,640
5.	Vindhya Wood Crafts (P) Limited	12,10,410
6.	Integrated Merchant Exporters Private Limited	11,55,338
7.	Asiatic Engineers Pvt. Ltd.	10,39,460
8.	International Securities Limited	8,37,481
9.	Mefcom Capital Markets Limited	7,13,512
10	Sarojini Finance Investment (P) Ltd	6,00,000

The details of the top ten shareholders given above are as on December 10, 2001, the record date for the scheme of amalgamation of IL and EIL with the Company. The shares were allotted on December 19, 2001. The Company made application for listing of these shares on January 17, 2002 and the 'in-principle' approval for listing of these shares was given by Delhi Stock Exchange (then the Regional Stock Exchange) on April 18, 2002. On receipt of the 'in-principle' approval, NSDL credited the accounts of shareholders with the shares issued pursuant to scheme on April 30, 2002 and CDSL on April 25, 2002. Therefore during the period December 19, 2001 to April 30, 2002, there were no credits effected in the accounts of demat shareholders.

c) Ten days prior to the date of the signing of the Offer Document -(As on February 27, 2004)

Sl. No.	Name of the Shareholder	No. of Shares
1	AB Electrolux	13,24,46,008
2	A.H. Holdings Pvt. Ltd.	1,43,94,554
3	Harish Kumar	9,42,425
4	SBI Capital Markets Limited a/c India Magnum Fund N V Mutual Fund	8,75,014
5	Vindhya Wood Crafts (P) Limited	8,06,939
6	Integrated Financial Services Limited	7,50,000
7	Asiatic Engineers Pvt. Ltd.	6,92,972
8	Inder Kumar Khosla	4,15,426
9	Kaveri Shilpkala Limited	3,38,566
10	Balraj Malhotra	2,74,466

24) The Company has 58,152 Shareholders as on February 27, 2004.

25) There have been no buyback arrangements with respect to the previous issues of the Company.

26) The Company has no partly paid up shares.

27) The Company shall not make further issue of capital whether through bonus shares, preferential allotment, rights issue or public issue or in any other manner, till the shares of the present Issue are listed or application money is refunded on account of the failure of the Issue.

28) The Company does not intend to alter the capital structure by way of split/consolidation of the denomination of the shares or issue of bonus or public issue of shares or any other securities within a period of six months from the date of opening of the present Issue.

However, in view of the accumulated losses on its Balance Sheet, the Company may carry out a capital reduction exercise after this Rights Issue after obtaining all other requisite approvals. Such capital reduction will also impact the share capital proposed to be raised through this Rights Issue. The quantum and manner of such capital reduction exercise is, however, not yet decided. The Company may decide for further infusion of capital via another rights issue or preferential allotment of equity or preference capital within six months of opening of the present Rights Issue.

III. TERMS OF THE PRESENT ISSUE

Authority for the Issue

This Issue of Shares is made pursuant to the resolutions passed by the Board at their meetings held on May 24, 2002, September 17, 2002, January 29, 2003 and November 17, 2003.

Issue size and Basis of Offer

The Company proposes to issue 19,97,74,709 equity shares of Rs. 10/- each for cash at par aggregating Rs. 199,77,47,090/- on a rights basis to the equity shareholders of the Company whose names appear on the Register of Members of the Company on March 12, 2004, being the Record Date, in the ratio of 8 (eight) equity shares for every 7 (seven) equity shares held.

Principal terms of the Issue

The Shares now being offered are subject to the terms of this LoF, the CAF, the MoA/AoA of the Company, approvals under the Foreign Exchange Management Act, 1999 (FEMA), if applicable, approvals from RBI, FIPB, the Companies Act, 1956, such terms and conditions as may be incorporated in the letter of allotment/ share certificate or any deed or document executed by the Company regarding the Rights Issue, any other legislative enactments and rules as may be applicable, the guidelines for Disclosure and Investor Protection issued by SEBI and the provisions of the Depositories Act, 1996 to the extent applicable.

Market lot

The shares of the Company are to be traded compulsorily in dematerialised form. The market lot for the shares will be one share. The rights shares allotted pursuant to this Issue are also to be compulsorily traded in demat mode only.

Ranking of Equity Shares

The Equity Shares now being offered shall rank pari passu in all respects with the existing Equity Shares of the Company including dividend, if any, declared by the Company during the year.

Rights Entitlement

As your name appears in the Register of Members as an Equity Shareholder of the Company on the Record Date i.e. March 12, 2004, you are entitled to eight equity shares for every seven equity shares held by you by way of rights as shown in Block II of Part A of the enclosed CAF on the basis mentioned above.

Nomination facility to the Investor

The applicant may indicate the name of the nominee in the CAF, in respect of the shares that may be allocated to him or for the existing shares. As per Section 109A of the Companies Act, 1956 and Notification No. G.S.R. 836(E) dated 24.10.2000 amending Form 2B i.e. nomination form under the Companies (Central) Government's General Rules and Form, 1956, only individuals applying as Sole Applicants/Joint Applicants can nominate, in the prescribed manner, a person to whom his share in the Company shall vest in the event of his death. Non-individuals including Society, trust, body corporate, partnership firm, holder of power of attorney cannot nominate. In terms of the said section, the following facility is available for nomination in respect of shares to individuals:

1. You may, at any time, nominate, in Form 2B prescribed under the Companies (Central Government) General Rules and Forms, 1956, a person to whom your shares, shall vest in the event of your death.
2. Where the shares are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom all the rights in the shares shall vest in the event of death of all the joint holders.
3. Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such shares where a nomination made in the prescribed manner purports to confer on any person the right to vest the shares, the nominee shall, on the death of the holder of shares or as the case may be, on the death of the joint holders become entitled to all the rights of the shares or as the case may be, all the joint holders, in relation to such shares to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner.

Where the nominee is a minor, it shall be lawful for the holder of the shares to make the nomination to appoint, in the prescribed manner, any person to become entitled to shares in the event of his death, during the minority.

A nomination shall stand rescinded upon sale of Equity Shares by the persons nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of the Company or the Registrar of the Company.

In accordance with Section 109B of the Companies Act, 1956, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, 1956 shall upon the production of such evidence as may be required by the Board, elect either:

a. to register himself or herself as the holder of the shares; or
b. to make such transfer of the shares, as the deceased holder could have made

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the shares, and if the notice is not complied within a period of ninety days, the Board may thereafter withold payment of all dividends, bonuses or other monies payable in respect of the shares, until the requirement of the notice have been complied with.

Fractional Entitlements

On applying the Rights ratio, the rights entitlement may contain certain fractional entitlements, in such case the fractional rights entitlement will be rounded off to the next integer. The resulting shortfall in allotment of shares, if any, shall be adjusted against the entitlement of ABE.

Arrangement for disposal of odd lots

The Company has not made any arrangements for disposal of odd lots that may arise out of this Issue since the shares of EKL are tradeable in compulsory demat segment under ISIN INE820A01021.

For shareholders seeking allotment in physical form, one single consolidated share certificate shall be issued against their entitlement, unless otherwise desired by the shareholder(s) in which case the new share certificate(s) shall be issued in lots of 100 shares and for the balance shares, if any, a single certificate shall be issued.

Denomination of shares

The Company undertakes that at any given time, there shall be only one denomination for the shares of the Company and that the Company shall comply with such disclosures and accounting norms specified by SEBI from time to time.

Approvals for the Offer

The Offer is being made in terms of guidelines issued by SEBI and in accordance with the Companies Act, 1956 and listing agreements of the respective stock exchanges.

Underwriting / Standby arrangements

The present Issue is not underwritten and the Company has not made any standby arrangements for the present Rights Issue. However, ABE has declared its intention to subscribe to the unsubscribed portion of the offer, beyond their entitlement, in the event of other Shareholders not subscribing to their entitlement.

Acceptance of the Offer

You may accept and apply for the shares hereby offered to you wholly or in part by filling Part A of the enclosed CAF and submit the same along with the application money to the Bankers to the Issue or to any of their designated branches as mentioned on the reverse of the CAF before the close of business hours on Monday, April 26, 2004. The Board or committee of directors, authorised in this behalf by the Board of Directors, will have the power to extend the last date for receipt and acceptance of the CAF for such period as it may deem fit but in no case will the offer for subscribing to the Issue be kept open for more than 60 (sixty) days.

If for any reason whatsoever, the CAF together with the amount payable is not received by the Bankers to the Issue at any of their designated branches as mentioned on the reverse of the CAF on or before the close of business hours on Monday, April 26, 2004 or such extended date as may be determined by the Board , the offer contained in the Letter of Offer shall be deemed to have been declined.

The Company will not be liable for any postal delays and any application received by mail after closure of the Issue date will be returned to the applicants. The date of mailing by the applicant and / or the date of demand draft/bankers cheque will not be the criteria for acceptance.

Applicants in centres not covered by the branches of collecting banks can send their CAF together with the demand draft payable at Delhi to the Registrars to the Issue by registered post and Company will bear the bank charges for purchase of demand draft and postal charges. Evidence of the bank/postal charges should be attached with the CAF. Any Bank/postal charges should be deducted upfront and should be indicated separately along with the CAF.

Additional Shares

You are also eligible to apply for additional shares over and above the number of shares offered to you provided you have applied for all the shares offered to you without renouncing them in whole or in part in favour of any other person(s).

The application for additional shares shall be considered and allotment shall be made at the absolute discretion of the Board of Directors of the Company or committee of directors, authorised in this behalf by the Board of Directors, the Board having the power to reject any such application for additional shares without assigning any reasons and in the event of over subscription, the allotment will be subject to the clause mentioned under "Basis of Allotment" and with the approval of BSE, being the Designated Stock Exchange. The allotment of additional shares will be made as far as possible on an equitable basis with reference to the number of equity shares held by you on the Record Date.

If you desire to apply for additional shares please indicate your requirement by filling in the number of additional shares in Block II of Part A of the enclosed CAF.

Renouncee(s) will not have the right to apply for additional shares.

Renunciation

(a) This offer shall be deemed to include a right exercisable by you to renounce the shares offered to you either in full or in part in favour of any other person(s) subject to the approval of the Board. Such renouncees can only be Indian Nationals (including minors through their natural/legal guardian)/Limited Companies incorporated under/governed by the Companies Act, 1956, Statutory Corporations/Institutions, Trust (registered under the Indian Trust Act, 1882), Societies (registered under the Societies Registration Act, 1860 or any other applicable laws) and provided that such Trust/Society is authorised under its constitution/rules/bye-laws to hold shares in a company and cannot be a partnership firm, foreign nationals or nominees of any of them, unless approved by RBI or relevant authorities or to any person situated or having jurisdiction where the offering in terms of this LoF could be illegal or require compliance with securities laws of such jurisdiction, or any other persons not approved by the Board.

Any renunciation from resident Indian Shareholder(s) to Non-Resident Indian(s) or from Non-Resident Indian Shareholder(s) to Resident or Non-Resident Indian(s) is subject to the renouncer(s)/renouncee(s) obtaining the necessary permission of the Reserve Bank of India and / or FIPB, as applicable, and the same shall be attached to the CAF. Applications not accompanied by the aforesaid approval are liable to be rejected.

A request for the allotment of the shares by the renouncee(s) in whose favour renunciation has been exercised shall be subject to the condition that the Board or Committee of Directors of the Company authorised in this behalf by the Board of Directors of the Company shall have absolute discretion to reject such request for allotment, without assigning any reasons thereof.

Part A of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used, this will render the application invalid. Submission of the enclosed CAF to the Bankers to the Issue at their Collection Centres specified on the reverse of the CAF with the Form of renunciation (Part B of the CAF) duly filled in, shall be conclusive evidence in favour of the Company, of the person(s) applying for the shares in part C to receive allotment of such shares. Part A must not be used by the renouncee(s) as this will render the application invalid.

Renouncee(s) will not have the right to apply for additional shares or to further renounce.

(b) To renounce in whole

If you wish to renounce this offer in whole, please complete Part B of the CAF. In case of joint holdings, all joint holders must sign this part of CAF in the same order as per the specimen signatures recorded with the Company. The renouncee i.e. the person in whose favour your offer has been renounced, should complete and sign Part C of the CAF. In case of joint renouncees, all joint renouncees must sign this part of CAF.

(c) To renounce in part

If you wish to accept this Offer in part and renounce the balance or renounce the entire offer in favour of one or more renouncees, the CAF must first be split by applying to the Registrars to the Issue. Please indicate your requirement for the split forms in the space provided for this purpose in Part D of the CAF and return the entire CAF to the Registrars to the Issue so as to reach them on or before Thursday April 15, 2004. On receipt of the required number of split forms from the Registrar, the procedure as mentioned in the para (a) above should be followed.

(d) Change and/or induction of additional holders

If you wish to apply for shares jointly with any person or persons, not more than 3, who is/are not already joint holders with you, then it will amount to renunciation and the procedure as above shall have to be followed. Even a change in the sequence of the joint holders shall amount to renunciation and the procedure, as stated above shall have to be followed viz. Parts B and C of the CAF will have to be filled in.

Renunciation by a resident Shareholder to a non-resident or vice-versa is subject to the Renouncee(s)/Renouncer(s) obtaining the necessary approval of the Reserve Bank of India and the said permission should be attached to the CAF, failing which the application will be rejected. In case of Non-Residents renouncing their rights without consideration, a declaration to that effect should be attached to the CAF, failing which the application is liable for rejection.

Your attention is drawn to the fact that the Company will not consider application for allotment of any shares renounced in favour of:

i. more than three persons as joint holders (including the first holder), in case of renouncees

ii. a partnership firm

iii. an Hindu Undivided Family

iv. a Trust or Society (unless such trust or society is registered under the Societies Registration Act, 1860 and it is authorised under its Memorandum and Articles of Association and/or its Rules and Bye Laws to hold shares in a Company)

v. a minor (unless application is made through a guardian)

Please also note the following:

- Part A must not be used by any person(s) in whose favour this offer has been renounced, this will render the application invalid.
- Only the person(s) to whom this letter of offer has been addressed and NOT a renouncee shall be entitled to obtain split forms.

Split Forms

- Split forms cannot be re-split
- Only the person to whom the offer is made and not the renouncee(s) shall be entitled to obtain split forms
- Requests for split forms should be sent to the Registrars to the Issue, not later than Thursday, April 15, 2004 by filling in Part D of the CAF
- Requests for split forms will be entertained only once

Basis of Allotment

1. The Board of Directors or the Committee of Directors as the case may be will proceed to allot the shares with the approval of BSE, in the following order of priority:

   a) Full allotment to the equity shareholders who have applied for their rights entitlement either in full or in part and also to the renouncees who have applied for shares renounced in their favour either in full or in part (subject to other provisions contained under the paragraph titled "Renunciation").

   b) Allotment to the equity shareholders who having applied for their full rights entitlement of shares offered to them have applied for additional shares provided there is a surplus available after full allotment under (a) above and shall be at the absolute discretion of the Board or the Committee of the Directors of the Company authorised in this behalf by the Board and the decision of the Board or the Committee shall be final and binding. The allotment of such additional shares will be made as far as possible on an equitable basis with reference to the number of equity shares held by them on the Record Date in consultation with the Designated Stock Exchange.

2. The Issue will become undersubscribed after considering the number of shares applied as per entitlement plus additional shares. The undersubscribed portion can be applied for only after the close of the Issue. The promoters or any other person can subscribe to such undersubscribed portion as per relevant provisions of law. If any person presently in control of the Company desires to subscribe to such undersubscribed portion and if disclosure is made pursuant to SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, such allotment of the undersubscribed portion will be governed by the provisions of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997.

3. After taking into account the allotments made under 1(a) and 1(b) above, if there is still any undersubscription, the unsubscribed portion shall be disposed off by the Board or Committee of Directors authorized in this behalf by the Board upon such terms and conditions to such person/ persons and in such manner as the Board/ Committee may in its absolute discretion deem fit, as a part of the Rights Issue and not preferential allotment. Further, such application for subscription to the undersubscribed portion, if made by existing shareholders, are not liable to be treated as multiple applications.

4. No oversubscription shall be retained by the Company. Even in the event of undersubscription, the allotment will be made in consultation with the Designated Stock Exchange.

AB Electrolux intends to acquire additional shares beyond their entitlement if the Issue is undersubscribed. The allotment to AB Electrolux beyond their entitlement would be exempt under Regulation 3(1)(b) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. If the allotment of undersubscribed portion to ABE results in the non-promoter shareholding falling below the limit required to be maintained for continuous listing as prescribed under clause 40A of the Listing Agreement, the Company and ABE will comply with the provisions of Securities & Exchange Board of India (Delisting of Securities) Guidelines - 2003 by offering to buy out the remaining holders at the price of the Rights Issue within a period of 3 months from the date of completion of this Rights Issue.

However, investors may please 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 High Court of Delhi, inter-alia, challenging the validity of the SEBI (Delisting of Securities) Guidelines, 2003. For details of the litigation, please refer to Page no.76.

Instructions for equity shareholders

(a) How to Apply

Applications should be made only on the CAF which are provided by the Company. The applications should be completed in all respects before submission to the Bankers to the Issue or their designated branches as they appear in the CAF. As explained in the INSTRUCTIONS indicated in the said CAF, the forms of the CAF should not be detached under any circumstances otherwise the application is liable to be rejected.

OPTIONS AVAILABLE	ACTION REQUIRED
1. Accept whole or part of the shares offered to you without renouncing the Balance	Indicate in Block III of Part A the number of shares
2. Accept your entitlement in full and apply for additional shares	If you accept all the shares offered to you in Block II, you may apply for additional shares. Indicate in Block IV the additional shares required
3. Renounce all the shares offered to you to one person (joint renouncees are deemed as one person) without your applying for any of the shares offered to you	Fill in and sign Part B indicating the number of of the shares offered to you shares renounced in Block VII and handover the entire form to the renouncee. The renouncee must fill in and sign Part C.
4. Accept a part of your entitlement and renounce the balance or part of it to one or more persons. OR renounce your entitlement or part of it to one or more persons. (Joint renouncees are deemed as one person).	Fill in and sign Part D for the required number of split forms and take the action as indicated below: a) For the shares, if any, which you want to subscribe, fill in and sign Part A of one Split Application Form b) For the shares you want to renounce, fill in and sign Part B in the required number of Split Application Forms c) Each of the renouncee should then fill in and sign Part C of the respective Split Application Forms for the shares accepted by the renouncee. d) Send the entire CAF to the Registrar

On receipt of the split forms:

a) For the shares you are accepting fill-in and sign Part A.

b) For the shares you are renouncing fill in and sign Part B indicating number of shares renounced.

Each of the renouncees should then fill in and sign Part C of the respective split application form for the shares accepted by him/ her.

Notes:

- The last date for receipt of requests for split application forms is Thursday, April 15, 2004.
- Part A of the CAF must not be used by any person(s) in whose favour this entitlement has been renounced. This will render the application invalid.
- While applying for or renouncing shares, joint holders must sign in the same order and as per the specimen signatures registered with the Company.
- Renouncee(s) is/are not entitled to a split form.
- The last date for submission of completed forms with remittance is Monday, April 26, 2004.
- Shareholders cannot utilise both Part A and Part B simultaneously i.e. accepting the offer as well as renouncing the offer. If all the parts are filled in, the allotment will be made under Part B and C i.e. to the renouncee only and the entry in Part A shall be ignored.
- Please check the number of shares registered in your name. In case of any discrepancy in the number of shares held by you as appearing in the CAF, the Company shall be entitled to amend the same on the basis of the entry in the Register of Members.
- The CAF contains space for indicating number of shares subscribed for in demat and physical shares or both. The shareholders are requested to fill the relevant blocks. No separate applications for demat and physical is to be made. If such applications are made, the applications for physical shares will be treated as multiple applications and rejected accordingly.
- In case of partial allotment, allotment will be done in demat option for the shares sought in demat and balance, if any, will be allotted in physical shares.

(b) Payments - Where to be made

The completed CAF (duly signed by all joint holders, if any), together with the cheque/demand draft for the amount payable on application at the rate of Rs. 10/- per share should be forwarded to any of the Bankers to the Issue or their designated branches as mentioned in the CAF, on or before Monday, April 26, 2004. Application(s) will not be accepted by the Lead Manager to the Issue or by the Company directly at any of their offices.

(c) Payments - How to be made

(i) Resident Shareholders

Only one mode of payment should be used. Payment must be made at the rate of Rs. 10 per share by Cash or Cheque/Demand Draft drawn on any Bank (including a Co-operative Bank) which is situated at and is a member or sub-member of the Bankers Clearing House in the city/town at which the CAF is submitted. A separate cash amount or cheque/demand draft, must accompany each CAF. Outstation/post-dated cheques or demand drafts and postal/money orders will not be accepted and CAFs accompanied by such cheques/demand drafts/order are liable to be rejected. Payments in cash to the Registrars will not be accepted. Returned cheques shall not be represented and the accompanying application will not be considered.

The Cheque/Demand Draft accompanying the application must be drawn in favour of "________ Bank - A/c EKL - Rights Issue" (e.g. "Citibank N. A. - A/c EKL - Rights Issue" or "Vijaya Bank - A/c EKL - Rights Issue" depending upon the collection centre wherein the form is deposited) and crossed "Account Payee Only". You are requested to mention the Folio number, Client ID / DP ID (as may be applicable) and the CAF number on the reverse of the Cheque/Demand Draft. If a Cheque or Demand Draft is drawn on a bank that is not participating in clearing, the CAF accompanying such Cheque/Demand Draft shall, at the discretion of the Board, be liable to be rejected.

No person shall make an application for subscription to Equity Shares in cash, if on the date of making the application, the applicant has any deposit or loan (including Debentures) whether originally paid in cash or otherwise remaining unpaid (whether payment has fallen due or not) which by itself or taken together with the present application is Rs. 20,000/- or more, in terms of Section 269 SS of the Income Tax Act, 1961.

Particulars of applicant's Savings Bank/Current Account must be given in the space provided for in the CAF, so as to enable the Registrars to print the same on the refund order, if any. Applications without such details are liable to be rejected.

Where the application is for shares of the total value of Rs. 50,000/- or more, the applicant or in the case of application in joint names, each of the applicants should mention his/her Permanent Account No/GIR No. allotted under the Income Tax Act, 1961. In case where the Permanent Account No./GIR No. has not been allotted, the fact of non-allotment should be mentioned in the Application Form. Without this information, the Application Form will be considered incomplete and will be liable to be rejected.

A separate cheque or bank draft must accompany each application form. All application forms duly completed together with cash/cheque/demand draft for the amount payable on application at Rs. 10/- per share must be submitted before the close of the Subscription List to the Bankers to the Issue named herein or to any of their branches mentioned on the reverse of the CAF and NOT to the Company, the Lead Managers to the Issue or the Registrars to the Issue.

However, only the plain paper application and application by post (in case there is no branch of the issuing bank at the place of submitting the application) may be submitted to the Registrars to the Issue. Applicants should indicate the Folio number and CAF number on the reverse of the cheque/demand draft through which the payment is made.

The Shareholders residing at places other than the Collection Centres as mentioned in the CAF and applicants who wish to send their applications by post are requested to send their applications directly to the Registrars to the Issue together with their Demand draft drawn in favour of "Citibank N. A. - A/c EKL – Rights Issue" payable at Delhi so as to reach them on or before the closure of the Issue. In such cases, the applicants may make payment net of Demand Draft and postal charges, since these charges will be borne by the Company. In the interest of the members, it is advised that such applications be sent by Registered Post. The Company is not responsible for any postal delay/loss in transit on this account.

For further instructions the investors are requested to read the CAF carefully while applying for the shares.

(d) Procedure for payment by means of Stockinvest

Individual investors and mutual funds may note that in terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/ 24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of application money has been withdrawn.

(ii) Non-Resident Shareholders including NRIs/ FIIs

Investors may please note that Reserve Bank of India has vide A.P.(DIR Series) circular No.14 dated September 16, 2003 derecognised Overseas Corporate Bodies (OCBs) in India as an eligible 'class of investor' and they shall not purchase Equity Shares / Preference Shares / Convertible Debentures offered on rights basis by an Indian Company with immediate effect. However, in terms of Press Release issued by RBI on September 18, 2003, overseas entities owned by NRIs can enjoy all the facilities available to foreign investors including automatic route for Foreign Direct Investment and accordingly investment by such entities in Rights Issues would be considered as investment by foreign investors / non residents.

Applications received from Non-Resident Indian(s)/ Persons of Indian origin resident abroad/ non-residents/ FIIs/foreign shareholders, for allotment of Equity Shares shall be, inter-alia, subject to the conditions as may be imposed from time to time by the Reserve Bank of India in the matter of refund of application moneys, allotment of Equity Shares, issue of letters of Allotment/Share Certificates, payment of interest, dividends etc.

As per Notification No. FEMA 20/2000-RB dated May 3, 2000 of the RBI, the RBI has given general permission to Indian companies to issue shares on rights basis to Non-Residents. Hence the Company does not need in-principle permission from RBI for issue of shares on rights basis to Non-Residents, on a repatriable basis. However, the right shares would be subject to the same conditions, including restrictions in regard to repatriability as are applicable to the original shares against which right shares are issued. The Board of Directors may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the allotment of shares, payment of interest etc. to the NR Shareholders.

Mode of payment by Non-Resident Indian(s)/Persons of Indian origin resident abroad/ non-residents/FIIs/foreign shareholders will depend on whether the Equity Shares to be allotted to them are on repatriation or non-repatriation basis.

On Repatriation basis

Payment is to be made by such NRIs/ FIIs/Foreign Investors in any of the following modes:

a) Indian Rupee Draft purchased from abroad drawn on any bank in India and made payable at Delhi or

b) Cheques drawn on Non-Resident External Account (NRE Account) with any Bank at Delhi or

c) Indian Rupee Draft purchased out of NRE/FCNR accounts maintained anywhere in India and payable at Delhi.

d) Payments through NR(O) a/c will not be permitted

e) Payments by FIIs must be paid through the Special NR Rupee Account

f) Applicants seeking allotment of the shares on repatriation basis should note that the payments for such allotment have to be made through external source only and that the payments through NRO accounts shall not be permitted.

g) In case of NRIs who remit their application money through Indian rupee drafts from abroad, refunds, payment of interest and other disbursements, if any, will be made in the relevant foreign currencies at the rate of exchange prevailing at such time subject to the permission of the RBI. The Company will not be liable for any loss on account of exchange fluctuations for converting their rupee amount in any foreign currency. In case of those NRIs who remit their application money from funds in NRE/FCNR accounts, refund, payment of interest and other disbursements, if any, shall be credited to such account, details of which account should be furnished in the appropriate column of the CAF.

h) In case where repatriation benefit is available, dividend and sales proceeds derived from the investment in the Equity Shares can be remitted outside India, subject to tax, as applicable according to Income Tax Act, 1961.

Non-repatriation basis

Payments are to be made by such NRs either as mentioned above or by Cheques drawn on NRO/NRE/FCNR/NRSR/NRNR A/c at Delhi or Rupee Demand Draft purchased out of NRO/NRE/FCNR/ NRSR/NRNR A/c maintained anywhere in India, but payable at Delhi. In such cases, refund, interest and other disbursement, if any, will be payable in Indian Rupees only. The application should be accompanied by a non-repatriation undertaking as per the forms prescribed by RBI. In case shares are allotted on non-repatriation basis, the dividend/sale proceeds of the shares cannot be remitted outside India

Disposal of Applications and Application Money

No separate receipt will be issued for application money received. However, the collection centres as listed in the CAF, will acknowledge its receipt by stamping and returning the acknowledgement slip at the bottom of each CAF. In the event of shares not being allotted in full, the excess amount paid on application will be refunded to the applicant within six weeks of the date of closure of the Issue.

The Board reserves its full, unqualified and absolute right to accept or reject any application in whole or in part and in either case without assigning any reason therefor. In case an application is rejected in full, the whole of the application money received will be refunded to the applicant. Where an application is rejected in part, the excess application money, if any will be refunded to the applicant.

General

Whether the application being made for the Equity Shares is on repatriation/non- repatriation basis, a separate Cheque/Demand Draft must accompany each CAF. All Cheques/Demand Drafts must be crossed "A/c Payee Only" and drawn in favour of "Citibank N. A. - A/c EKL - Rights Issue - Non Resident". Further, the applicants are requested to mention the folio number and the CAF number on the reverse of the Cheque/Demand Draft.

An account debit certificate from the Bank issuing the draft confirming that the draft has been issued by debiting FCNR/NRE/ NRO account must be attached in all cases where drafts have been purchased from FCNR/NRE/NRO accounts or Foreign Inward Remittance Certificate (FIRC) alongwith the form, failing which the application may be considered incomplete and liable for rejection. The duly completed CAF with a Cheque/Demand Draft for the amount payable must be lodged before the close of banking hours on Monday, April 26, 2004 with Citibank N. A., Delhi. In no circumstances should the CAF be delivered to the Lead Managers to the Issue or to the Company at their respective offices.

Payment by way of cash shall not be accepted.

Applicants should note that the CAF provides for space for the investor to mention his bank account number, the name of the bank and the branch, where the account is maintained so that the refund orders are printed with the said details after the name of the investor to ensure that the amount is credited to the right account thereby preventing fraudulent encashment of the refund orders.

In cases where repatriation benefit is available, dividend and sale proceeds derived from the investment in shares can be remitted outside, subject to tax as applicable, according to Income-Tax Act, 1961. In case of shares allotted on non-repatriation basis, the dividend/sale proceeds of the new Equity cannot be remitted outside India.

An applicant cannot make an application for that number of securities exceeding the number of securities offered through this Rights Issue.

Renunciation by NRIs

Renunciation by an NRI in favour of any other person will be as per the extant RBI guidelines.

Joint Applicants

An application may be made in a single name or joint names (upto three, including the first holder). In case of renouncees however, applications may be made in the name of three joint holders. In case of joint application, refund pay orders (if any), dividend etc. will be made in favour of and all communications will be addressed to the applicant whose name appears first at his/her address stated in the CAF.

Application on Plain Paper

In case an original CAF is not received, or misplaced, by the shareholders, a request may be made to the Registrar to the Issue for a duplicate CAF on or before Thursday, April 15, 2004 furnishing the details of the folio number, full name(s), address as appearing in the records of the Company. The Registrar to the Issue may issue a duplicate on request of the applicant and as may be decided by the Board.

Where shareholders have neither received the original CAF nor are in position to obtain a duplicate CAF they may apply on plain paper giving the following particulars:

1. Name in full (including names of joint holders in the same order as per the records of the Company)
2. Registered Address
3. Registered Folio Number / Client ID Number, DP Name, DP ID Number.
4. Number of Shares held on the Record Date
5. Distinctive Numbers
6. Number of Equity shares to which entitled (i.e. 8 shares for every 7 shares held)
7. Number of additional Equity Shares applied for, if any
8. Total number of Equity Shares applied for and total amount paid on application (@ Rs. 10/- per share)
9. Allotment option either in physical or demat mode.
10. Client Id number, DP name & DP Id number in case demat mode of allotment is preferred.
11. Particulars of Cheque/Demand Draft sent with the application
12. Permanent Account No. / GIR No. and Income Tax Circle / Ward / District in case applications for shares for value of Rs. 50,000/- or more for the applicant and for each applicant in case of joint names.
13. Bank Account No. and Name of Bank and Branch for refund purposes
14. In case of the Non-Resident Shareholder(s) the details of the NRE/ FCNR /NRO account along with the name and address of the Bank and the Branch.
15. Such applicants should send the application signed by all the holders of the shares in the same sequence and order as they appear in the Register of Members of the Company by Registered Post along with Cheques/ Demand drafts payable at Delhi only to the Registrars of the Issue to their address to reach on or before the last date for submission of the CAF. The Company and the Registrars to the Issue shall not be responsible for any postal delay or loss in transit.
16. The Cheque/ Demand draft should be drawn favouring "Citibank N A – A/c EKL – Rights Issue" and crossed "A/c Payee only".

Attention of the shareholders is drawn to the fact that those shareholders making the application otherwise than on the CAF (i.e. on a plain paper as stated above) shall not be entitled to renounce their rights and should not utilise the CAF for any purpose including renunciation even if it is received subsequently. In case both the original and duplicate CAFs are lodged or if any shareholder violates any of these requirements, the Company will have the absolute right to reject any one or both of his/her/their application and refund the application money received. However, the Company is not liable to pay any interest whatsoever on money so refunded.

Option to receive the Shares in Dematerialised Form

Applicants may note that they have the option to subscribe to the Rights Shares in demat or physical form, or partly in demat and partly in physical form, in the same application. In case of partial allotment, allotment will be first done in demat form, and the balance, if any, will be allotted in physical form. Investor can opt for this facility by filling up the relevant particulars in the CAF.

No separate application for demat and physical is to be made. If such applications are made, the application for the physical shares will be treated as multiple application and is liable to be rejected.

The Company's equity shares have been admitted for dealings in dematerialised form with NSDL vide tri-partite agreement dated March 26, 2002 and CDSL vide tri-partite agreement dated December 14, 2001 (and letter dated April 25, 2002) and are tradeable in compulsory demat segment under ISIN INE820A01021.

Procedure for opting for this facility for allotment of shares arising out of this issue in electronic form is as under:

1. Open a Beneficiary Account with any Depository Participant (care should be taken that the Beneficiary Account should carry the name of the holder in the same manner as is exhibited in the records of the Company. In case of joint holding, the Beneficiary Account should be opened carrying the names of the holders in the same order as with the Company). In case of investors having various folios in the Company with different joint holders, the investors will have to open separate accounts for such holdings. This step need not be adhered to by those shareholders that have already opened such Beneficiary Account(s).

2. For shareholders holding shares in dematerialised form as on Record Date, the beneficial account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Rights Shares by way of credit to such account the necessary details of their beneficiary account should be filled in the space provided in the CAF. It may be noted that the allotment of equity shares arising out of this issue can be received in a dematerialised form even if the original equity shares of the Company are not dematerialised. Nonetheless, it should be ensured that the Depository Account is in the name(s) of the shareholders and the names are in the same order as in the records of the Company.

3. Responsibility for correctness of applicant's age and other details given in the CAF vis-à-vis those with the applicant's Depository Participant would rest with the applicant. Applicants should ensure that the names of the applicants and the order in which they appear in CAF should be same as registered with the applicant's Depository Participant.

4. If incomplete/incorrect Beneficiary Account details are given in the CAF or where the investor does not opt for to receive the Rights Shares in dematerialised form, the Company will issue shares in the form of physical certificate(s).

5. The Rights Shares allotted to investors opting for dematerialised form, would be directly credited to the Beneficiary Account as given in the CAF after verification. Allotment advice, refund order (if any) would be sent directly to the applicant by the Registrars to the Issue but the confirmation of the credit of the Rights Shares to the applicant's Depository Account will be provided to the applicant by the applicant's Depository Participant.

   Renouncees can also exercise this option to receive shares in the dematerialised form by indicating in the relevant block and providing the necessary details about their Beneficiary Account.

6. It may be noted that shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL or CDSL.

Dividend or other benefits with respect to the shares held in dematerialised form would be paid to those shareholders whose names appear in the list of beneficial owners given by the DP to EKL as on record date.

Applications under Power of Attorney

In case of applications made under a Power of Attorney or by a Limited Company or a Body Corporate or Registered Society or Mutual Fund or Trustees of Trusts, certified copy of the relevant Power of Attorney or the relevant resolution or authority to make the application, as the case may be, along with the certified copy of the Memorandum and Articles of association and / or Bye-Laws as the case maybe must be attached to the CAF or lodged for scrutiny separately, quoting the serial number of the CAF and the bank's branch where the application has been submitted, at the office of the Registrars to the Issue after submission of the CAF to the Bankers to the Issue. Such authority and / or related documents should be received by the Registrars to the Issue not later than the closure of the Issue. In case the said particulars are received after the closure of the Issue, the application may not be considered.

Minimum Subscription

If the Company does not receive the minimum subscription amount of 90 per cent of the Issue amount or if the subscription level falls below 90 per cent after the closure of the Issue on account of cheques having been returned unpaid or withdrawals of applications, the Company shall forthwith refund the entire subscription amount received within 42 days from the date of closure of the Issue. If there is delay in the refund of application money by more than 8 days after the Company becomes liable to pay the amount (i.e. forty two days after closure of the Issue), the Company will pay the interest for the delayed period, at prescribed rates in sub- sections (2) and (2A) of Section 73 of the Companies Act, 1956.

Utilisation of Proceeds

The subscription received against the Rights Issue will be kept in specific bank accounts and the Company would not have access to these funds unless it satisfies the BSE (the Designated Stock Exchange) with suitable documentary evidence that the minimum subscription of 90 per cent of the Issue amount has been received.

Allotment and Refund Orders

The Company will issue and dispatch Letter(s) of Allotment/Share Certificate(s) and/or Letter(s) of Regret along with Refund Orders, if any, credit the allotted securities to the beneficiary account within a period of 6 weeks from the date of closure of the Subscription List. Such refund orders, in the form of cheque or pay order, marked "A/c Payee" and would be drawn in the name of the sole/first applicant. The Refund Orders shall be payable at par. If such money is not repaid within 8 days from the day the Company becomes liable to pay it, the Company shall, as stipulated under Section 73(2A) of the Companies Act, 1956, pay that money with interest at the rate of 15% p.a. Letter(s) of Allotment/Refund Order(s) above the value of Rs. 1,500 will be dispatched by Registered Post to the sole/first applicant's address. However, Refund Orders for values not exceeding Rs. 1,500 shall be sent to the applicants under postal certificate at the applicant's sole risk at his address. Adequate funds would be made available by the Company to the Registrars to the Issue for this purpose.

Dispatch of Letter(s) of Allotment/Share Certificates/Refund Orders and demat credit would be completed and allotment and listing documents shall be submitted to the Stock Exchanges within 2 working days of finalisation of the basis of allotment.

In case the Company issues Letter(s) of Allotment, the Share Certificate(s), if applicable will be kept ready within three months from the date of allotment thereof or such extended time as may be approved by the Company Law Board under Section 113 of the Companies Act, 1956 or other applicable provisions, if any. Allottees are requested to preserve such Letters of Allotment which would be exchanged later for Share Certificate(s).

General

Applications should be made only on the prescribed CAFs provided by the Company and should be complete in all respects. Applications which are not complete or which are not accompanied with remittance of the proper amount calculated as aforesaid are liable to be rejected and the money paid in respect thereof will be refunded without interest.

The Company will not allot any Equity Shares in favour of:

i. more than three persons as joint holders (including the first holder), in case of renouncees.

ii. a partnership firm

iii. an Hindu Undivided Family

iv. a Trust or Society (unless such trust or society is registered under the Societies Registration Act, 1860 and it is authorised under its Memorandum and Articles of Association and/or its Rules and Bye Laws to hold shares in a Company)

v. a minor (unless application is made through a guardian)

In case the above categories are already existing shareholders of the Company, they will be eligible for their entitlement. In case of applications made under a Power of Attorney (POA) or by Limited Companies or Bodies Corporate or Societies, a certified true copy of the relevant POA or the relevant resolution or authority to make the application as the case may be, along with the copy of the Memorandum & Articles of Association and/or Bye laws must be lodged for scrutiny giving the serial number of the CAF with the Registrars to the Issue, not later than the closure of the Issue, after the submission of the CAF failing which the application is liable to be rejected. In case the POA is already registered with the Company, the same need not be furnished again. However, the serial number under which the POA has been registered with the Company, must be mentioned below the signature(s) of the concerned applicants(s).

The CAF must be filled in English in BLOCK LETTERS.

In case of joint holders, all joint holders must sign the CAF at the appropriate places in the same order as per specimen signatures recorded in the Register of Members of the Company.

Thumb impressions and signatures other than in English, Hindi or any other language specified in the 8th Schedule to the Constitution of India, must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under his/her official seal.

In case of renouncee(s), the name of the applicant(s), details of occupation, address and father's/husband's name must be filled in Block Letters.

The CAF must be presented to the Collection Centres as mentioned in the CAF in its entirety. If any of the parts A, B, C, D and the acknowledgement of the CAF is/are detached or separated, such applications will be rejected forthwith.

In case an original Composite Application Form (CAF) is not received, or misplaced by the applicant, a request may be made to the Registrars to the Issue for Issue of a duplicate CAF on or before Thursday, April 15, 2004, furnishing the registered folio number, full name and address of the applicant. The Registrars may issue a duplicate on request of the applicant and subject to such terms and conditions as may be decided by the Board from time to time in conformity with the Companies Act, 1956.

Application(s) received from Non-Residents, or Persons of Indian origin residing abroad for allotment of equity shares shall, inter alia, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of application money, allotment of shares, subsequent issue and allotment of shares, interest, export of share certificates, etc. In case a Non-Resident shareholder has specific approval from the RBI, in connection with his/her shareholding, the person should enclose a copy of such approval with the CAF.

Any dispute or suit or action or proceeding arising out of or in relation to this Letter of Offer or in respect of any matter or thing contained therein and any claim by either party against the other shall be instituted or adjudicated upon or decided solely by the appropriate Court in Delhi.

All communications in connection with your application for the Equity Shares should be addressed to the Registrars to the Issue or the Compliance Officer of EKL.

Undertaking by the Company

The Company undertakes that:

1. The complaints received in respect of the Issue would be attended to expeditiously and satisfactorily.

2. That all steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the securities are to be listed are taken within 7 working days of finalisation of basis of allotment.

3. The Company shall make available in advance to the Registrars the requisite funds for the purpose of dispatching the Refund Orders/Allotment Letters/Certificates etc.

4. The certificates of the securities/refund orders to the Non-Residents shall be dispatched within specified time.

5. The Company will not make any further issue of securities till the securities offered through this Offer Document are listed or till these application monies are refunded on account of non-listing, under subscription, etc.

Utilisation of Issue Proceeds

Subscription received against this Issue will be kept in a special bank account and the Company would have access to these funds upon satisfying the Designated Stock Exchange i.e. BSE with suitable documentary evidence that minimum subscription of 90% of the Issue has been received by the Company.

The Board of Directors declares that:

a) All monies received out of Issue of shares through this Offer Document shall be transferred to separate bank account other than the bank account referred to in sub-section (3) of Section 73.

b) Details of all monies utilised out of Issue shall be disclosed under an appropriate head in the balance sheet of the Company indicating the purpose for which such monies had been utilised.

c) Details of all the unutilised monies out of the Issue of shares shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the form in which such unutilised monies have been invested.

IV. TAX BENEFITS

The Board of Directors of the Company has been advised by Price Waterhouse vide their letter dated May 20, 2003, that under the Income Tax Act, 1961, and other applicable tax laws for the time being in force, the following tax benefits and concessions will inter-alia, be available to the Company and the members.

Quote

Benefits under The Income Tax Act, 1961

A. To the Company

- In accordance with and subject to the conditions specified in Section 80HHC of the Income Tax Act, 1961 ('Act'), the Company would be entitled to 30% deduction of the profits derived from the export of goods, if any for the current financial year.
- In accordance with the conditions specified in section 35 DD of the Act , the Company is entitled to amortize any expenditure incurred for the purpose of amalgamation of an undertaking over a period of 5 successive years, beginning with the previous year in which the amalgamation takes place.
- In accordance with and subject to the conditions specified in Section 72A of the Act, the Company is entitled to carry forward and set-off the accumulated business losses and unabsorbed depreciation of the amalgamating company beginning from the year in which the amalgamation was effected.
- Dividend referred to in section 115-O of the Act, received by the Company from other Indian companies is exempt from tax under section 10(34) of the Act.
- In accordance with and subject to the conditions specified in section 10(35) of the Act, income received in respect of units from Mutual Fund / specified company/ administrator of the specified undertaking shall be exempt from tax.
- Under section 10(36) of the Act and subject to the conditions specified therein, long term capital gains arising to the Company on sale of equity shares is exempt from tax.
- Under section 112 of the Act and other relevant provisions of the Act, long term capital gains arising to the Company on transfer of shares which are otherwise not exempt under the Act, shall be concessionally taxed at the flat rate of 20% (plus applicable surcharge) [after indexation as provided in the second proviso to section 48] or at 10% (plus applicable surcharge) [without indexation], at the option of the Company.
- Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains arising to the Company which are otherwise not exempt under the Act, will be exempt from capital gains tax if the capital gains are invested for a period of 3 years in bonds issued by institutions as specified in the said section, within a period of 6 months after the date of such transfer.
- Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains arising to the Company which are otherwise not exempt under the Act, will be exempt from capital gains tax if the capital gains are invested in equity shares forming part of a public subscription of an Indian company within a period of 6 months after the date of such transfer.

B. To the Resident Members of the Company

- Dividend referred to in section 115-O of the Act, received by the shareholder from the Company will be exempt from tax under section 10(34) of the Act.
- Under section 10(36) of the Act and subject to the conditions specified therein, long term capital gains on sale of equity shares of the Company is exempt from tax.
- Under section 112 of the Act and other relevant provisions of the Act, long term capital gains arising on transfer of shares in the Company which are otherwise not exempt under the Act, shall be concessionally taxed at the flat rate of 20% (plus applicable surcharge) [after indexation as provided in the second proviso to section 48] or at 10% (plus applicable surcharge) [without indexation], at the option of the shareholder.
- In accordance with section 10(23D) of the Act, any income of a Mutual Fund set up by Public Sector Banks or Public Financial Institutions or Mutual Funds registered under the Securities and Exchange Board of India or authorized by the Reserve Bank of India, subject to the conditions specified therein shall be exempt from income tax.
- Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains arising on the transfer of shares of the Company which are otherwise not exempt under the Act, will be exempt from capital gains tax if the capital gains are invested for a period of 3 years in bonds issued by institutions as specified in the said section, within a period of 6 months after the date of such transfer.
- Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains arising on the transfer of shares of the Company which are otherwise not exempt under the Act, will be exempt from capital gains tax if the capital gains are invested in equity shares forming part of a public subscription of an Indian company within a period of 6 months after the date of such transfer.
- Under section 54F of the Act, long term capital gains arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company which are otherwise not exempt under the Act, will be exempt from capital gain tax subject to other conditions, if the sale proceeds from such shares are used for purchase of residential house property within a period of one year before or two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

C. To the Non-Resident Indians/ Non Residents

[Other than FII's]

- A Non-Resident Indian (i.e. an individual being a citizen of India or person of Indian origin and who is not a resident) has an option to be governed by the provisions of Chapter XII-A of the Act.
  - Under section 115E of the Act, long term capital gains arising to a non – resident Indian on transfer of shares in the Company subscribed to in convertible foreign Exchange and which are otherwise not exempt under the Act, shall be concessionally taxed at the flat rate of 10%. (Plus applicable Surcharge) (without indexation benefit).
  - Under provisions of section 115F of the Act and subject to the conditions and to the extent specified therein, long term capital gains arising to a non-resident Indian from the transfer of shares of the Company subscribed to in convertible foreign Exchange and which are otherwise not exempt under the Act, shall be exempt from income tax, if the net consideration is reinvested in specified assets within six months of the date of transfer.

- Under provisions of section 115G of the Act it shall not be necessary for a Non-Resident Indian to furnish his return of income if his only source of income is investment income or long term capital gains or both arising out of specified assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted therefrom.

- Under section 115I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any Assessment Year by furnishing his Return of Income under section 139 of the Act declaring therein that the provisions of the chapter shall not apply to him for that assessment year and if he does so the provisions of this chapter shall not apply to him and instead the other provisions of the Act shall apply.

- Dividend referred to under section 115-O of the Act, received by the shareholder from the Company will be exempt from tax under section 10(34) of the Act.

- Under the first proviso to section 48 of the Act, in case of a non-resident, in computing the capital gains arising from transfer of shares of the Company acquired in convertible foreign exchange (as per exchange control regulations), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case.

- Under section 10(36) of the Act, and subject to the conditions specified therein, long term capital gains on sale of equity shares of the Company is exempt from tax.

- Under section 112 of the Act, and other relevant provisions of the Act, long term capital gains arising on transfer of shares in the Company which are otherwise not exempt under the Act, shall be concessionally taxed at the flat rate of 20% (plus applicable surcharge) [after indexation as provided in the second proviso to section 48] or at 10% (plus applicable surcharge) [without indexation], at the option of the shareholder.

- Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains arising on the transfer of shares of the Company which are otherwise not exempt under the Act, will be exempt from capital gains tax if the capital gains are invested for a period of 3 years in bonds issued by institutions as specified in the said section, within a period of 6 months after the date of such transfer.

- Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains arising on the transfer of shares of the Company which are otherwise not exempt under the Act, will be exempt from capital gains tax if the capital gains are invested in equity shares forming part of a public subscription of an Indian company within a period of 6 months after the date of such transfer.

- Under section 54F of the Act, long term capital gains arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company which are otherwise not exempt under the Act, will be exempt from capital gain tax subject to other conditions, if the sale proceeds from such shares are used for purchase of residential house property within a period of one year before or two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

D. To Foreign Institutional Investors (FIIs)

- Dividend referred to under section 115-O of the Act, received from the Company will be exempt from tax under section 10(34) of the Act.

- Under section 10(36) of the Act and subject to the conditions specified therein, long term capital gains on sale of equity shares of the Company is exempt from tax.

- The income by way of short term capital gains or long term capital gains realized by FIIs on sale of shares in the Company would be taxed at the following rates as per section 115AD of the Act.

- Short term capital gains – 30% (Plus applicable surcharge) (without exchange protection).

- Long term capital gains which are otherwise not exempt under the Act – 10% (Plus applicable surcharge) (without cost indexation and without exchange protection)

- Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains arising on the transfer of shares of the Company which are otherwise not exempt under the Act, will be exempt from capital gains tax if the capital gains are invested for a period of 3 years in bonds issued by institutions as specified in the said section, within a period of 6 months after the date of such transfer.

- Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains arising on the transfer of shares of the Company which are otherwise not exempt under the Act, will be exempt from capital gains tax if the capital gains are invested in equity shares forming part of a public subscription of an Indian company within a period of 6 months after the date of such transfer.

Benefits under the Wealth Tax Act, 1957

Shares of the Company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957 and hence Wealth Tax Act will not be applicable.

Benefits under the Gift Tax Act, 1958

Gift of shares of the Company made on or after October 1, 1998 would not be liable to Gift tax.

Benefits under the Sales Tax Act

The Company holds Sales Tax exemption eligibility certificate issued by the Sales Tax Officer, Bhiwadi, valid from October 24, 2000 for a maximum period of seven years. The exemption from tax liability is to the extent of 75% of the total tax liability subject to a limit of Rs. 31,00,61,000.

Notes

- All the above benefits are as per the current tax law and will be available only to the sole/first named holder in case the shares are held by joint holders.

- In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has tax residency.

- In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the issue.

Unquote

V. PARTICULARS OF THE ISSUE

Objects of the Present Issue

The objects of the present Issue is to augment the networth of the Company, repay loans, make the payment towards voluntary retirement schemes and related expenditure and meet the Issue expenses.

The accumulated losses of the Company as on September 30, 2003 are Rs. 48,369 Lacs (as per audited results) and as on January 31, 2004 are Rs. 61,502 Lacs (as per unaudited results), which have exceeded the networth of the Company. The necessary filings/ reportings and/or other procedures, in relation to the erosion of the networth, will be made/ followed by the Company with the relevant authorities in accordance with law. As per the legal opinion received by the Company, the requirement of filings/reporting with the relevant regulatory authorities should be applicable on the finalization of duly audited accounts for the full financial year. Considering this proposed Rights Issue and AB Electrolux's commitment to support the Rights Issue by subscribing to the unsubscribed portion of the Rights Offer, beyond their entitlement, in the event the other shareholders of the Company do not subscribe to their entitlement, an amount of approximately Rs. 20,000 Lacs would be infused in the Company which will augment the networth of the Company to that extent. The Company may also require further infusion of capital within six months of opening of this Rights Issue to make its networth positive.

Fund Requirements

Particulars	Rupees in Lacs
Voluntary Retirement Scheme and related expenditure	2,650.00
Repayment of short term loans	17,150.00
Issue expenses	177.47
Total fund requirements	**19,977.47**

Voluntary Retirement Scheme

As part of its restructuring exercise and to economize the business operations for an overall improvement in the performance, the Company has decided to rationalize / reduce the total workforce by introduction of a "Voluntary Retirement Scheme" (VRS). The Company had earlier also introduced a VRS in various plants and has been able to bring down its workforce significantly. Further reductions are anticipated as a result of time and motion study undertaken by the Company in its various plants to enhance the productivity. The Company expects to utilize Rs. 2,650 Lacs for funding the VRS and related expenditure. If the funds utilized for funding the VRS and related expenditure are higher or lower than the expected Rs. 2,650 Lacs, necessary adjustments would be made in the loan repayment amount. The Company has already incurred an amount of Rs. 596.92 Lacs towards VRS and related expenditure in one of its refrigerator factory that has been funded out of further short- term loans. The Company intends to launch further VRS in its factories and the proceeds of the Issue will be utilized to fund the same.

Loan Repayments

As on February 26, 2004, EKL has following sanctioned fund based facilities from its banks: (Rupees in Lacs)

Name of Bank	Sanctioned Fund Based Facilities	Availed	Interest	Nature	Security
Citibank N. A	16,100*	12,000	5.95%	Short Term Loan	Nil
		1,500	6.00%	Short Term Loan	Nil
		269	14.5%	Cash Credit	Nil
Standard Chartered Bank	4,200*	4,000	6.45%	Short Term Loan	Nil
Deutsche Bank	7,000	4,000	6.25%	Short Term Loan	Nil
Total	**27, 300**	**21,769**			

* towards working capital

The facilities availed are all short term in nature maturing within 3 months. The Company intends to utilise part of the issue proceeds to repay Rs. 17,150 Lacs from the above loans. No specific loans have been earmarked for repayment since all loans are short term in nature and can be re-paid at short notice.

Issue expenses

The break-up of estimated issue expenses proposed to be met out of the proceeds of this Issue are as follows:

	Rs. in Lacs
Issue Management fees, Registrar fees, Legal & Consultancy, Certification fees	91.00
Printing & Postage	70.20
Advertisement & Listing fees	16.27
Total	**177.47**

Means of Finance

The entire proceeds of this Rights Issue aggregating Rs. 19,977.47 Lacs will be utilised towards repayment of the loans, to meet the VRS & VRS related expenditure and the issue expenses and will result in augmentation of the networth of the Company. No part of the issue proceeds is to be paid as consideration to ABE or its/associate/group company or their directors or their key management personnel, directors of EKL and key management personnel of EKL.

Bridge Funding or Financial assistance

At present, the Company has not taken any bridge funding or financial assistance against this Issue, which would be repaid from the proceeds of this Issue. However, in case the Issue is delayed, the Company intends to resort to short term borrowings to meet the VRS and related expenditure, as mentioned above. Accordingly, the amount of the loan repayments, as shown above, may increase depending on the timing of the Issue.

Break-up of current assets and current liabilities are as follows:

Rs. in Lacs

Particulars	As on September 30, 2003	
Current Assets, Loans and Advances		
Inventories:		
Raw Material [including Goods in Transit Rs. 1,004.39 Lacs]	2,603.76	
Stores and Spares (Includes Promotional Inventory Rs. 37.23 Lacs)	761.91	
Work in Progress	435.20	
Finished Goods [including Goods in Transit Rs. Nil]	5,428.50	9,229.36
Sundry Debtors		1,120.69
Cash and Bank Balances		1,851.53
Loans and Advances		2,360.89
		14,562.47

Particulars	**As on September 30, 2003**
Less: Current Liabilities and Provisions	
Current Liabilities	16,706.99
Provisions	1,350.30
	18,057.29
Net Current Assets	(3,494.83)
Sources of finance	Note 1

Note 1: The Company has sanctioned fund based facilities of Rs. 20,300 Lacs towards working capital comprising of Rs.16,100 Lacs (Citibank N.A.) and Rs. 4,200 Lacs (Standard Chartered Bank). These are towards working capital demand loan, overdraft, inland bills discounting, letters of credit, bonds and guarantees, import financing.

In addition the Company has sanctioned fund facilities of Rs. 7,000 Lacs from Deutsche Bank towards credit facilities. These facilities inter-alia includes overdraft, short term loan, pre-export advances, bills acceptances/discounting, cheque purchases, letters of credit, issuance of guarantees.

The Company has at its Board meeting held on December 17, 2003 considered the mortgage, hypothecation, pledge, charge of all or any part of the immovable and movable properties of each and every kind whatsoever, of the Company wherever situated, present and/or future, in favour of Banks and/or Financial Institutions and/or any other person or body corporate(s) for the purpose of securing any money/moneys borrowed or to be borrowed, by the company on such terms and conditions as may be deemed fit and proper and authorized certain officials of the Company to do the necessary acts on behalf of the Company for this purpose.

VI. COMPANY, MANAGEMENT AND PROJECT

1. History, Main Objects and Present Business

Electrolux Kelvinator Limited (formerly known as Maharaja International Limited) was incorporated as a public limited company on August 8, 1989 and was originally promoted by Mr. Harish Kumar, Mr. Hari Om Bhatia and Mr. R. K. Arora.

In 1995, the Company entered into an agreement with AB Electrolux (ABE), Sweden, one of the world's largest manufacturers of home appliances whereby ABE agreed to subscribe to 51% of the equity share capital in the expanded equity base of the Company and provide technical know-how. As a result, ABE was allotted 1,74,25,000 equity shares of Rs. 10/- each for cash at a premium of Rs. 13/- on February 28, 1995. Since then, ABE has been closely involved with EKL's operations and has invested considerable management time and expertise in it.

In 1996, the Company entered into a registered user agreement with ABE for use of the trademark "Electrolux" in India. Thereafter, the Company launched the Electrolux range of refrigerators of three different sizes - 165, 185, 210 Litres. The focused approach on refrigerators resulted in the Company achieving a turnover of Rs. 6,885 Lacs with a decline in the loss in terms of percentage to sales (72% to 34%). Another significant development during the year was the signing of the registered user agreement between the Company and White Consolidated Industries, an ABE Group Company which permitted the Company to use the "Kelvinator" brand.

In 1997, the Company issued 3,41,60,310 equity shares of Rs. 10/- each at par aggregating Rs. 3,416.03 Lacs on a rights basis in the ratio of 1:1. As ABE was committed to its projects, they were willing to subscribe to their entitlement and to any shortfall that would arise to ensure the success of the issue. The objects of the issue was to part finance the increase in refrigerator manufacturing capacity from 2,50,000 numbers to 4,00,000 numbers. There was a time over run in the project. As per the original estimate, the project was to be completed by December 1997. However, it was eventually completed in December 1998. On August 26, 1997, the Company completed the allotment of equity shares of the rights issue which resulted in the ABE holding going up to 55.81%.

With the erosion of 50% of the peak net worth in the year ended March 31, 1997, a reference was made to the Board for Industrial and Financial Reconstruction (BIFR) under Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985. The Company also discontinued the production of washing machines at their plant at Shahjahanpur.

The Company continued to manufacture the "Kelvinator" range of refrigerators in its factory in the year 1998. The Company also focused on building a strong market for this brand resulting in a market share of approximately 20% of the market. Further, the Company introduced the "Mastercool" range of Kelvinator Refrigerators in the 165 Litres (economy segment) and a new "Premium Gold Collection" range under the "Maxicool" series in two different sizes viz. 165 and 210 Litres. In 1998-99, the Company entered into an agreement with White Consolidated Industries Inc. (now Electrolux Home Products Inc.) for the use of the device "Penguin", "Americold Penguin Device" and for usage of phraseology "It's the coolest one".

In order to identify the name of the Company with its products' brand name(s) and with a view to promote the market awareness in respect of the products and the manufacturer, the name of the Company was changed from 'Maharaja International Limited' to 'Electrolux Kelvinator Limited' on February 8, 1999.

In December, 1999, the Company came out with another rights issue of 6,83,20,620 equity shares of Rs. 10/- each for cash at par aggregating Rs. 68,32,06,200/- in the ratio of 1 (one) equity share for every 1 (one) equity share held on the record date. AB Electrolux confirmed its commitment and subscribed to its entitlement in full. The issue was fully subscribed. Post this rights issue, the shareholding of AB Electrolux increased marginally from 55.81% to 56.90%.

Pursuant to the Hon'ble Company Law Board Order No. 82/17/2000-CLB dated September 27, 2000, the registered office of the Company was shifted from the state of Rajasthan to the NCT of Delhi.

With a view to derive the benefit of combined manufacturing for better utilisation of resources and also the benefit of centralised managerial, technical, distribution and marketing expertise of AB Electrolux's operations in India and pursuant to the Scheme of Amalgamation approved by the Hon'ble High Court of Delhi, vide its Order dated September 14, 2001, effective October 30, 2001, IL and EIL have been amalgamated with the Company – Electrolux Kelvinator Limited, the appointed date being January 1, 2001. Pursuant to the Scheme of Amalgamation, the Authorised Share Capital of the Company rose to Rs. 27,500 Lacs and the Paid-up Share Capital stood at Rs. 22,435 Lacs inclusive of 50 Lacs 10% cumulative redeemable non-convertible preference shares of Rs. 100 each aggregating Rs. 5,000 Lacs held by AB Electrolux. Post amalgamation, the equity share holding of ABE increased to 75.96%.

At the time of merger with EKL, EIL was approximately 100% subsidiary of ABE and was an unlisted company. EIL was incorporated on July 10, 1998. EIL effectively started its operations from October 1, 1998 when the white goods division of Voltas Limited (excluding air conditioners) was acquired as a going concern business. This business consisted of refrigerators and washing machines. At the time of merger, EIL used to manufacture and sell washing machines under "Electrolux Maxclean" brand, refrigerators under "Allwyn" and "Kelvinator" brands and compressors. It also used to trade in airconditioners under the brand name "Electrolux White Westinghouse" with cooking ranges, dishwashers and deep chest freezers marketed under the "Electrolux" brand.

IL was originally promoted on September 14, 1973. IL was engaged in the manufacture and trading of washing machines and other home appliances. IL became a 51% subsidiary of ABE in December 1995. Pursuant to the rights issue in 1998, ABE shareholding in IL increased to 74.14%. IL was a listed company.

As part of the Scheme of Amalgamation of EIL and IL into EKL and reduction of EKL capital, approved by the Hon'ble High Court of Delhi on September 14, 2001, EKL has allotted 8,37,27,872 equity shares of Rs 10 each to the shareholders of the erstwhile IL (1 equity share of EKL fully paid up for every 4 fully paid-up equity shares held in IL and 1 equity share of EKL fully paid up for every 21 partly paid-up equity shares held in IL) and erstwhile EIL (4 equity shares of EKL for every 5 fully paid-up equity shares held in EIL) and credited 9,06,24,998 equity shares of Rs 10 each to the shareholders of Electrolux Kelvinator Limited post capital reduction (2 fully paid up equity shares for every 3 fully paid up equity shares held in EKL and 1 fully paid up equity share for every 3 partly paid up equity shares held in EKL) as per the Scheme of Amalgamation. Pursuant to the Scheme of Amalgamation of EIL and IL into EKL 50,00,000 10% cumulative redeemable non-convertible preference shares of face value Rs. 100 each were allotted to the shareholders of erstwhile EIL. Also, Land and Buildings of the Company were revalued as at January 1, 2001 through an approved valuer and the net additions aggregating Rs. 718.69 Lacs have been added to the respective fixed assets.

	EKL (Pre-Scheme) as on 10th December 2001		EIL (Pre-Scheme) as on 10th December 2001		IL (Pre-Scheme) as on 10th December 2001		No. of Shares of EKL allotted to the Shareh-olders of EIL as per the Scheme	No. of Shares of EKL allotted to the Shareh-olders of IL as per the Scheme	EKL (Post-Scheme)	EKL (Post-Scheme) Consolidated as on 19th December 2001	
	No. of Shares	(%)	No. of Shares	(%)	Nos. of Shares	(%)	No. of Shares.	No. of Shares.	No. of Shares.	No. of Shares.	(%)
							1	2	3	(1+2+3)	
PROMOTERS											
AB Electrolux	76,071,329	55.95	94,999,787	100.00	22,927,846	74.14	75,999,829	5,731,961	50,714,218	132,446,008	75.96
Harish Kumar & Associates	25,218,591	18.55	-	-	-	0.00	-	-	16,812,380	16,812,380	9.64
Other Promoters, if any	-	-	-	-	2,534,640	8.20	-	633,660	-	#	-
NON-PROMOTERS											
Institutional Investors											
MFs & UTI	1,477,796	1.09	-	-	-	0.00	-	-	985,195	985,195	0.57
Banks/ FIs	79,000	0.06	-	-	-	0.00	-	-	52,666	52,666	0.03
FIIs	1,500	0.00	-	-	-	0.00	-	-	1,000	1,000	0.00
Body Corporates	8,529,326	6.27	-	-	271,390	0.88	-	67,846	5,685,943	5,753,789	3.30
Indian Public	24,576,394	18.08	213	0.00	5,022,894	16.24	171	1,252,730	16,365,405	18,251,966	10.47
NRI/ OCB	12,304	0.01	-	-	166,700	0.54	-	41,675	8,191	49,866	0.03
Others	-	-	-	-	-	0.00	-	-	-	-	0.00
TOTAL	**135,966,240**	**100.00**	**95,000,000**	**100.00**	**30,923,470**	**100.00**	**76,000,000**	**7,727,872**	**90,624,998**	**174,352,870**	**100.00**

 # Shareholding of Mr. Inder Khosla & Associates, the promoter of erstwhile Intron Limited, has been included in the Indian Public, as he is not a promoter of EKL.

To derive economies of scale and synergies in its operations, the Company had announced a restructuring programme, which inter-alia envisages relocation of its Gurgaon washing machine plant. The Company has with effect from April 30, 2002 closed down the operations of Gurgaon plant and its workforce has also been separated/ suitably relocated. The management is in the process of evaluating various options in connection with the washing machine plant. EKL has closed down the operations at Nandalur Refrigerator Plant and its workforce has already accepted the VRS. The assets at Nandalur are intended to be disposed-off suitably at an appropriate time.

The Company started exporting its products in the year 2001 to various African countries. The Free on Board (FOB) value of the exports in the year 2001 was Rs. 680.37 Lacs and in year 2002 Rs. 487.72 Lacs. The Company has decided to focus on its core business and has thus exited out of compressor business as disclosed elsewhere in this document. The Company is also in process of rationalisation of its man power and brands.

The details of changes made in the Memorandum of Association of the Company are tabulated below:

1	Date of Certificate of Incorporation	:	August 8, 1989
2	Date of Certificate of Commencement of Business	:	September 1, 1989
3	Increase in Authorised Share Capital	:	
	From Rs. 100 Lacs to Rs. 1,000 Lacs	:	EGM held on November 21, 1990
	From Rs. 1,000 Lacs to Rs. 1,500 Lacs	:	AGM held on September 23, 1992
	From Rs. 1,500 Lacs to Rs. 2,000 Lacs	:	EGM held on July 27, 1994
	From Rs. 2,000 Lacs to Rs. 4,000 Lacs	:	EGM held on November 30, 1994
	From Rs. 4,000 Lacs to Rs. 7,000 Lacs	:	AGM held on September 24, 1996
	From Rs. 7,000 Lacs to Rs. 15,000 Lacs	:	EGM held on October 8, 1999
	From Rs. 15,000 Lacs to Rs. 27,500 Lacs	:	Amalgamation Scheme- Clause 7.6 – October 30, 2001
	From Rs. 27,500 Lacs to Rs. 50,000 Lacs	:	AGM held on June 25, 2002
	From Rs. 50,000 Lacs to Rs. 65,000 Lacs	:	EGM held on December 4, 2002
4	Shifting of Registered Office to the state of Rajasthan from the state of Delhi	:	AGM held on September 26, 1994 ROC, Rajasthan's Certificate dated December 13, 1995 Form 18 dated January 8, 1996

5	Change of Name of the Company from "Maharaja International Limited" to "Electrolux Kelvinator Limited"	:	EGM held on January 14, 1999 ROC, Rajasthan's Certificate dated February 8, 1999 Reason for change in name: As stated on page no. 22
6	Shifting of Registered Office from the state of Rajasthan to the National Capital Territory (NCT) of Delhi	:	EGM held on May 31, 2000
		:	Dy. ROC, NCT of Delhi & Haryana's Certificate dated October 16, 2000
		:	Form 18 dated October 6, 2000
7	Raising of Capital	:	Refer to point no. 13 of notes to Capital Structure
8	Amalgamation of IL and EIL in EKL	:	ROC Certificate dated October 30, 2001

Note 1: In order to identify the name of the Company with its products' brand name(s) and with a view to promote the market awareness in respect of the products and the manufacturer, the name of the Company was changed from 'Maharaja International Limited' to 'Electrolux Kelvinator Limited'.

2. Main Objects of the Company

The objects clause of the Memorandum of Association of the Company enables it to undertake the activities for which the funds are being raised in the present Issue. Furthermore, the activities the Company has been carrying out until now is in accordance with the objects of the MoA. The main objects to be pursued by the Company as stated in the Memorandum of Association of the Company are:

- To purchase, sell, manufacture, export, repair, hire, let out on hire, alter, exchange or otherwise deal in all kinds of household appliances, instruments and devices such as refrigerators, air-conditioners, room coolers, desert coolers, all kinds of fans, washing machines, iron-presses, steam presses, dryers, heaters, geysers, cassette recorders, video games, video cassettes, tape duplicators, pressure cookers, ovens, cooking ranges, mixers, grinders, toasters, juicers, hot plates, vacuum cleaner, transformers, television, radios, music systems of all kinds and such other electrical appliances of all types and compressor and electric motors of every kind and description.
- To design, develop, assemble, tabulate, manufacture, distribute, market, sell, import, export, service and repair all types of refrigeration, air-conditioning, cooling, freezing and dehydrating equipments, machines and units, complete or parts thereof.
- To carry on agency business in all its branches and to act as agent for Indian and Foreign principals to sell, purchase, import and export electrical appliances and gadgets of all kinds.
- To carry on research and development in the field of electrical appliances and gadgets of all kinds and descriptions.

The objects incidental or ancillary to the attainment of main objects inter-alia are:

- To undertake financial and commercial obligations, transactions and operations of all kinds.
- Subject to section 58A, 292 and 293 of the Act and the regulations made thereunder and the directions issued by Reserve Bank of India to receive money on deposit or loan and borrow or raise money in such a manner as the Company shall think fit, and in particular by the issue of debentures or debenture stock (perpetual or otherwise) and to secure the payment of any money borrowed, raised or owing on the mortgage, charge or lien upon all or any of the property or assets of the Company (both present or future) including its uncalled capital and also by similar mortgage, charge or lien to secure and guarantee to performance by the Company, or any other person or Company, of any obligation undertaken by the Company.
- To draw, make, accept, endorse, discount, negotiate, execute and issue bills of exchange, promissory notes, bills of lading, debentures and other negotiable or transferable instruments or securities of all types.

The main object clause of the Memorandum of Association of the Company enables the Company to undertake the activities that the Company has been carrying on till date.

3. Subsidiaries

The Company does not have any subsidiaries within the meaning of the Act.

4. Key Managerial Personnel and Managerial Competence

The overall management is vested in the Board of Directors, comprised of qualified and experienced persons. The day-to-day affairs of the Company are looked after by a team of qualified professionals in various disciplines. The names of the key personnel with details of their professional qualifications and experience are given below:

1. Mr. Rajeev Karwal, 40, Managing Director and Chief Executive Officer is an MBA from IMT Ghaziabad and has extensive experience in the consumer durable industry. He has earlier worked with companies like Onida, LG Electronics and Philips.
2. Mr. Paul Gelardi, 51, Chief Financial Officer is an Associate Member of the Institute of Chartered Accountants of England & Wales, accredited with over 28 years of international experience in handling major change programmes for multinational companies. He has worked with companies like Hibernia Foods UK, Sara Lee Corporation, Beecham Pharmaceuticals and Price Waterhouse & Co.
3. Mr. Koustuv Mitra, 41, Vice President – Human Resources and Corporate Services, holds Diploma in Social Work (PM & IR) from University of Calcutta. He has over sixteen years of experience in HR and IR spanning over a cross section of industries. He has worked with Hindustan Development Corporation in Kolkata, Peerless General Finance & Investment Company, Eureka Forbes, Modi Xerox and Castrol India. He was last serving as General Manager-Human Resources for Coca- Cola India.
4. Mr. B Saikrishna, 40, Plant Head (AVP), Shahjahanpur has a Degree in Electrical Engineering from BIT, Mesra Ranchi and Diploma in Management from IGNOU. Mr. Saikrishna has over 18 years of experience spanning

the disciplines of plant maintenance, project implementation, production, Total Quality Management, ISO 9000 implementation, Vendor development, customer services & marketing and independently running a plant as a profit center head. He has been associated with companies like Tinplate Company of India Ltd., JCT Electronics Ltd., Owens Brockway India Ltd. and Cosmo Ferrities Ltd.

5. Mr. Vilas Divadkar, 50, Executive Vice President – Industrial Operations is a Mechanical Engineer from College of Engineering, University of Pune and holds Diploma in Business Management from Institute of Management Development & Research, Pune. He has over 28 years of experience spanning over various areas of manufacturing. He has worked with companies like Tata Engineering (TELCO), Philips India Limited and Johnson Controls India. He was last serving as Managing Director of Johnson Controls India.

6. Mr. Romesh Kaul, 45, Vice President–Quality, Industrial Operations, is a Mechanical Engineer with M. Tech from Indian Institute of Technology (IIT), New Delhi. He has earlier worked with various organisations including Eicher Group, Escorts Group, Crompton Greaves etc and carries with him experience of manufacturing, operations and consulting. Before joining the Company, he was working as Plant Director with Whirlpool of India Ltd.

7. Bharat Madan, 36, is the Financial Controller of the Company. He is a Fellow Chartered Accountant and has been with the Company for more than 12 years. Prior to joining the Company, he was with Spectrum Paints Pvt. Ltd. and has experience of more than 18 years in functions like Accounts, Finance, Taxation and Secretarial, Legal and related commercial matters.

8. Ms. Geeta Puri Seth, 35, Company Secretary, is a Fellow Member of ICSI, India. She has been associated with the Company since 1992 and possesses over 14 years of experience in Secretarial, Legal and related matters. She is the Compliance Officer of the Company and is in overall charge of Secretarial Department.

All of the above employees are on rolls of the Company as permanent employees. None of the key managerial personnel have filed any suit against the Company.

Changes in key management personnel (during the last 3 years)

	Date of Appointment	Date of Cessation	Reason
Mr. Ashok Barat	17-07-2000	1-10-2002	Became an employee of EKL pursuant to merger of EIL with effect from 1-1-2001. Seconded to ABE w.e.f. 1-10-2002. He has since resigned from the services of ABE.
Mr. A. B. Singhal	1-10-1998	18-08-2003	Became an employee of EKL pursuant to merger of EIL with effect from 1-1-2001. Resigned.
Mr. Romesh Kaul	1-8-2002		Appointed as Vice President–Quality, Industrial Operations
Mr. Anand Bhardwaj	6-7-1998	31-12-2002	Became an employee of EKL pursuant to merger of EIL with effect from 1-1-2001. He has resigned with effect from 31-12-2002.
Mr. Sanjiv Misra	20-12-1995		Became an employee of EKL pursuant to merger of EIL with effect from 1-1-2001.
Mr. M C Mittal	7-7-1996	31-8-2001	Resigned
Mr. Ram S Ramasundar	17-12-1997	31-12-2002	Resigned
Mr. Rajeev Karwal	1-2-2003		Appointed as Managing Director
Mr. Shantanu Banerjee	1-07-1998	29-08-2003	Resigned
Mr. Paul Gelardi	1-07-2003		Appointed as Chief Financial Officer
Mr. Rajesh Puri	11-08-2003	16-01-2004	Resigned
Mr. Koustuv Mitra	15-10-2003		Appointed as Vice President – Human Resources and Corporate Services
Mr. B. Saikrishna	29-10-2003		Appointed as Plant Head (AVP)
Ms. Sheila Sarkar	01-02-1999	31-12-2003	Resigned
Mr. Vilas Divadkar	5-02-2004		Appointed as Executive Vice-President – Industrial Operations

The turnover of the employees in the Company is high due to the restructuring exercise being undertaken by the Company. The Company is not aware of any industry standards on this.

Arrangement with major shareholder for appointment of key management personnel:

ABE is involved in the selection and recruitment process of employees in the key management positions in the Company. For certain key employees who are in the employment of EKL, a part of the salary is paid by ABE that is then subsequently reimbursed by the Company to ABE.

Other details of key management personnel:

Sr. No.	Name	Functional Area	Date of Birth	Date of joining	Qualification	Previous Employer	From	To
1	Mr. Paul Gelardi	Chief Financial Officer	19.01.1952	01.07.2003	B.Sc, ACA England & Wales	Price Water House	1975	1979
						Africa & Caribbean	1979	1981
					Courses:-	PT Beecham Pharmaceuticals	1981	1985
					IMD- Lausanne- managing after acquisition	Sara Lee - Nicholas/ Kiwi Indonesia	1985	1986
					Financial Management & Control	Sara Lee - H&BC Division Indonesia Nicholas / Kiwi Indonesia	1986	1991
					General Management Prog. for Finance Execs.	Sara Lee - Indonesia	1991	1997
					INSEAD – Fontainebleau – Achieving Outstanding Performance	Sara Lee - H&BC Asia	1997	1998
						Sara Lee - H&BC Asia Pacific Division	1998	2000
						Sara Lee - Bakeries UK Ltd.	2000	2001
						Hibernia Foods UK	2001	2003
2	Mr. Koustav Mitra	VP-Human Resources &	06.02.1963	15.10.2003	B.Sc	Hindustan Development Corp.	1987	1989
		Corporate Services			Certificate in Labour Welfare	Pearless Gen. Finance & Invetment Co. Ltd.	Aug-89	May-92
					Diploma in Social Work	Eureka Forbes Ltd.	Jun-92	Jul-96
						Modi Xerox Ltd.	Aug-96	Aug-98
						Castrol India Ltd.	Sep-98	Jan-01
						Coca Cola India	Jan-01	Oct-03
3	Mr. B. Saikrishna	Plant Head- Shahjahanpur	26.06.63	29.10.2003	B. E. (Electrical Engg.)	Tinplate India Ltd.	Aug-84	Dec-86
					Diploma in Mktg. Management	JCT Electronic Ltd.	Jan-87	Feb-99
						Owens Brockway Ltd.	Mar-99	Jun-02
						Cosmo Ferrites Ltd.	Jul-02	Oct-03
4	Mr. Romesh Kaul	VP-Quality	08.09.1957	01.08.2002	M. Tech	Crompton Greaves Ltd.	Aug-81	Jul-88
						Eicher Group	Aug-88	Jan-96
						Stanley Intr. Holdings Inc	Feb-96	Dec-97
						Carrao India Ltd.	Jan-98	Mar-99
						Whirlpool India Ltd.	Apr-99	Jul-02

Sr. No.	Name	Functional Area	Date of Birth	Date of joining	Qualification	Previous Employer	From	To
5	Mr. Bharat Madan	Financial Controller	16.08.67	15.06.91	B. Com (Hons), FCA	Vishwanath Singh & Associates (Articleship)	Mar-85	Jun-88
						Mehra Singh & Vishwanath	Jul-88	Jul-89
						Spectrum Paints Pvt. Ltd.	Aug-89	May-91
6	Ms. Geeta P Seth	Company Secretary	02.10.68	22.09.92	B.Com., Fellow Member of ICSI, India	P R Mehra & Co. Chartered Accountants	Aug-88	Sep-92
7	Mr. Vilas Divadkar	EVP-Industrial Operations	20.01.53	5.02.2004	B. E. (Mech), DBM	TELCO Ltd.	Sep-75	Dec-77
						Philips India Ltd.	Dec-77	Dec-02
						Johnson Controls India	Jan-03	Oct-03

Note: None of the key personnel are related to each other or with the directors of the Company. The details of Mr. Rajeev Karwal have been shown in the Board of Directors section.

The details of remuneration paid to key management personnel (excluding payments to Mr. Rajeev Karwal) as disclosed in the above table during FY 2002 and 9 months ending September 2003 and who are on the rolls of the Company is as follows:

Rs. In Lacs

Name of the Key Managerial Personnel	For September 2003 (9 months)	For FY 2002
Mr. Paul Gelardi	33.34	NA
Mr. Koustav Mitra	NA	NA
Mr. B. Saikrishna	NA	NA
Mr. Vilas Divadkar	NA	NA
Mr. Romesh Kaul	14.66	10.18
Mr. Bharat Madan	10.18	17.78
Ms. Geeta P Seth	5.59	6.66

Bonus or Profit sharing plan:

The Company has performance based variable pay system in addition to the fixed component of the salary. This is applicable to white collared staff, including the key managerial personnel mentioned above, of the Company. This is based on the overall performance of the Company, the performance of the departments and the individual performance.

Shares held by the key managerial personnel in the Company:

As per the records available with the Company, no key managerial personnel hold any shares in the Company except for the following:

1) Mr. Bharat Madan is holding 1 share of the Company.

2) Fractional shares emanating out of the equity shares issued pursuant to the Scheme of Amalgamation were consolidated and accordingly 17,613 equity shares were allotted to Mr.Ram S Ramasundar, then Managing Director, Mr. Ashok Barat, then Business Controller and Ms. Geeta Puri Seth, Company Secretary as Trustees for the shareholders. The proceeds of the same are to be distributed amongst the fractional shareholders. Since Mr.Ram S Ramasundar and Mr. Ashok Barat are no longer with the Company the shares were held in the name of Mr. Rajeev Karwal, Managing Director, Mr.Paul Gelardi, Chief Financial Officer as Trustees for the shareholders. These shares have been sold in the open market. The proceeds shall be distributed amongst the fractional shareholders in due course.

5. Board of Directors

Name, Description, Father's Name, Address and Occupation of the Director	**Other Directorships (As declared in Form 24AA)**
Mr. Rajeev Karwal Managing Director & CEO S/o Mr. V P Karwal Address : N –228, Sector 25 Noida Company Executive	None
Mr. Johan Gunnar Michael Fant Director and Chairman Address:Ellavagen 17, 182 47 Enebyberg Sweden Company Executive AB Electrolux	Electrolux do Brasil S. A., Brasil Electrolux Home Products Operations (Sweden) AB, Sweden
Mr. Harish Kumar Director S/o Mr. Om Prakash Address: 39/2, East Patel Nagar New Delhi 110 008 Industrialist	Appliance City Ltd A.H. Holdings P Ltd Eagle Engineers P Ltd Indo Asiatic Appliances Ltd Asiatic Appliances Ltd Kaveri Shilpkala Ltd Maharaja Aircon Ltd Maharaja Appliances Ltd Maharaja Finlease Ltd Shogan Lamination P Ltd Swati Fashions P Ltd Vindhya Woodcraft P Ltd Maharaja Refrigeration Ltd Asiatic Engineers (P) Ltd*
Mr. Inder Kumar Khosla Director S/o Late Dr. H. L. Khosla Address: 122, Malcha Marg, Chanakya Puri New Delhi – 110 021 Business	Gyan Marketing Associates P Ltd Harbans Distributors Ltd Runwell Securities P Ltd
Mr. G. S. Davar Director S/o Mr. Lall Singh Davar Address: A-1, Greater Kailash, Part - I, Behind Archana Cinema, New Delhi 110 048 Patent and Trademark Attorney	Gujarat Toolroom Limited Swan (India) Limited L.S.Davar & Co. Holdings P Ltd
Mr. Dinkar Goswami Director S/o Mr. Som Nath Goswami Address: B-63, Soami Nagar, New Delhi – 110 017 Advocate	V & C Construction P Ltd Gausa India Limited
Mr. Ravi Bishnoi Alternate Director to Mr. Dinkar Goswami S/o Mr. H R Bishnoi Address: B-63, Soami Nagar, New Delhi – 110 017 Advocate	Nil
Mr. Carl Fredrik Stenson Rystedt Director S/o Mr. Sten Rystedt Address: Lidskjalfsvagen 3, SE – 182 63, Djursholm, Sweden Company Executive AB Electrolux	Electrolux Home Products Corporation N.V. Electrolux do Brasil S.A. Electrolux France SA Electrolux Deutschland GmbH Electrolux Zanussi S.p.A Electrolux Holding B.V. Electrolux Espana S.A. Electrolux Investments Electrolux Plc Electrolux North America, Inc

Name, Description, Father's Name, Address and Occupation of the Director	Other Directorships (As declared in Form 24AA)
Mr. Peter Magnus Silfwerbrand Director S/o Mr. Carl-Helmer Silfwerbrand Address: Nasby Alle 57A, SE-183 55, Taeby, Sweden Company Executive AB Electrolux	Nil
Mr. Nicholas John Sowden Alternate Director to Mr. Peter Magnus Silfwerbrand S/o Mr. Frank Terry Sowden Address: 11b, Darlington Road, Heighington, DL5 6RB, United Kingdom Company Executive AB Electrolux	Nil
Mr. Hans Mikael Ostman Alternate Director to Mr. Carl Fredrik Stenson Rystedt s/o Mr. John Ostman Address: Skattmastarvagen 14, SE-121 34, Enskededalen, Sweden Corporate Counsel AB Electrolux	Nil
Ms. Rani Nalwa Alternate Director to Mr. G. S. Davar D/o Mr. Hari Singh Nalwa Address: 12A, Pocket-B, Gangotri Enclave, Alaknanda, New Delhi – 110019 Advocate	Nil

* as per declaration provided under Accounting Standard 18

Brief profile of the Directors of the Company

The day to day affairs of the Company are looked after by the Managing Director and Chief Executive Officer and overseen by the Board of Directors comprising of eminent professionals.

Mr. Rajeev Karwal, 40, Managing Director & CEO of the Company, is an MBA from IMT Ghaziabad and has worked with various companies like Onida, LG Electronics and Philips.

Mr. Johan Gunnar Michael Fant, 44, Director and Chairman of the Company is Senior Vice President – Finance and Strategy, AB Electrolux and Chairman of Electrolux Home Products Operations (Sweden) AB, Sweden

Mr. Harish Kumar, 46, a Commerce Graduate, is the original promoter of the Company and has been associated with the Company since its inception. He has over 25 years of rich experience of the industry.

Mr. Inder Kumar Khosla, 55, an Honors Graduate and Diploma holder from Small Industries Service Institute has been associated with the Company since 1997. He is experienced in various management and sales techniques prevalent in the Industry.

Mr. Dinkar Goswami, 43, is an Advocate by profession and is heading a firm of solicitors. He is on the Board of Directors of the Company since 1995. Mr. Dinkar Goswami has a significant experience in the field of Law.

Mr. Ravi Bishnoi, 32, is an Advocate by profession and possesses to his credit good experience in the field of Law.

Mr. G S Davar, 66, is a Patent and Trademark Attorney and has 42 years of experience in Intellectual Property Rights matters including patents, trademark, copyright, designs, court cases, infringement etc.

Mr. Carl Fredrik Stenson Rystedt, 40, is Senior Vice President, Chief Administrative Officer, AB Electrolux. He has held several positions within ABE Group's financial operations.

Mr. Peter Magnus Silfwerbrand, 42, is Senior Vice President Operations – International with AB Electrolux, Sweden.

Mr. Nicholas John Sowden, 40, is Vice President Asia Pacific Purchasing with AB Electrolux, Sweden.

Mr. Hans Mikael Ostman, 37, is Corporate Counsel, AB Electrolux, Sweden.

Ms. Rani Nalwa, 27, is an Advocate by profession and is an associate to Mr. G S Davar who is a Patent and Trademark Attorney.

Brief particulars of the employment agreement with Mr. Rajeev Karwal:

This employment agreement is for a period of three years with effect from February 1, 2003.

If the Central Government approves a lower remuneration than set out in Schedule – 2, then such lower remuneration as approved by the Central Government shall be paid to Mr. Rajeev Karwal with effect from the effective date.

All payments made shall be subject to the deduction of taxes as may be required under the Income Tax Act, 1961 and the rules framed thereunder.

Schedule – 1 to be paid till such time that the approval of the Central Government is received

a) Basic annual salary of Rs. 17.34 Lacs (Rupees Seventeen Lacs Thirty Four Thousand Only) payable monthly.

b) He will be provided with suitable furnished accommodation, including maintenance services at the Company's costs subject to a ceiling of Rs. 12 Lacs (Rupees Twelve Lacs only) per annum.

c) The Company will reimburse all utility costs including electricity, gas & water at his residence on actual basis. He will be entitled to claim reimbursement of medical expenses incurred for self and the family against submission of actual bills, Leave Travel Concession - once a year for self and the family involving return passage for travel anywhere in India, as per Company Rules, reimbursement of fees of clubs subject to a maximum of two clubs excluding admissions and life membership fee.

d) He will also be provided two telephone(s) at his residence for official purposes, two Company cars and drivers for official use.

e) He will be entitled to use of maximum two corporate credits cards, entitled to mediclaim insurance, group personal accident insurance and other benefits for self and family in accordance with the Company's policy.

f) He will be entitled to gratuity payments at a rate not exceeding half a month's salary for each completed year of service, 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, eligible for those local holidays as recognised by the Company.

g) The Company will contribute @ 27% or such percentage, as may be applicable from time to time, of basic salary to the provident fund / superannuation fund / annuity fund.

h) The provisions of these benefits will be in accordance with the Company's Policies.

i) He 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 Lacs (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 be paid upon the receipt of the approval of the Central Government, effective the date as specified in such approval

1. Remuneration

1.1 Gross Basic Salary - Basic salary on and from the Effective Date will be Rs. 32.25 Lacs per annum payable in arrears on the last date of each month. It would be reviewed on January 1 each year and consider for increases. It would be first reviewed for a possible change on January 1, 2004.

1.2 Flexible benefits - Flexible benefits of Rs. 42.75 Lacs per annum will be payable to meet personal expenses including leave travel allowance.

1.3 Bonus (Performance related) - Eligibility for an annual bonus up to a maximum 75% of the basic salary plus flexible benefits (1.1 + 1.2) on meeting the annual performance targets.

2. Housing

2.1 Accommodation costs of up to Rs. 18 Lacs 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 of up to Rs. 72 Lacs subject to the regulatory approvals, to be adjusted against the annual rental support agreed by the Company. It would be reviewed annually and would be considered for increases if it deserves.

2.2 Hard furnishing allowance of a maximum Rs. 0.50 Lacs renewable every 5 years and a soft furnishing allowance of a maximum Rs. 0.20 Lacs renewable every 3 years will be provided.

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

3. Car - The Company will provide two fully maintained air-conditioned cars with drivers.

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

5. Medical Care

5.1 Insurance - Self, spouse and children shall be insured under Group Personal Accident coverage. The amount of insurance cover will be Rs. 25 Lacs. The premium for the same shall be paid by the Company.

5.2 Mediclaim (Health Insurance-self & family) - Self, spouse and children including parents shall be insured under a Mediclaim policy. The amount of insurance cover will be Rs. 10 Lacs 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.

5.3 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 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 Staff Provident Fund. 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 will assist in admission of the children to Indian schools and will bear the admission costs but not any donation or similar contributions in relation to the admission, reasonable relocation expenses from Mumbai to Delhi for the family, a one-time lump sum amount of Rs. 4 Lacs 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.

Details of Directors' remuneration:

(Rs. in Lacs)

Name of Director	Amount	Nature of Payment
Mr. Ram S. Ramasundar	46.21	Remuneration, then Managing Director
Mr. G.S. Davar	0.05	Sitting Fee, Independent Director
Mr. Dinkar Goswami	0.05	Sitting Fee, Independent Director
Total January to December 2002	**46.31**	
Mr. Lars Bertil Ohlson	15.28	Remuneration, Additional Director
Mr. Rajeev Karwal	92.75	Remuneration, Managing Director
Total January to September 2003	**108.03**	

Note: In 2002, sitting fees were paid only to independent directors. However, from 2003, considering the precarious financial position of the Company, no sitting fees are paid to the independent directors.

6. Corporate Governance

The Company has complied with SEBI guidelines in respect of Corporate Governance specially with respect to broad basing of Board, constituting the committees such as shareholding/investor grievance committee, etc.

The Company has formed three committees namely, audit committee, shareholders/investor grievance committee and remuneration committee. The members of the committees and the terms of reference of the committees are as follows:

Audit Committee:

Mr. Johan Fant

Mr. Rajeev Karwal (Permanent invitee)

Mr. Harish Kumar

Mr. Inder Khosla*

Mr. Dinkar Goswami*(Alternate – Mr. Ravi Bishnoi)

Mr. G. S. Davar* (Alternate – Ms. Rani Nalwa)

Terms of reference:

Powers:

a. to investigate any activity within its terms of reference;

b. to seek information from any employee;

c. to obtain outside legal or other professional advice;

d. to secure attendance of outsiders with relevant expertise, if it considers necessary.

Functions:

a. The Audit Committee should have discussions with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review the half-yearly and annual financial statements before submission to the Board and also ensure compliance of internal control systems.

b. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

c. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.

d. Reviewing with management the annual financial statements before submission to the board, focusing primarily on;

   (i) Any changes in accounting policies and practices.

   (ii) Major accounting entries based on exercise of judgement by management.

   (iii) Qualifications in draft audit report.

   (iv) Significant adjustments arising out of audit.

   (v) The going concern assumption.

   (vi) Compliance with accounting standards.

   (vii) Compliance with stock exchange and legal requirements concerning financial statements.

   (viii) Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large.

e. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.

f. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

g. Discussion with internal auditors any significant findings and follow up there on.

h. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.

i. Discussion with external auditors before the audit commences, nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.

j. Reviewing the Company's financial and risk management policies.

k. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

l. The Chairman of the Audit Committee shall attend the Annual General Meeting of the Company to provide any clarifications on matters relating to audit.

Remuneration Committee:

Mr. Johan Fant

Mr. Rajeev Karwal (Permanent invitee)

Mr. Dinkar Goswami*(Alternate – Mr. Ravi Bishnoi)

Mr. G. S. Davar* (Alternate – Ms. Rani Nalwa)

Terms of reference:

To determine the Company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment and such other terms of reference as may be assigned to it by the Board of Directors from time to time.

Shareholders' / Investors' Grievance Committee:

Mr. Johan Fant

Mr. Rajeev Karwal

Mr. G.S.Davar* (Alternate – Ms. Rani Nalwa)

Mr. Harish Kumar

Terms of reference:

1. To approve / refuse/ reject the registration of transfer / transmission of shares.
2. To issue duplicate share certificates and share certificates after split/ consolidation.
3. To authorise the printing of share certificates.
4. To make allotment of shares.
5. To issue and allot Equity Shares to the applicants as per The Companies (Issue of Share Certificates) Rules, 1960.
6. To affix or authorise the affixation of the Common Seal of the Company on the Share Certificates of the Company.
7. To authorise Ms. Geeta Puri, Company Secretary to sign and endorse the Share Transfers and issue the Share Certificates approved by the share transfer and allotment committee on behalf of the Company.
8. To authorise Managers / Officers / Signatories for signing the share certificates.
9. To perform all such additional functions as are notified / may be notified by the Stock Exchanges/SEBI in the Listing Agreement or otherwise.

*Independent Directors

7. Infrastructure

EKL currently has the following manufacturing facilities:

Sr. No.	Plant	Products Manufactured	Remarks
1.	Shahjahanpur	Refrigerators	Original EKL facility
2.	Nandalur	Refrigerators	Originally EIL facility, became part of EKL pursuant to Scheme of Amalgamation. Operations at Nandalur plant have bee discontinued with effect from August 31, 2003
3.	Sanathnagar	Compressors	Originally EIL facility, became part of EKL pursuant to Scheme of Amalgamation. Operations at Sanathnagar Plant have been discontinued with effect from 30/12/2002.
4.	Warora	Refrigerators & Compressors	Originally EIL facility, became part of EKL pursuant to Scheme of Amalgamation. Operations at Warora Compressors Plant have been discontinued with effect from September 2002.
5.	Butibori	Washing Machines	Originally EIL facility, became part of EKL pursuant to Scheme of Amalgamation
6.	Gurgaon	Washing Machines	Originally IL facility, became part of EKL pursuant to Scheme of Amalgamation. Operations at Gurgaon Plant have been discontinued with effect from 30/4/2002.

The Company is currently awaiting the duly stamped order of amalgamation from the concerned stamp duty authority having jurisdiction over the immovable properties at Warora, Butibori and Nagpur office acquired pursuant to the Scheme of Amalgamation. The Board of Directors in their meeting held on October 22, 2003 has approved the disposal of the Nagpur office premises (together with building(s) and structures thereon) by way of sale and / or lease and/or assignment and / or license. The Board of Directors of the Company in its meeting held on December 17, 2003 approved the charge to be created on the assets of the Company in favour of its bankers to secure the loans taken by the Company from such banks. The Company is in the process of creating such charge.

Manufacturing Process

(i) Refrigerators:

The main step in the manufacturing process of refrigerators is the fabrication of the outer body from cold rolled cold annealed (CRCA) sheets. The pressed sheets are sent to the paint shop for pretreatment and painting. Here the components and doors are coated with powder paint and dispatched to the PU foaming department.

The inner liner for the refrigerator is thermoformed from plastic sheet through vacuum forming process. After thermoforming, the flanges are trimmed to get the desired shapes. These liners are dispatched to the PU foaming department.

In the PU foaming department, the painted cabinet components and formed liners are assembled. They are then injected with PUF chemicals by high-pressure foaming machines to form the foamed cabinet. In parallel the outer door is made in a different mould, on automatic transfer line and is thermoformed (vacuum forming operation) and foamed together with end caps and gasket. The gasket is used to seal the cabinet and door. The cabinet is sent to assembly line where the doors are joined by top and bottom hinges and the cooling system is fitted.

The assembled unit is sent for final testing. The accepted refrigerators are sent to the finishing department for cleaning, fitting of accessories and packing. The packed refrigerators are forwarded to the finished goods stores for onward dispatch.

Pursuant to the Ozone Depletion Substance (Regulations), 2000, the Company has taken steps and converted its refrigerators manufacturing facilities to Non-CFC. The revised process involves use of non-CFC compressors and non-CFC chemicals in PU foaming.

Raw Materials and Components:

The major raw materials required for the manufacture of refrigerators are CRCA / Galvanised Iron sheets of varying thickness, aluminum roll bond panels, copper tubes, aluminum tubes, bundy tubes, finn wires, HIPS sheets, PU foaming chemicals (Polyol and Isocyanate), organic paint powder, synthetic paints thinner, clear lacquer, surface pre-treatment chemicals and miscellaneous plastic/metal/glass components. The packing material used is thermocol, cardboard & polyethylene.

(ii) Washing Machines:

The washing machine manufacturing process encompasses sheet metal working, pre-treatment, painting, finishing and assembling. The machine cabinets are manufactured from GP sheets. The sheets are formed and punched in the press shop to the required cabinet sizes. They are welded together in the welding shop to form the complete cabinet. The welded cabinets are painted by automatic powder coating sprays in the paint shop. The fully painted cabinets are sent to the assembly shop for final assembly.

The assembled machines are inspected for major functional parameters on the conveyor. The accepted machines, after testing, are cleaned, covered with a polythene cover, packed in corrugated packing box and strapped on two sides before being dispatched to the stores.

The washing machines being manufactured are top loading pulsator type. Within the entire range, there are twin tub, single tub, semi auto and full auto/fuzzy logic machines.

Raw Materials and Components:

The major raw materials required for the manufacture of washing machines are GP sheets, organic based paint powder, surface pre-treatment chemicals, packing material - thermocol, cardboard, polyethylene etc., various injection moulded plastic components, timer, motors, gear assembly, wiring harness and various other parts of the washing machine.

(iii) Compressors:

The company has closed its Sanathnagar compressor plant with effect from December 30, 2002 and all the workmen/employees at the plant accepted the VRS package offered to them. The machinery and equipment at the Plant have already been disposed off and the Company is in discussions with various potential purchasers for the sale/transfer/relinquishment of its rights in the immovable property but has not yet signed the final agreement in this respect. The operations at the Warora compressor plant were closed with effect from September 2002 and all the 177 workmen engaged therein were redeployed in the refrigerator plant at Warora.

Plant Details

The aggregate capacity and production figures for all three products for Electrolux Kelvinator Limited are as follows:

Class of Goods	Installed Capacity				Production			
	Sept-2003	2002	2001	2000 *	Sept-2003	2002	2001	99-00 *(15 months)
Refrigerators	9,50,000	9,50,000	10,50,000	4,00,000	2,69,085	5,57,911	5,43,643	3,52,237
Washing Machines	2,50,000	2,50,000	2,50,000	NA	20,268	36,898	52,032	NA
Compressors	-	-	375,000	NA	-	167,889	179,309	NA

** Pre-merger figures of EKL. The figures for 1999-00 do not take into account the capacity / production from erstwhile IL & EIL and are therefore not comparable with other year figures.*

The details of the facilities regarding the plant & machinery installed, its power, water and human resource requirements as well as the effluent control system is discussed below:

(a) Shahjahanpur:

Land

The Company's Shahjahanpur manufacturing facility is in District Alwar, Rajasthan, 110 km from Delhi on the Delhi Jaipur highway. It is on leasehold land measuring approximately 81,000 square meters. Lease agreements have been entered into with the Rajasthan State Industrial Development and Investment Corporation Ltd. for the lease of land for 99 years. The aggregate cost of the leasehold land is Rs. 52.36 Lacs (before revaluation). Certain land was revalued on January 1, 2001 resulting in further addition of Rs. 201.83 Lacs.

Plant

The Company has a factory building at Shahjahanpur with a built-up area measuring approximately 21,645 square meters, administration building measuring approximately 2,181 square meters, a finished goods godown measuring approximately 3,700 square meters and other auxiliary buildings measuring approximately 3,174 square meters. This leaves sufficient area for further expansion. A new building Electrolux Technical Centre for product development has been constructed which has a built-up area measuring approximately 5,510 square feet.

Plant and Machinery

The major plant and machinery for manufacture of refrigerators consists of automatic transfer lines, shearing machines, automatic powder coating plant complete with spray phosphating line, vacuum forming machines, high pressure foaming machines with premixing plant and chemical storage tanks, cabinet foaming plants, rotary drum plants, wrap around freezer line, assembly conveyor lines, vacuum pumps, refrigerator charging stations. Out of above machines, the imported machines are powder paint system, high pressure foaming machines, cabinet foaming plants, rotary drum plants, wrap-around freezer line, moulds etc. Indigenous machines are of various standard equipment, R&D test lab, Autocad software for design & development, generators and IT equipment. Major suppliers of these machines are Cannon, Electrolux, Thermax and GEMA, Cummins, TLM etc.

Installed Capacity and Actual Production/purchase

In numbers

Class of Goods	Installed Capacity**	Production		
	2002	2002	2001	99-00 (15 months)
Refrigerators	400,000	2,45,753	207,201	352,237

** Installed capacity is per annum on triple shift basis

Power

The Rajasthan State Electricity Board (RSEB) has sanctioned power load of 2,100 KVA vide their letter dated April 18, 2002 for the manufacturing facilities of the Company which is fully utilised. The Company has also installed five captive diesel-generating (DG) sets, with an installed capacity of 2,500 KVA. The DG sets have been purchased from Cummins Ltd.

Water

At present, the facility consumes approximately 560 cubic metre of water per day. The facility sources its water requirements from borewells that are situated on the premises. The plant has four borewells that have sufficient capacity to meet the requirements. Water is used for the paint shop, domestic areas, horticulture, canteen and for general purposes. The present supply is sufficient to meet the facility requirements.

Human Resources

The details of manpower in the plant on Company's rolls as at December 31, 2003 are given below:

Category	
Managerial and Supervisory	84
Workers	496
Total	**580**

Effluent Control

The plant does not generate any harmful effluents, except discharging of effluents from the powder coating plant which are well below the limits prescribed by Rajasthan State Pollution Control Board. A suitable effluent treatment plant for the treatment of waste water has been installed. The Company has also installed an incinerator for burning PU waste as a part of air pollution control measure. The Company has received clearance from Rajasthan State Pollution Control Board vide their letters no. F. 12 (2 - 96) RPCB/G-I/1947 dated 3/02/2004 and F. 12 (2-96) RPCB/G -I/ 1950 dated 3/02/2004 to operate the factory for discharge of Industrial/ Domestic effluent under Water (Prevention and Control of Pollution) Act, 1974 and under the Air (Prevention and Control of Pollution) Act, 1981 that is valid till November 30, 2005 and has also received its authorization vide letter No. F.16(72)/RPCB/HWMR/Gr.I/1938 dated 31/01/2004 under Rule 5 of the Hazardous Waste (Management and Handling) Rules, 1989 for operating a facility for collection and storage of hazardous waste for certain specified categories that is valid till October 16, 2005 .

Other approvals

The Company has a factory licence that is valid upto March 31, 2004. The Company also has explosive licence for Diesel / HSD that is valid upto December 31, 2004 and explosive licence for Cyclopentance that is valid upto December 31, 2005.

Engineering and Development

The unit has a well-equipped laboratory with skilled and experienced personnel for carrying out various routine tests on refrigerators. The department has the capacity to test eight machines simultaneously. There are currently twenty two people who are employed in the design & development department. According to ISO 1476, the refrigerators have to be tested under different climatic conditions and the observations recorded. If the refrigerators meet these requirements it passes the test of ISO 1476. Apart from the minor modifications and improvements carried out on the existing models, this department also researches on new product development.

(b) Nandalur:

The Board of Directors of the Company in their meetings held on August 1, 2003 and October 22, 2003 approved the restructuring plan for its manufacturing facilities at Nandalur. The restructuring plan inter-alia included:

(i) Introduction of Voluntary Retirement Scheme (VRS) for the workmen, supervisors and executives employed/posted at Nandalur Plant;

(ii) Closure of Nandalur Plant;

(iii) Identification of machinery, tooling and equipment to be relocated to other plants consequent to the closure and write-down of other fixed assets.

As a result an amount of Rs. 4,875.59 Lacs has been paid to the employees as separation costs. All workmen were separated as of end August 2003 and the operations in the plant have since been discontinued. In addition, fixed assets with a book value of Rs. 3,524.54 Lacs as at September 30, 2003 which were not considered usable (including land and building of Rs. 2,165.81 Lacs) have been written down to Nil and are presently being disposed-off.

As a further step, in the overall restructuring exercise of the Company, the Company is in the process of disposing off its rights and interests in and all of the fixed assets of its Nandalur plant (including where applicable, the land on which they are situated) including the infrastructure, facilities, plant, machinery, auxiliaries and utilities attached thereto, situated thereat, and the rights contained therein, in whole or in part ("the properties") by way of sale and / or lease and / or transfer and / or license to one or more parties and/or to its/their nominees, as may be deemed appropriate, on such terms and conditions and with effect from such date(s) and in such manner as may be deemed necessary and / or expedient in the best interest of the Company. The Company has already received its shareholders' approval through postal ballot vide postal ballot notice dated November 6, 2003.

The Company does not have a clear title in respect of the freehold land and building situated at Nandalur. The land was valued at Rs. 59.54 Lacs as on January 1, 2001 at the time of amalgamation of EIL with the Company.

(c) Sanathnagar:

The company has stopped all manufacturing activities at its Sanathnagar Compressor Plant and with effect from December 30, 2002 all workmen/employees at the plant accepted the VRS package offered to them.

The assets including machinery and equipments at the Plant have already been disposed off and the Company has also relinquished its rights in the immovable property situated at Sanathnagar.

(d) Warora:

Land

This facility is located at Majra village, in Warora Tehsil, District - Chandrapur, Maharashtra. It is 100 km from Nagpur on the Nagpur-Chandrapur highway. The complete land at Warora is approximately 369,800 square meters of which approximately 211,300 square meters is occupied for manufacturing facilities in village Majra and approximately 158,500 square meters for the Company's residential complexes in village Yensa. The land was valued at Rs. 346.13 Lacs as on January 1, 2001 at the time of amalgamation of EIL with the Company.

Plant

The manufacturing plant area consists of refrigerator plant building with a built up area measuring approximately 22,717 square meters, the compressor plant building (Compressor operations stopped since September 2002) measuring approximately 9,006 square meters, ware house building covering approximately 3,528 square meters, packing material store building measuring approximately 864 square meters, administration / HR buildings (including health center, canteen, change room, etc.) covering approximately 1,248 square meters, compressor repair shop building measuring approximately 272 square meters, scrap yard covering approximately 9,750 square meters, security installations, utilities (ETP, DM plant, substation, fire hydrant reservoir etc.) and other auxiliary buildings together having a built up area of approximately 2,620 square meters.

Plant and Machinery

Warora unit had integrated facilities for refrigerator and compressors manufacturing. However, Compressor operations were discontinued since September 2002 and the machinery, equipment etc. is in the process of being disposed-off for which necessary permission in principle has been received from Joint Director of Industries, Nagpur region vide letter no JDIN/PST/Disposal/6227 dated October 24, 2003. The major plant and machinery at the Warora refrigerator plant consist of the following:

Automatic transfer lines for side panel forming, automatic transfer lines for door panel forming, metal sheet cut-to-length line, press brake machines, power presses, automatic powder coating plant complete with spray phosphating line, vacuum forming machines, sealing and cabinet assembly line, high pressure PU foaming machines with premixing plant and chemical storage tanks, cabinet foaming fixtures, rotary 7-station door drum plant, freezer, condenser and heat exchanger manufacturing lines complete with painting / lacquer coating facilities and dehydration/baking ovens, refrigerator assembly conveyor lines, refrigerator charging stations and leak detectors, refrigerator packing machines and induction brazing machine.

Installed Capacity and Actual Production

In numbers

Class of Goods	Installed Capacity**	Production		
	2002	2002	2001	2000(15 months)
Refrigerators	350,000	2,28,208	227,150	2,82,563

** The installed capacity is per annum on triple shift basis.

Power

The Maharashtra State Electricity Board (MSEB) has sanctioned a power load of 2,200 KVA for the manufacturing facilities of the plant, which is fully utilized. Also the plant is equipped with 3 captive diesel generating sets with an installed capacity of 575 KVA, which are used as stand-by during power supply failure from MSEB to run the plant partially.

Water

At present, the plant's water consumption is approximately 500 cubic metres per day. The plant sources its water requirements from four bore wells that are situated on the premises. Water is used in paint shop, machine cooling, component phosphating lines, domestic areas, horticulture, canteen and for general purposes. The present supply is sufficient to meet the factory's requirements.

The residential colonies consume approximately 300 cubic metres of water per day, which is sourced from 3 borewells that are situated in the premises. The present supply is sufficient to meet the plant's requirements.

Human Resources

The details of manpower at the Warora plant as at December 31, 2003 are given below:

Category	
Managerial and Supervisory	73
Workers	508
Total	**581**

Effluent Control

The plant does not generate any harmful effluents, except the effluents from the spray treatment line of the powder coating plant. A suitable effluent treatment plant for the treatment of waste water has been installed, which generates effluent water well below the limits prescribed by Maharashtra Pollution Control Board (MPCB).

The plant had received clearance from MPCB vide their letter no. BO/RONR/Chandrapur-22/R/124-02/CC-155 dated 19.08.2002 'To operate under Section 25/26 of The Water (Prevention and Control of Pollution) Act, 1974 and under the Section 21 of The Air (Prevention and Control of Pollution) Act, 1981 & Authorisation/Renewal of Authorisation under Rule 5 of The Hazardous Wastes (Management & Handling) Rules, 1989'. The consent is valid up to April 30, 2007.

The water at the ETP outlet is safe for disposal as per the MPCB rules and is used for horticulture in the factory and residential premises. Also the flue gases from the diesel-operated ovens are well below the air pollution control norms specified by the MPCB.

Other approvals

The Company has a factory licence that was valid upto December 31, 2003 for which renewal application was made on October 30, 2003. The Company also has explosive licence for LDO that is valid upto December 31, 2004, Gas Cylinders that is valid upto March 31, 2006, Cyclopentene that is valid upto December 31, 2005 and for MEK, Kerosene & Thinner that got expired on December 31, 2003 for which renewal application was made on November 25, 2003.

(e) Butibori:

Land

The EKL washing machine facility is located at Butibori MIDC Industrial Estate, Nagpur in the state of Maharashtra, 30 km from Nagpur towards Wardha. The total land is approximately 80,000 square meters. The land is a leasehold land leased from State Industrial Corporation of Maharashtra (SICOM) and was valued at Rs. 84 Lacs as on January 1, 2001 at the time of amalgamation of EIL with the Company.

Plant

The manufacturing unit comprises of a main plant building covering 3,773 square meters, a warehouse of 1,215 square meters, the administration block of 635 square meters and utilities and other auxiliary buildings having built up area of 542 square meters.

Plant and Machinery

The plant and machinery located in the plant are power presses, machine cabinet manufacturing line, automatic pretreatment & powder coating plant, conveyorised washing machine assembly line, auto-strapping machine, air compressors & dryers, water de-mineralisation plant, effluent treatment plant, sub-station and incinerator for scrap disposal. There exists other small machines, equipment, material handling facilities and standard manufacturing utilities required for washing machine manufacturing.

Installed Capacity and Actual Production

In numbers

Class of Goods	Installed Capacity**	Production		
	2002	2002	2001	2000(15 months)
Washing Machines	200,000	30,862	47,325	71,552

** The installed capacity is per annum on double shift basis

Power

The Maharashtra State Electricity Board (MSEB) has sanctioned a power load of 400 KVA for the manufacturing facilities of the plant, which is fully utilized.

Water

At present, the water consumption is approximately 100 cubic metres per day. This water is sourced from the industrial water supply MIDC, Butibori.

Human Resources

The details of manpower at Butibori plant (including Electrolux Technical Centre) as at December 31, 2003 are given below:

Category	
Managerial and Supervisory	38
Workers	33
Total	71

Effluent Control

The plant does not generate any harmful effluents, except the effluents from the surface treatment of washing machine shell. A suitable effluent treatment plant of 80 cubic metres per day capacity has been installed for the treatment of waste water, which generates effluent water well below the limits prescribed by Maharashtra Pollution Control Board (MPCB).

The plant has received consent from MPCB to operate under Section 26 of The Water (Prevention and Control of Pollution) Act, 1974 and under the Section 21 of The Air (Prevention and Control of Pollution) Act, 1981 & Authorisation/Renewal of Authorisation under Rule 5 of The Hazardous Wastes (Management & Handling) Rules, 1989 vide letter No. BO/RON/Nagpur-99/99-03/R/CC-175 dated October 20, 2003. The consent is valid up to March 31, 2005.

Other approvals

The Company has a factory licence that was valid upto December 31, 2003 for which renewal application was made on October 29, 2003. The Company also has explosive licence that is valid upto December 31, 2004.

Non-CFC Conversion Project:

As per the rules & regulations laid down by the Government of India for the use of CFC chemicals in the country, the Company has completed conversion to non-CFC chemicals in all refrigerator plants.

At Shahjahanpur and Warora all the necessary equipment have been received and installed at the plant so as to use R-134a as refrigerant and Cyclo Pentane as PU foaming agent. It includes refrigerant charging machines, leak detectors, vacuum pumps & oil suitable for use with R-134a refrigerant.

The existing PU foaming installations are suitable for use of Cyclo Pentane blowing agent (also a non-CFC chemical) and the plant have switched over to non-CFC PU foaming completely.

(f) Gurgaon

To derive economies of scale and synergies in its operations, the Company had announced a restructuring programme, which inter-alia envisages relocation of its Gurgaon washing machine plant. The Company has with effect from April 30, 2002 closed down the operations of Gurgaon plant and its workforce has also been separated / suitably relocated. The management has identified the machinery, tooling and equipment to be relocated to its Butibori plant and basis that, the Company has during the period ended September 30, 2003 provided for an estimated loss of Rs. 2,352.94 Lacs for assets not usable on relocation. The Board of Directors in its meeting held on December 17, 2003 approved the disposal of the land and building at Gurgaon which has been written down to Rs. 769.75 Lacs, being the net realisable value estimated by the management. The land was valued at Rs.2,595.14 Lacs as on January 1, 2001 at the time of amalgamation of IL with the Company.

As a further step, in the overall restructuring exercise of the Company, the Company proposes to dispose off all of the fixed assets of its Gurgaon plant including the rights and interests in the land and building and the infrastructure, facilities, auxiliaries and utilities attached thereto, situated thereat, in whole or in part ("the properties") but specifically excluding plant and machinery that may be necessary for manufacture of front loading washing machines, by way of sale and / or lease and / or transfer and / or license to one or more parties and/or to its/their nominees, as may be deemed appropriate, on such terms and conditions and with effect from such date(s) and in such manner as may be deemed necessary and / or expedient in the best interest of the Company and the Company has already received its shareholders' approval through postal ballot vide postal ballot notice dated December 26, 2003.

Except as stated above, land, in possession of the Company as on date, is free from all encumbrances and has a clear title.

Investors may note that Mr. Harish Kumar has dissented to the resolutions passed at the Board meeting for the disposal of the assets of the Company. He has also filed litigations against the Company for the same. For details of the litigations investors are requested to refer to Page no. 74.

Recruitment Procedure:

The recruitment procedure of the Company is based on non-discriminatory and unbiased means of selection. Recruitments are done through placement agencies, business schools or at times through recruitment portals.

8. Schedule of Implementation

As the Company is not setting up any specific project, an implementation schedule is not relevant.

9. SWOT Analysis

Strengths

1. Promoter pedigree - The Company is a subsidiary of AB Electrolux, Sweden, one of the world's leading producers of household appliances and products for professional use.
2. Ongoing technical collaboration agreement with AB Electrolux, Sweden enabling the Company to have access to technological advances, technical and management expertise of Electrolux Group.
3. The products of the Company are being marketed under international brand like 'Electrolux'.
4. A widespread network of distributors/ direct dealers and a large loyal network of retailers spread across the country.
5. A wide range of international quality refrigerators, covering all applicable price points in the market.

Weakness

1. The Company is making losses and the accumulated losses of the Company as on September 30, 2003 stood at Rs. 48,369 Lacs as per audited results and as at January 31, 2004 stood at Rs. 61,502 Lacs (unaudited results).
2. Weak performance in home appliance categories apart from refrigerators.
3. Poor distribution network in washing machines category.
4. Declining market share – from 20% (Apr-Dec' 02) to 16.1% (Jan-Sept'03) in the refrigerators segment.

Opportunities

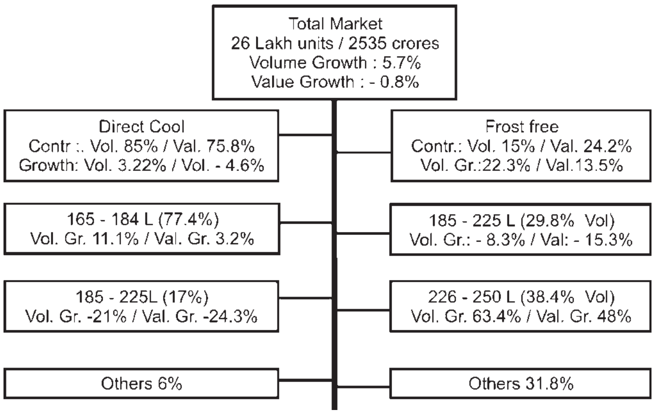
1. ABE global experience in new product development.
2. The growing middle class and increasing consumer disposable income.
3. Possibility of leveraging refrigerator distribution network for other categories.

Threats

1. Faces competition from other established players in the market.
2. Entry of cheap imports.
3. Pressure on margins due to intense competition.

10. Products

Market and Industrial Scenario-Refrigerators



(Source: ORG GFK new panel retail audit report Jan-Sept' 03)

ORG - Gfk estimated the market size in 2002 to be around 23.0 Lac units (for April-Dec '02 – New panel). ORG - Gfk market size in 2003 is 2.6 million units (for Jan- Sept '03 – new panel). The refrigerator market has witnessed a growth in volume demand of 10.8% in 2002 over 2001 (Apr-Dec '02 (new panel) over Apr-Dec '01– old panel) and a growth in demand of 5.7% since 2002 (Jan- Sept' 03 over Jan - Sept' 02)

The data regarding market size of the refrigerator segment is as follows:

	Units	2000	2001	2002	2003
Market Size – Volume	Volume in Lacs	**24.73**	**21.94**	**23.0**	**25.3**
-Direct Cool		21.29	19.26	19.67	21.73
-Frost Free		3.44	2.69	3.34	3.84
Market Size – Value	Rs. In Lacs	**273132**	**233225**	**244077**	**253538**
-Direct Cool		208912	184268	187484	192100
-Frost Free		64220	48957	56592	61438

Source: For the year 2000 and 2001 - ORG GFK old panel retail audit report (Jan –Dec). For year 2002 – ORG-GFK new panel for the period April –Dec. For year 2003 – ORG-GFK new panel for the period Jan –Sep.

Note - In 2002 ORG-GFK upgraded the panel. Hence the figures of 2000 and 2001 are not comparable to 2002. Also the data for 2002 and 2003 is for 9 months but for different periods and therefore not comparable.

Competitive Position – Overall market

In 2002, the two brands Electrolux and Kelvinator were merged together to form a single brand Electrolux Kelvinator. The new brand Electrolux Kelvinator, along with Allwyn, together had a combined market share of 20% in 2002, with Electrolux Kelvinator having a market share of 16.0% and Allwyn 4.0% (Apr-Dec '02 – new panel). For 9 months ending September 2003, the new brand Electrolux Kelvinator, along with Allwyn, together had a combined market share of 16.1%, with Electrolux Kelvinator having a market share of 13.8% and Allwyn 2.3% (Jan- Sept '03 – new panel).

The data regarding competitive positioning, in value terms, in the refrigerator segment (Overall) is as follows:

	Units	2000	2001	2002	2003
Vol terms	Volume % Market Share				
-Whirlpool		26.8	29.8	28.3	25.4
-Electrolux (including Kelvinator and Allwyn)		24.8	24.7	20	16.1
-Godrej		16.1	15.7	20.5	19.3
Value terms	Value Market Share in %				
-Whirlpool		26	29.6	28.1	25.5
-Electrolux (including Kelvinator and Allwyn)		22.8	22.8	18.7	15.4
-Godrej		15.1	15.8	20.2	19.1

Source: For the year 2000 and 2001 - ORG GFK old panel retail audit report (Jan –Dec). For year 2002 – ORG-GFK new panel for the period April –Dec. For year 2003 – ORG-GFK new panel for the period Jan –Sep.

Note - In 2002 ORG-GFK upgraded the panel. Hence the figures of 2000 and 2001 are not comparable to 2002. Also the data for 2002 and 2003 is for 9 months but for different periods and therefore not comparable.

Classification of Refrigerator Market

The refrigerator market is divided into two segments: Direct Cool (or Conventional) and No Frost. The categorization is based on the kind of refrigeration technology. Direct Cool has manual defrosting technology and is generally manufactured as single door refrigerator. In Frost Free there is no need for manual defrosting and they are more expensive than direct cool.

Direct Cool (DC) Segment

This segment accounted for approximately 85.5% of the total Indian refrigerator market in 2002 (Source: ORG - Gfk Apr-Dec 2002 New Panel Retail Audit) and accounts for approximately 85.8% of the total Indian refrigerator market (Source: ORG - Gfk New Panel Retail Audit Jan – Sept' 03). In the year 2002, this segment grew by 8.9% over 2001 (Apr-Dec '02 over Apr-Dec '01; Source: ORG - Gfk New Panel Retail Audit) and in the year 2003, this segment grew by 3.2% over 2002 (Jan - Sept '03 over Jan – Sept' 02; Source: ORG - Gfk New Panel Retail Audit).

Competitive Position – Direct Cool

In the year 2002, the Electrolux Kelvinator brand commanded vol market share of 17.9% in the DC segment while Allwyn had a market share of 4.7% in this segment, taking the combined market share to be 22.6% of the direct cool industry (Source: ORG – Gfk New Panel April – Dec 2002) and in the year 2003, the Electrolux Kelvinator brand commanded 15.2% of the DC segment while Allwyn had a market share of 2.8% in this segment, taking the combined market share to be 18% of the direct cool industry (Source: ORG – Gfk Jan – Sept '03– new panel).

The data regarding competitive positioning, in value terms, in the refrigerator segment (Direct Cool) is as follows:

	Units	2000	2001	2002	2003
Direct Cool	% market share (Value terms)				
-Whirlpool		25.1%	27.0%	28.8%	27%
-Electrolux (including Kelvinator and Allwyn)		28.8%	29.8%	22.9%	18.5%
-Godrej		17.6%	17.2%	22.2%	20.3%

Source: For the year 2000 and 2001 - ORG GFK old panel retail audit report (Jan –Dec). For year 2002 – ORG-GFK new panel for the period April –Dec. For year 2003 – ORG-GFK new panel for the period Jan –Sep.

Note - In 2002 ORG-GFK upgraded the panel. Hence the figures of 2000 and 2001 are not comparable to 2002. Also the data for 2002 and 2003 is for 9 months but for different periods and therefore not comparable.

No Frost Segment

This segment has a share of approximately 14.5% sales in the Indian market and has grown by 23.7% in Apr-Dec '02 over Apr-Dec '01 (ORG-GFK new panel). For the period Jan-Sept '03 over Jan – Sept '02, this segment has a share of approximately 15% sales in the Indian market and has grown by 22.3% (new panel ORG-GFK).

Competitive Position – Frost Free

The combined market share for Electrolux Kelvinator and Electrolux in 2002 was 4.9% (Source: ORG - GFK Apr-Dec 2002 New Panel Retail Audit) and in 2003 was 6.3% (Source: ORG - GFK Jan-Sept '03 New Panel Retail Audit). In the Frost Free segment, Electrolux Kelvinator has grown by 84% in 2002 (Source: ORG - GFK Apr-Dec 2002 New Panel Retail Audit) and by 56.2% in 2003 (Source: ORG - GFK Jan-Sept 2003 New Panel Retail Audit). Within this segment, the 226-250L sub-segment is the segment that showed the highest growth in 2002 (149.7% - Source: ORG - GFK Apr – Dec 2002 New Panel Retail Audit) and in 2003 (63.4% - Source: ORG - GFK Jan - Sept 2003 New Panel Retail Audit). The Company has recently made an entry into this segment with four unique models. Electrolux Kelvinator has grown in the Frost Free segment. Within this segment, the 226-250L sub-segment is the segment that showed the highest growth

The data regarding competitive positioning, in **value terms**, in the refrigerator segment (Frost Free) is as follows:

	Units	2000	2001	2002	2003
Frost Free	% (Value terms)				
-Whirlpool		18.5%	22.1%	25.6%	20.8%
-Electrolux (including Kelvinator and Allwyn)		3.8%	3.7%	4.8%	6%
-Godrej		13.5%	13.2%	13.3%	15.4%
-BPL		18.8%	14.9%	4.4%	3.1%
-LG		15.5%	19.2%	31.1%	36.4%

Source: For the year 2000 and 2001 - ORG GFK old panel retail audit report (Jan –Dec). For year 2002 – ORG-GFK new panel for the period April –Dec. For year 2003 – ORG-GFK new panel for the period Jan –Sep.

Note - In 2002 ORG-GFK upgraded the panel. Hence the figures of 2000 and 2001 are not comparable to 2002. Also the data for 2002 and 2003 is for 9 months but for different periods and therefore not comparable.

Changing Buying Capacity

The Indian refrigerator market has seen a significant change in the buying trends over the past few years. The bent is towards the sub - economy segment (market price less than Rs. 8,000/- per unit) and economy segment (market price Rs. 8000-10,000) which constitute around 68% of the industry and together have grown by 3% from 2001 to 2002 (Source: Company estimates based on ORG-Gfk reports). As this is an extremely price sensitive segment, the margins in this segment have come under acute pressure.

Market and Industrial Scenario-Washing Machines

The washing machines market comprises of essentially three segments: semi-automatic twin tub, semi-automatic single tub and fully automatic. Manual washers are a small component of the market.

The data regarding the market size of washing machine segment is as follows:

	Units	1999-00	2000-01	2001-02
Industry Capacity				
-Washing Machine*	Volume (Lacs)	19.31	22.05	24.55

This cannot be broken into various sub categories as the same is not available. The above figures are as per EKL's estimates.

	Units	2000	2001	2002
Market Size – Volume	Volume (Lacs)	10.68	10.02	9.20
-Semi Automatic Twin Tub Segment		7.69	7.16	6.79
-Semi Automatic Single Tub Segment		0.17	0.40	0.45
-Fully Automatic		2.11	1.69	1.55
-Others		0.72	0.77	0.42
Market Size – Value	**Rs in Lacs**	**102191**	**88599**	**81911**
-Semi Automatic Twin Tub Segment		63214	54502	51626
-Semi Automatic Single Tub Segment		1729	3986	4159
-Fully Automatic		34914	27910	24887
-Others		2334	2201	1239

(Source: ORG GFK old panel retail audit report)

The data regarding market shares of key brands in the washing machine segment is as follows:

	Units	2000	2001	2002
-Semi Automatic Twin Tub Segment	% market share (Value terms)			
-Whirlpool		17.5%	17.9%	20.4%
-Electrolux (including Kelvinator and Allwyn)		0.5%	3.8%	2.4%
-LG		20.8%	19.7%	20.7%
-Videocon		24.0%	29.9%	23.5%
Others		37.2%	28.7%	32.9%
	Units	**2000**	**2001**	**2002**
-Semi Automatic Single Tub Segment	% market share (Value terms)			
-Whirlpool		22.7%	10.2%	7.2%
-Electrolux (including Kelvinator and Allwyn)		-	2.7%	8.5%
-Videocon		-	34.3%	25.0%
-Samsung		77.3%	52.8%	54.8%
-Others		-	-	4.5%

Fully Automatic				
-Whirlpool	% market share (Value terms)	21.1%	24.7%	24.8%
-Electrolux (including Kelvinator and Allwyn)		4.6%	4.2%	4.1%
-LG		25.4%	8.8%	11.9%
-Videocon		9.3%	9.3%	5.9%
-IFB		25.4%	25.8%	25.1%
-BPL		10.3%	7.0%	4.9%
Others		3.9%	20.2%	23.3%

(Source: ORG GFK old panel retail audit report)

As per ORG – Gfk (old panel), the market for washing machines for 2002 was estimated at approximately 0.92 million units and for 2003 is 0.90 million units (Jan-Sept 03 – new panel). The market declined by 8.2% in 2002 over the previous year. However, in 2003, the market grew by 6.5% over the same period in the previous year (Jan – Sept period). The Company presently operates in all the 3 major segments. The combined market share of the Company was 2.7% in 2002 (Source: ORG - Gfk Retail Audit – Jan – Dec 2002) and is 2% in 2003 (Source: ORG - Gfk New Panel Retail Audit Jan – Sept' 03).

Semi Automatic Twin Tub segment

This segment accounted for 73.8% of the washing machine sales in the Indian market in 2002 (Jan – Dec old panel) and 74.7% in 2003 (Jan – Sept New Panel 2003). In 2002, Electrolux Kelvinator had a market share of 2.2% of this segment (Source: ORG - GFK Retail Audit – Jan – Dec 2002 old panel) and in 2003, a market share of 1.5 % of this segment. (Source: ORG - GFK Retail Audit Jan-Sept '03- new panel)

The above 6 kg sub-segment has shown a growth of 30% since 2001 and 29.8% since 2002. Electrolux Kelvinator had a market share of 3.1% of this segment (ORG – Gfk Jan-Dec '02 old panel) and in 2003, a share of 2.1% of this segment (ORG – Gfk Jan- Sept' 03 – new panel).

Semi Automatic Single Tub

This segment was the fastest growing segment in the washing machines category with nearly a 13% growth in 2002 over 2001. However, in 2003, in the washing machines category, this segment had nearly a negative 24.2% de growth in 2003 over 2002 Jan – Sept. It accounted for 4.9% of the washing machine market in 2002 (ORG-Gfk) and 3.6% in 2003 (ORG-GFK Jan –Sept' 03). In 2002, Electrolux Kelvinator had a market share of 7.7% of this segment (ORG – GFK) and in 2003 5.1% of this segment (ORG – GFK Jan – Sept '03).

Fully Automatic

This segment contributed nearly 16.8% to the washing machines sales in the year 2002 (Jan – Dec' 02 old panel) and nearly 19% in the year 2003 (Jan – Sept' 03 new panel). It has declined by nearly 8.8% in 2002. However, in 2003, it has grown by nearly 18.9%. In 2002, Electrolux commanded around 4.1% of this segment. (Source: ORG – Gfk old panel Jan – Dec 2002) and in 2003 Electrolux commanded around 3.5% of this segment. (Source: ORG – Gfk new Panel Jan- Sept 2003).

Competition

The Semi-automatic segment is dominated by Videocon, LG, Whirlpool, Samsung, BPL, National and Godrej. In the Fully Automatic segment, the key players are Whirlpool, IFB, Videocon, BPL, LG, Godrej, Siemens, Kenstar and National.

Competitive Positions

The market shares for key brands in the washing machines category as reported by ORG GFK, for the period January–December 2002:

BPL	6.5%
Electrolux & Electrolux Kelvinator	2.7%
IFB	3.5%
LG	15.7%
National	5.1%
Samsung	9.0%
Videocon	26.2%
Whirlpool	18.3%
Godrej	4.5%
Onida	3.7%
Others	0.9%

The market shares for key brands in the washing machines category as reported by ORG-Gfk, for the period January–Sept 2003:

BPL	3.8%
Electrolux & Electrolux Kelvinator	2.0%
Godrej	6.0%
IFB	4.4%
LG	23.5%
National	4.3%
Onida	3.7%
Samsung	14.1%
Videocon	18.7%
Whirlpool	15.8%
Other Companies	0.8%

Changing Buying Capacity

In the washing machines market, the semi-automatic twin tub segment is the largest segment. This segment has seen an increase in demand. High growth is seen in the price segment of Rs. 7,000 to Rs. 8,500. Contribution of this segment in the washing machines market has moved from 30% in 1999 to 47% in 2001 to 74% in 2002 (Company estimates based on ORG-Gfk 2002 Jan- Dec reports). The growth in the segment has come about at the expense of the Premium segment (prices greater than Rs. 8,500). The Premium segment has seen a decline in contribution from 50% in 1999 to 32% in 2001 to 17.3% in 2002 (Company estimates based on ORG-Gfk 2002 Jan- Dec reports).

11. Marketing & Selling Arrangements

(a) Approach and existing marketing set-up

The Company has a widespread network of distributors/ direct dealers and a network of retailers spread across the country. The Company has already established 18 branches that are primarily responsible for managing & supervising this network.

Company products are supplied to the C&F (Clearing & Forwarding) agents who are based across the country. These C&F agents supply the refrigerators directly to distributors & direct dealers. The distributors in turn, supply these products to their retailers who are also referred to as sub-dealers.

The Company also has branch offices at most of the centers where the C&F Agents are located to enable an effective co-ordination.

The Company also provides adequate advertising & sales promotion support to the dealers through print, television and other outdoor media vehicles.

(b) Proposed marketing set-up and strategy

Over the years, the Company has improved its marketing set-up. It plans to further strengthen its existing distribution channels by appointing quality distributors and value added resellers.

Sales and Distribution Strategy:

Sales and distribution strategy emerges from the overall business strategy of the Company to drive growth, profitability and value creation. The focus areas of sales & distribution strategy is on -

1. Accessibility & in shop experience
2. Customer (Trade partner) satisfaction
3. Low cost to serve

Accessibility:

The focus will be to make its products accessible to the consumers with a strong in-store experience. With low penetration levels of refrigerators in India driving 'Accessibility', small towns and rural markets will be a focus area for the brand. With a limited product range in no frosts, the no frosts are currently available in around 1,500 outlets. With the launch of the new no frost range, the focus will be to increase the accessibility of no frost refrigerators over the next two years.

Under the new brand strategy, the Electrolux Maxclean washing machine brand will no longer exist and the washing machines will be marketed under Electrolux Kelvinator primarily through the refrigerator network.

Customer (Trade partner) satisfaction:

The dealer satisfaction is primarily a function of the profitability from the Company's products and regard for the Company as a preferred supplier of quality products and services.

Dealer incentive programs, dealer communication meets at local level and dealer training programs will be some of the key differentiators in driving dealers' preference for Electrolux as a key partner in its business.

'Electrolux Dealer Universe' is a web based initiative to build a strong Electrolux dealer community which will provide a forum for the trade partners to share best practices. This site will also focus on coaching the dealers on best practices in sales, marketing and retailing. Some of the other critical parameters that impact the customer satisfaction and profitability are quick order turnaround time (ensures that the trade does not have to lock up inventories), after sales service support, regularity of Company sales people visits to inform them of new launches, promotions, price changes, incentives and to help them sort any problems.

Low cost to serve:

One of the key focus areas for the Company will be to reduce the total costs across the distribution chain to improve profitability and value creation for both the trade and the Company.

The total cost to serve the consumer is a function of various parameters like the type of distribution channels, the order size, no. of stock keeping units (SKUs), inventory holding etc. For large customers in cities closer to warehouses, the Company is trying to expand its direct dealer network, which ensures lower cost to serve and improves over all profitability. Company is initiating a major project to follow a Kan Ban system of replenishment for all key SKUs in warehouses with the help of experts in supply chain from European operations to ensure lower inventories and to improve order fulfillment rate.

'Kan Ban' system is a visual indicator of availability or non-availability of the stocks whereby one can make out from the visual inspection itself as to the level of stock of various products and need for their replenishment. By following replenishment model of all key items in the Company warehouses, it can be ensured that: -

- Only the items that are fast moving are stocked and slow movers are easily identified;

- The stock levels are maintained at minimum level and are replenished the moment stock level of any item reaches an alarm level.

The process is likely to reduce inventory levels in various warehouses across the Company and also improve order fulfillment rate.

Brand Rationalisation

The Electrolux Group is currently reviewing its marketing and branding strategy globally. The group is focussed on building fewer, bigger and stronger brands. In India, as part of the rationalisation exercise, the Company has decided to integrate Kelvinator and Electrolux Maxclean under the new umbrella brand – **Electrolux Kelvinator**. As part of the Company's marketing plans, the integration of the two brands, Electrolux & Kelvinator, is aimed at deriving synergistic benefits and at establishing a strong multi-category presence in home appliances.

The Electrolux Kelvinator brand transition is currently being implemented in the market place. The process is expected to ensure improvements in the Company's cost structure, productivity and together with brand management create new platforms for product development, opportunities for growth and strengthen the Company's position in the white goods category.

This integration of brands, coupled with a marketing effort and a new product line-up is expected to pave the way for establishing a strong consumer preference and category leadership. The brand integration has been endorsed through a major consumer research and also by feedback taken from our channel partners across India. The consumer research indicates a high degree of acceptance to the integrated brand on parameters of quality, category leadership, technology perception, price perception & purchase intention (Research conducted by IMRB).

While initially the portfolio of products available under the brand **Electrolux Kelvinator** will include refrigerators (frost free and direct cool) and washing machines (top loading fully & semi automatic), it is expected to be expanded soon to include other home appliance categories.

(d) Registered User Agreements/Trademark License Agreements

The Company (Licensee) has entered into the following Registered User Agreements/ Trademark License Agreements. The Registered User / Trademark License agreements are non-exclusive and therefore ABE has the right to market its products in India through any subsidiary/joint venture or through any entity other than EKL. The salient features of these agreements are as follows:

Registered User Agreement with AB Electrolux (Licensor) dated December 12, 1996 for use of the trademark Electrolux for refrigerator. The agreement was initially for a period of 18 months commencing from June 12, 1996. The agreement has been further renewed on two occasions on January 1, 1999 and subsequently on May 2, 2000. The agreement has been further renewed as on October 30, 2002 and shall continue to be in force till December 31, 2008.

- The Licensee has a non-exclusive, non assignable and non transferable license to use the trademark in connection with assembly, manufacture, packaging, marketing and selling refrigerators and parts thereof in India.
- The Licensee will not promote, under its own label or under the label of any other company except the Licensors, any product substantially similar to the products except with prior written consent of the Licensor. However, the licensee can use the trademark "Kelvinator" in the proximity of the trademark Electrolux.
- The Licensor has the right to approve and control all packaging, labels, advertising and promotional materials bearing the trademark.
- The agreement shall be terminated with immediate effect if, inter alia, any of the Licensee's share capital/voting power is acquired by a competitor of the Licensor or if the Licensor's share capital/ voting powers drop below 51 % or in the event of insolvency or bankruptcy of the Licensee.

Registered User Agreement with AB Electrolux (Licensor) dated June 8, 1998 for use of the trademark Electrolux for washing machines and parts thereof. The agreement was initially for a period of 18 months commencing from July 1, 1997. The agreement has been further renewed on two occasions on October 29, 1998 and subsequently on May 2, 2000. The agreement has been further renewed as on October 30, 2002 and shall continue to be in force till December 31, 2008.

- The Licensee has a non exclusive, non assignable and non transferable license to use the trademark in connection with assembly, manufacture, packaging, marketing and selling washing machines and parts thereof in India.
- The Licensee will not promote, under its own label or under the label of any other Company except the Licensor's, any product substantially similar to the products except with prior written consent of Licensor. However, the licensee can use the trademark "Kelvinator" in the proximity of the trademark Electrolux.
- The Licensor has the right to approve and control all packaging, labels, advertising and promotional materials bearing the trademark.
- The agreement shall be terminated with immediate effect if, inter alia, any of the Licensee's share capital/voting power is acquired by a competitor of the Licensor or if the Licensor's share capital/ voting powers drop below 51 % or in the event of bankruptcy or insolvency of the Licensee or acquisition of any part of the Licensee's share capital by a competitor of the Licensor.

Trademark License Agreement with AB Electrolux (Licensor) dated October 30, 2002 for use of the trademark Electrolux for Microwave Ovens, Dish washers and parts thereof and parts of refrigerators and washing machines.

- The Licensee has a non exclusive, non assignable and non transferable license to use the trademark in connection with microwave ovens, dish washers and parts thereof and parts of refrigerators and washing machines.
- The agreement shall continue to be in force till December 31, 2008.
- No royalty shall be payable for use of the Trademarks by Licensee.
- The agreement shall be terminated with immediate effect on, inter alia, bankruptcy of any of the parties or appointment of a trustee or receiver of either party or upon Licensee giving a written notice of 6 months to the Licensor.
- Upon registration of the trademark "Electrolux" for the specific goods in India, the agreement shall be considered as a registered user agreement. The effective date of the registered user agreement shall be the date when the trademark is registered in respect of the specific goods in India.

Amendment agreement dated September 27, 2002 between Electrolux Home Products Inc (erstwhile White Consolidated Industries Inc) and EKL for the trademark Kelvinator for amendment in the terms of the register user agreement dated October 1, 1998 entered by erstwhile EIL.

- The Company has a non-assignable, non transferable and non exclusive license to use the trademark in India and shall clearly indicate on the goods that the proprietor is the owner of the Registered Trademark and they are being used only by way of permitted use.
- The agreement provides for payment of royalty, which is 1% of net selling price, due from January 1, 2002.
- The agreement shall be in force up to December 31, 2008.
- The trademark Electrolux can be used in proximity of trademark Kelvinator.
- The Agreement shall wholly cease and determine at the option of the Proprietor, inter alia, in the event of a reduction of the equity of AB Electrolux in the Company or upon bankruptcy or insolvency of the Company.

The Company has also entered into agreement with Electrolux Home Products Inc (erstwhile White Consolidated Industries Inc) dated September 27, 2002 for renewal of trademark license agreement dated January 1, 1998 for use of the device "Penguin", "Americold Penguin Device" and the modified format of the trademark "It's the coolest One". No royalty shall be payable for use of the Trademarks by Licensee. These agreements are valid till December 31, 2008. This agreement is terminable in the event of inter alia, reduction in the equity of ABE or bankruptcy or insolvency of the Company.

Allwyn trademark

The erstwhile Electrolux India Limited had taken over the trademark "Allwyn" for using on "refrigerators and refrigerating plant" from Voltas Limited through a Deed of Assignment dated March 31, 1999. As a consequence of amalgamation, EKL has acquired the property, rights, title and interest in the same. The "Allwyn" Trademark has been registered in the name of the Company. However, there are certain applications for stylized Trademark of "Allwyn" which are pending.

12. Previous Capital Issues

Complete details of the movement of share capital have been stated under the head "Capital Structure of the Company".

(a) Details of any Public/Rights Issues and the Promise v/s Performance for these Issues made in the preceding five years:

Year of Issue	1999
Type of Issue	Rights issue of equity shares
Amount of Issue	Rs. 6,832 Lacs (allotment- Rs.6,787 Lacs)
Date of closure of Issue	January 27, 2000
Date of dispatch of share certificates completed	March 4, 2000
Date of listing approvals for the shares	Jaipur Stock Exchange, April 3, 2000 Delhi Stock Exchange, March 23, 2000 Bombay Stock Exchange, May 5, 2000 Bangalore Stock Exchange, April 7, 2000 Kolkata Stock Exchange, April 13, 2000 Ahmedabad Stock Exchange, April 4, 2000
Date of completion of the project, where the object of the Issue was financing of a project	N.A.
Rate of Dividend paid	NIL
The issue price of the security	Rs. 10/-
Particulars of changes in the capital structure, if any, since the date of Issue	Paid Up Capital Pre Issue - September 30, 1999, Rs. 6,805.38 Lacs Post Issue- December 31, 2000, Rs. 13,593.75 Lacs
Trading in compulsory demat	Yes
Commission / Brokerage paid	Nil

EKL had received 3 complaints from SEBI in respect of the aforesaid rights issue, which have already been resolved. Further, there are no investor grievances pending redressal by EKL.

Statement regarding the cost and progress of implementation of the project in comparison with the cost and implementation schedule given in the Offer Document

The objective of the issue was to augment the networth of the Company, repay loans and meet the long-term working capital requirement. There was no specific project and therefore, as such there was no schedule of implementation.

Promises v/s Performance:

The comparison of the estimates as disclosed in the offer document dated November 29, 1999 with the actual are as follows:

(Rupees in Lacs)	Estimate (September 30, 1999)	Actual (September 30, 1999)	Forecast (September 30, 2000)	Actual (December 31, 2000)
Income				
Sales	49,883.24	42,124.86	45,293.02	37,471.78
Other Income	443.28	833.60	512.53	1,117.80
Total	50,326.52	42,958.46	45,805.55	38,589.58
Expenditure	47,425.49	39,620.97	42,970.96	35,682.03
Total	47,425.49	39,620.97	42,970.96	35,682.03
Operating Profit/(Loss)	2,901.03	3,337.49	2,834.59	2,907.55
Interest	1,711.78	1,476.31	1,045.03	1,328.84
Miscellaneous Expenditure written-off	996.24	996.24	291.98	320.93
Profit/(Loss) Before Depreciation	193.01	864.94	1,497.58	1,257.78
Depreciation	1,151.46	1,120.46	965.4	1,235.03
Profit/(Loss) Before Tax	(958.45)	(255.52)	532.18	22.75
Provision for Taxation				6.00
Profit/(Loss) After Tax	(958.45)	(255.52)	532.18	16.75

Details of Previous three capital issues made by the Company

1) Rights Issue in 1999 – disclosed above.

2) Rights Issue in 1997:

Year of Issue	**1997**	
Type of Issue	Rights Issue of Equity Shares	
Amount of Issue	Rs. 3416 Lacs	
Date of closure of Issue	July 30, 1997	
Date of despatch of share certificates completed	September 8, 1997	
Date of listing approvals for the shares		**Listing approvals**
	Jaipur Stock Exchange	12/09/97
	Delhi Stock Exchange	12/11/97
	Mumbai Stock Exchange	12/11/97
	Bangalore Stock Exchange	10/11/97
	Calcutta Stock Exchange	21/10/97
	Ahmedabad Stock Exchange	25/11/97
Date of completion of the project, where the object of the issue was financing of a project		December 1998
Rate of Dividend paid in the year of issue		NIL
The issue price of the security		Rs. 10/-
Market price as on July 2, 1999		Rs. 16.00
Particulars of changes in the capital structure, if any, since the date of Issue	Paid Up Capital	
	Pre Issue – March 31, 1997	Rs. 3,412 Lacs
	Post Issue – September 30, 1997	Rs. 6,805 Lacs

Statement regarding the cost and progress of implementation of the project in comparison with the cost and implementation schedule given in the then offer document:

Cost Projected	Rs. 5,729.00 Lacs
Objective	To increase the refrigerator manufacturing capacity from 2,50,000 nos. to 4,00,000 nos p.a and to meet the expenses of the issue.
Completion Date Projected	December 1997

The capacities for manufacturing of 4,00,000 refrigerators have been completed in December 1998.

Year of Issue	**1995**
Type of Issue	Preferential Allotment to AB Electrolux
Amount of Issue	Rs. 4008 Lacs
Date of closure of Issue	Not Applicable
Date of despatch of shares certificates completed	February 28, 1995
Date of completion of the project, where the object of the issue was financing of a project	Not Applicable
Rate of Dividend paid in the year of issue	NIL
The issue price of the security	Rs. 23/- per share
Current market price	Not Applicable
Particulars of changes in the capital structure, if any, since the date of Issue	Paid Up Capital Pre Issue- March 31, 1994 –Rs. 1231 Lacs Post Issue –Rs. 3411 Lacs

3) Rights Issue in 1993 – Fully Convertible Debentures:

The Company made a rights issue of Fully Convertible Debentures aggregating Rs. 534 Lacs in July – August 1993 to part finance the cost of manufacturing semi-automatic Twin Tub Washing Machines and Compressors for refrigerators.

(Rs. In Lacs)

	PROJECTED IN LETTER OF OFFER			**ACTUALS**		
Year Ended	**31.3.94**	**31.3.95**	**31.3.96**	**31.3.94**	**31.3.95**	**31.3.96**
Net Sales (Excl. Excise)	4422	9850	12740	706	1572	1329
PBDIT	280	1015	1391	59	(1233)	(979)
PBT	92	585	944	(187)	(1453)	(1183)
PAT	92	534	642	(187)	(1453)	(1183)
Book Value Per Share (Rs)	10.84	13.15	16.30	5.98	11.71	7.82
E.P.S (Rs.)	0.72	3.87	4.65	-	-	-

The Company had discontinued production of washing machines and compressors as the desired quality levels were not achieved and the production lines were proposed to be put to some alternative use which was to be decided.

4) Shares issued on preferential basis in 1995 and 1994 (the name of the Company at the time of the following issues was Maharaja International Limited)

a)	Year of Issue	1995
b)	Type of Issue	Preferential Issue to AB Electrolux
c)	Amount of Issue	Rs. 4007.75 Lacs
d)	Date of closure of Issue	Not applicable
e)	Date of Allotment	28.2.95
f)	Date of Despatch of share Certificate and Refund orders:	Not applicable
g)	Rate of Dividend paid in the year of issue	NIL

a)	Year of Issue	1994
b)	Type of Issue	Preferential Issue to erstwhile Promoter group
c)	Amount of Issue	Rs. 300 Lacs
d)	Date of closure of Issue	Not applicable
e)	Date of Allotment	12.9.94 and 10.10.94
f)	Date of Despatch of share Certificate and Refund orders:	Not applicable
g)	Rate of Dividend paid in the year of issue	NIL

13. Future Prospects

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 more than three 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.

The new initiatives taken by the Company i.e. upgradation of manufacturing facilities to produce non-CFC refrigerators, frost-free refrigerators, state-of-art washing machines, consolidation of brands under “Electrolux “ name in place of multiple brands i.e. “Electrolux”, “Kelvinator”, “Maxclean” etc. and financial restructuring will enable the Company to meet the competition and to increase its share in the Indian market.

However, considering that demand of the white goods appliances is highly correlated to the general economic scenario, a de-growth or slower than expected growth of the industry cannot be ruled out.

Investors should however note that the Company has accumulated losses of Rs. 48,369 Lacs as on September 30, 2003 as per audited results and of Rs. 61,502 Lacs as at January 31, 2004 (unaudited results) against total shareholders funds of Rs. 37,450 Lacs. The market share of the Company in the refrigerators segment has declined from 20% (Apr-Dec’ 02) to 16.1% (Jan-Sept’03). The Company is presently undergoing a restructuring exercise that includes rationalization of manpower, brands and facilities. This restructuring in short term may impact the bottom line negatively.

VII. PROMOTERS AND THEIR BACKGROUND

The original promoters of the Company are Mr. Harish Kumar, Mr. Hari Om Bhatia and Mr. R.K. Arora. In February 1995, the Company became a subsidiary of AB Electrolux, Sweden (ABE) by virtue of its acquisition of 51% stake through preferential allotment of equity shares. Effective October 30, 2001, (Appointed Date: January 1, 2001), as a result of the merger of EIL (approximately 100% holding of ABE) and IL (76% holding of ABE) with Electrolux Kelvinator Ltd., the shareholding of ABE increased to 75.96% of the equity capital. Harish Kumar and Associates hold 9.99% of the equity capital of the Company as on March 31, 2003.

Mr. Harish Kumar is a Director of the Company. Harish Kumar and Associates are the original promoters of the Company. Mr. Harish Kumar has dissented to this Rights Issue in the Board meetings where this Rights Issue was approved. Harish Kumar and Associates have not given their consent to be declared as a promoter for the purpose of the Rights Issue. Mr. Harish Kumar has addressed a communication to the Company Secretary of the Company stating that he has not authorised anyone to refer to him or his associates as Promoter in any document being filed with any statutory body(ies) and that Company should desist from making any such declaration without his prior written consent/authorisation. Further, in a separate communication giving his consent to include his name in the Letter of Offer as a director of the Company, he has stated that any other information related to him, if included, in Letter of Offer required as per SEBI Guidelines, other than as a director of EKL, is not his responsibility. Therefore, Mr. Harish Kumar has not responded to the Company's requests for disclosures and information, as applicable for promoters, required as per SEBI Guidelines, for the purposes of this LoF. Mr. Harish Kumar believes that the present Rights Issue is detrimental to the interest of shareholders. Mr. Harish Kumar – Director and Shareholder of the Company along with his associates have filed company petitions / writ petition(s) / application(s) / appeals against the Company before the Hon'ble High Court of Delhi and Company Law Board under Sections 250, 392, 397, 398 and 409 of the Companies Act, 1956 and Article 226 of the Constitution of India *inter alia* challenging the implementation of Scheme of Amalgamation between EKL, EIL and IL approved by the Hon'ble High Court of Delhi and alleging acts of oppression of minority shareholders and mismanagement of the Company praying *inter alia* for directions restraining the Board of Directors of the Company from passing and giving effect to any resolution which has the effect of disposing off or alienating or encumbering or creating any third party rights, in respect of any of its fixed and movable assets, including any of the plants and alteration of the capital structure of the Company including praying that SEBI should be directed not to clear this Letter of Offer. Some of the petitions also allege that ABE has been in violation of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1994 ("Takeover Code of 1994") in relation to the preferential allotment of shares to ABE which took place in 1995 and allotment of shares to ABE in excess of their entitlement to ABE in the 1999 rights issue by EKL without making a public offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997.

Investors are requested to refer to page no.74 for details of the litigations filed by Harish Kumar and his associates.

As per the Articles of Association of the Company, Harish Kumar and Associates are the Indian promoters of the Company. However, solely based on the aforesaid stand taken by Mr. Harish Kumar regarding his status as a promoter and in the larger interest of the completion of the rights issue which is in the interest of the Company, shareholders and creditors, all disclosures regarding him in this document are (without prejudice to the Company's view in this regard) based on the premise that Mr. Harish Kumar is not treated as a promoter of the Company in this Letter of Offer. The disclosure, however, is without prejudice to the stand that the Company may take before the judicial authorities where litigations have been filed by Mr. Harish Kumar and associates which are pending. The litigations between Harish Kumar and his associates and the Company are currently sub-judice and the impact of the outcome of the same on the accounts of the Company, if any, is not ascertainable at this stage.

ABE believe that they have complied with all the applicable provisions of the SEBI Takeover Code and the applicable provisions of the Clause 40 A / 40B of the Listing Agreement with regard to preferential allotment in 1995 (please refer to note no.13 on page no. 7 for enquiry made by SEBI with regard to the preferential issue made to ABE), allotment made by EKL during the rights issue(s) in 1997 and 1999, allotment made on merger of companies - Electrolux India Ltd. and Intron Ltd. with the Company in 2001 in the Letter of Offer; and other applicable provisions of the SEBI Takeover Code on an ongoing basis from time to time.

AB ELECTROLUX

Headquartered in Stockholm, Sweden, AB Electrolux (ABE) is one of the world's leading manufacturers of household appliances, operating in over 100 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.

ABE was formed in the year 1919 consequent to the merger of AB Lux and Elektromekaniska. In the 1920's ABE started production of vacuum cleaners and refrigerators and rapidly expanded its production in the following decades. A foray was made into industrial washing machines in 1944. In the 1950's ABE started manufacture of chest freezers, cookers and dishwashers and commenced exports to the USA. Through a spate of strategic acquisitions, ABE added new products and brands and steadily made its presence felt in Europe and America.

The vision for ABE is to be the world leader in consumer durables for indoor and outdoor use, with a selected range of corresponding products for professional users. Through good growth and profitability, ABE wants to create value for its shareholders as well as for its consumers, business partners and employees.

Product Profile:

ABE businesses are globally focused on these business areas:

Consumer Durables:

The consumer durable segment comprises mainly of white goods i.e. refrigerators, freezers, cookers, washing machines, dishwashers, room air conditioners, floor care products and microwave ovens. In 2002, these products accounted for approximately 77% of sales for this business area, which also includes floor-care products, as well as garden equipment and light-duty chainsaws.

ABE is the leading white-goods company in Europe and Australia, and has substantial market shares in the US, Brazil, India and China. ABE group is the world's largest producer of floor-care products, lawn mowers, garden tractors and other portable petrol-driven garden equipment such as chainsaws and trimmers.

Sales of white goods in 2002 rose to SEK 85,929m (82,732). The European operation accounted for approximately 50% of sales and North America for approximately 40%. The remainder referred mainly to Australia, Brazil and China. Operating income increased considerably from the previous year, primarily as a result of a marked improvement in income in North America.

AB Electrolux main brands in this business area are AEG, Allwyn, Arthur Martin Electrolux, Corberó, Electrolux, Elektro Helios, Eureka, Faure, Flymo, Frigidaire, Frigidaire Gallery, Juno, Kelvinator, McCulloch, Menalux, Partner, Poulan, Rex, Rosenlew, Tappan, Therma, Tornado, Voss, WeedEater, White-Westinghouse, Zanker, Zanussi and Zoppas.

Professional Appliances:

AB Electrolux is one of the largest producers in the world of equipment for kitchen, cleaning and outdoor use for professional users.

The Group's operations in Professional Indoor Products comprises food-service equipment for hotels, restaurants and institutions, as well as laundry equipment for apartment-house laundry rooms, launderettes, hotels and other professional users.

The Group's operation in Professional Outdoor Product comprises mainly high-performance chainsaws, clearing saws and turf-care equipment under the Husqvarna brand. The business area also includes power cutters, diamond tools and related equipment for cutting, e.g., cement and stone.

Electrolux main brands in this business area are Electrolux, Electrolux Wascator, Molteni, Zanussi Professional, Husqvarna, Jonsered, Dimas and Diamant Boart.

Financials:

The ABE Group recorded a turnover of SEK 133,150 million in 2002, a 2.0% decrease over the previous year. The operating income however registered an increase of 23% at SEK 7,731 million. The share capital was SEK 1,693.6 million as on December 31, 2002.

The audited financials of ABE for the last five years are:

All figures in Swedish Kroner (SEK) MM

	2002	2001	2000	1999	1998
Sales	133,150	135,803	124,493	119,550	117,524
Operating Income	7,731	6,281	7,602	7,204	7,028
Income after financial items	7,545	5,215	6,530	6,142	5,850
Net income (after taxes)	5,095	3,870	4,457	4,175	3,975
Total Assets	85,424	94,447	87,289	81,644	83,289
Equity	27,629	28,864	26,324	25,781	24,480

(Terminology as per ABE annual reports)

The above audited accounts are prepared in accordance with the accounting principles applied as per the Swedish Financial Accounting Standards. ABE has not raised any money in the last three years through either a public issue or rights issue (or a composite issue of both).

The audited financial highlights of AB Electrolux for the last three years are as under:

All figures in Swedish Kroner (SEK) MM

For the year	2002	2001	2000
Share Capital (mSEK)	1,694	1,831	1,831
Reserves (excl. Revaluation Reserve) (mSEK) (The term is "Restricted reserves")	14,287	13,438	11,850
Sales (mSEK)	133,150	135,803	124,493
Profit After Tax (mSEK)	5,095	3,870	4,457
Earnings Per share (SEK)	15.60	11.35	12.40
Net Asset value (SEK)	87.00	88.00	77.00

The important/significant notes of auditor as mentioned in the Auditors Report are as follows: NIL.

The adverse factors relating to ABE are as follows: NIL

Litigations involving ABE for its operations in India:

(i) Diamant Boart International SA

On July 8, 2002, ABE acquired Diamant Boart International SA ("DBISA"), a Belgian company carrying on the business of manufacture of various kinds of diamond tools and machines. ABE is investigating the files of DBISA's wholly-owned subsidiary Diamant Boart SA ("DBSA") with respect to its previous investment in India. DBSA had a certain equity stake in two Indian companies called Diamant Boart India Private Limited ("DBI") and Diamant Boart Petroleum India Private Limited ("DBPL") which stakes in the opinion of DBSA have been divested in favour of its Indian joint venture partner. This is being contested by the former joint venture partner, who has made various allegations against DBSA and its officers to different Indian governmental and police authorities and claims that DBI is still a subsidiary of DBSA. All such allegations that have been tried, have been dismissed as unfounded. DBSA has maintained that its shareholding in DBI has been effectively divested.

A suit is pending before the High Court of Bombay for specific performance of the transfer of DBSA's stake in DBI to the former joint venture partner. Said suit became infructous in 2001 in view of the fact that RBI and FIPB granted their approvals of the transfer and that DBSA pursuant to a settlement reached between the parties has handed over share certificates (13,625 shares) and share transfer deed to the advocate of the joint venture partner and has requested issue of duplicate share certificates (19,000 shares) to DBI and thereafter transfer the same shares to the joint venture partner.

It therefore appears that there are pending proceedings against DBSA. However, no orders appear to have been passed against DBSA in this regard, which are in force. DBSA is not in management of DBI or DBPL and ABE does not make any declaration or representation in relation to the affairs of DBI or DBPL or pendency of any proceedings against DBI or DBPL.

The Promoter of DBI has threatened to use the "ELECTROLUX" name and trademark for which ABE would adopt proceedings as advised.

The above is not likely to affect EKL in any respect and/or its current Rights Issue.

(ii) Eureka Forbes Limited

On January 26, 1982 Osborn Tools Manufacturing Private Limited, an associate company of ABE entered into a Joint Venture Agreement with Forbes, Forbes, Campbell & Co Limited for promoting a joint venture company, which was subsequently incorporated as Eureka Forbes Limited. ABE and Eureka Forbes Limited are in dispute on the ownership of the trademark AQUA GUARD in India.

An application for rectification (No. BOM 81532) was filed by ABE against Eureka Forbes Limited before the Trade Mark Registry in Mumbai for cancellation of the registration of registered mark no. 571897B in Class 11 registered in the name of Eureka Forbes Limited for the trademark AQUA GUARD.

An application for rectification No. CAL 106482 was filed by Eureka Forbes Limited against ABE before the Trade Mark Registry in Kolkata for cancellation of the registration of registered mark no. 371464B in Class 11 registered in the name of ABE for the trademark AQUA GUARD.

Status:

Mumbai

An order dated December 5, 2003 has been passed in the Application for Rectification No. BOM 81532 by the Trade Mark Registry in Mumbai in favour of Eureka Forbes Limited. ABE has filed an appeal with the Intellectual Property Appellate Board against this order on March 3, 2004.

Kolkata

The application for rectification No. CAL 106482 is still pending before the Trade Mark Registry in Kolkata.

The dispute is not likely to affect EKL in any respect and /or its current Rights Issue.

(iii) Harish Kumar litigations

On May 29, 2003, Harish Kumar and his associates filed an application under Section 392 of the Companies Act, 1956

("Companies Act") against EKL before the High Court of Delhi (Company Application No. 685-687 of 2003 in Company Petition No. 218 of 2001) before the High Court of Delhi *inter alia* alleging that ABE had sought the consent of the shareholders of EKL for the merger between EKL, Electrolux India Limited (EIL) and Intron Limited (IL) in 2001, by making misrepresentations to the shareholders of EKL at the time of the merger. Harish Kumar and his associates have *inter alia* alleged that the merger has eroded shareholder value and has allowed consolidation of ABE's holding in EKL which holding is being used by ABE to gain absolute control of EKL to the complete disregard of minority interests. The Application prays for the Court to direct EKL to submit a report on the working of the Scheme of Amalgamation between EIL, IL and EKL ("Scheme").

In addition to the main application Harish Kumar and his associates have filed several other applications in the main application under Section 392 of the Companies Act namely:

i. An interim application in the main application (Company Application No. 685- 687of 2003 in Company Petition No. 218 of 2001): In this application, it was prayed that pending consideration of the report on the working of the Scheme, the Court should pass appropriate directions restraining EKL from disposing off or alienating or encumbering or creating any third party rights, in respect of any of its assets or in any manner altering the capital structure of EKL.

ii. An application in respect of the Nandalur Plant of EKL (Company Application No. 915 of 2003 in Company Application Nos. 685-687 of 2003 in Company Petition No. 218 of 2001): In this application, Harish Kumar and his associates have prayed for appropriate directions to be passed restraining the Board of Directors of EKL from passing or giving effect to any resolution disposing off or alienating or encumbering or creating any third party rights, in respect of any of the fixed and movable assets, including any of the plants specified in the application; and

iii. An application in respect of the Sanathnagar Plant of EKL (Company Application No.1191 of 2003 in Company Application Nos. 685-687 of 2003 in Company Petition No. 218 of 2001): This application contains prayers for the Court to pass appropriate directions restraining EKL from disposing off or alienating or encumbering or creating any third party rights in respect of any of the fixed and movable assets at the Sanathnagar Plant.

Status: The matters have been listed on several occasions before the High Court of Delhi. However, there has been no interim or restraining order issued against EKL. The matters have now been posted for hearing before the High Court of Delhi on May 25, 2004.

A perjury application (Criminal Application No. 3 of 2003 in Company applications No. 685-687 of 2003 in Company Petition No. 218 of 2001) has been filed against Mr. Rajeev Karwal, Managing Director of EKL under Section 340 read with Section 190 of the Code of Criminal Procedure in relation to alleged misstatements in relation to the rounding off of certain figures qua the 1999 rights issue of the Company made in the Counter Affidavit dated July 14, 2003 filed on behalf of EKL in the Company Application No. 686 of 2003 in Company Petition No. 218 of 2001. It has been alleged that Mr. Karwal has intentionally sworne a false affidavit and therefore should be punished for the offence of perjury. The matter has been listed on several occasions before the High Court of Delhi. However no notice has been issued in respect of the application. The perjury application has been filed against Mr. Rajeev Karwal in his personal capacity. The offence of perjury is punishable under Code of Criminal Procedure, 1973 and a person if convicted of the offence may be liable to imprisonment for a term 7 years or upwards. The perjury application has no direct implications on the Company.

Further, Harish Kumar and his associates and one Mr. Balraj Malhotra had, on June 17, 2003, filed two petitions before the Company Law Board ("CLB") in Delhi. In the said petitions, besides EKL and ABE, the SEBI has also been impleaded as a party. The details of the said petitions are as follows:

i. A petition under Sections 397-398 of the Companies Act (Company Petition No. 57 of 2003) *inter alia* alleging acts of oppression and mismanagement. The said petition prays for the CLB to issue appropriate directions under the said sections. The said petition also alleges that ABE has been in violation of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1994 ("Takeover Code of 1994") in relation to the preferential allotment of shares to ABE which took place in 1995 for which SEBI had initiated an inquiry. Further it has also been alleged that EKL was illegally allowed to proceed with the rights issue which took place in 1997 despite the said breaches of the Takeover Code of 1994 and the pending inquiry by SEBI. As regards the rights issue which took place in 1999, it has been alleged that the said rights issue was oversubscribed and despite the over-subscription, ABE increased its shareholding in EKL and therefore acquired shares in excess of its entitlement without making a public offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. The interim reliefs prayed for in the petition are as follows:

   a. The CLB should pass appropriate directions restraining EKL from disposing off or alienating or encumbering or creating any third party rights in respect of any of its assets or in any manner altering the capital structure of EKL;

   b. The CLB should appoint nominee directors on the Board of EKL to ensure the protection of the rights of the minority shareholders;

   c. A direction to be issued to SEBI restraining it from approving the draft Letter of Offer for the proposed Rights Issue submitted by EKL and ABE; and

   d. The CLB should pass directions restraining EKL and ABE from passing any resolution to retire/remove Anita Kumar as a director of EKL.

ii. A Petition under Section 250 of the Companies Act (Company Petition No. 58 of 2003): The said petition also alleges that ABE has been in violation of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1994 ("Takeover Code of 1994") in relation to the preferential allotment of shares to ABE which took place in 1995 for which SEBI had initiated an inquiry. Further it has also been alleged that EKL was illegally allowed to proceed with the rights issue which took place in 1997 despite the said breaches of the Takeover Code of 1994 and the pending inquiry by SEBI. As regards the rights issue which took place in 1999, it has been alleged that the said rights issue was oversubscribed and despite the over-subscription, ABE increased its shareholding in EKL and therefore acquired shares in excess of its entitlement without making a public offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. In the said petition Harish Kumar and his associates have prayed that appropriate directions under Section 250 of the Companies Act be passed by the CLB so that an investigation for the purpose of determination of the true persons, who are or have been financially interested in the failure, whether real or apparent, of EKL after the Scheme, by having been able to control and materially influence the policies of EKL. The said petition also contains prayers for certain interim reliefs, namely:

   a. Directions be passed that no voting rights be exercisable in respect of the shares allotted pursuant to the Scheme;

b. Directions be passed that no further shares would be issued in the right of the shares allotted pursuant to the Scheme and that any issue of such shares or any transfer of the right to be issued therewith is declared void; and

c. A direction to be issued to SEBI restraining it from approving the draft Letter of Offer for the proposed Rights Issue submitted by EKL and ABE;

In addition, Harish Kumar's wife, Anita Kumar who was a director of EKL till June 25, 2003 also filed a Company Petition under Section 409 (Company Petition No. 59 of 2003) of the Companies Act before the CLB on June 17, 2003. The said petition also alleges that ABE has been in violation of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1994 ("Takeover Code of 1994") in relation to the preferential allotment of shares to ABE which took place in 1995 for which SEBI had initiated an inquiry. Further it has also been alleged that EKL was illegally allowed to proceed with the rights issue which took place in 1997 despite the said breaches of the Takeover Code of 1994 and the pending inquiry by SEBI. As regards the rights issue which took place in 1999, it has been alleged that the said rights issue was oversubscribed and despite the over-subscription, ABE increased its shareholding in EKL and therefore acquired shares in excess of its entitlement without making a public offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. The said petition prayed for an order restraining EKL and ABE from passing or giving effect to the resolutions proposed at the Annual General Meeting that the vacancy caused by the retirement by rotation of Mrs. Anita Kumar, who had not offered herself for re-appointment be not filled. The following interim reliefs were also prayed for:

a. Directions should be passed restraining EKL and ABE from passing any resolution to retire/remove Anita Kumar as a director of EKL; and

b. Directions should be passed restraining SEBI from approving the Letter of Offer for the Rights Issue.

Status; The CLB by way of its order dated June 18, 2003 has declined to grant any interim reliefs prayed for by the Petitioners (Harish Kumar and his associates and Mrs Anita Kumar) in the aforesaid petitions filed before the CLB. In view of the same, Harish Kumar and his associates also filed appeals in the High Court of Delhi against the order of the CLB dated June 18, 2003 wherein the CLB had declined to grant any interim reliefs in the aforesaid petitions. On July 28, 2003, the High Court disposed off the Company Appeals with a direction to the CLB to dispose off the petitions as and when they would be listed.

Harish Kumar and his associates and Mrs. Anita Kumar had filed fresh applications in relation to the aforesaid petitions on August 19, 2003 essentially asking for the CLB to issue a notice to SEBI. The CLB had on September 10, 2003, passed an order wherein it was of the view that SEBI is a 'necessary' party to the said petitions and issued notice to SEBI. The said order clarified that in light of regulation 22 of the Company Law Board Regulations, 1991, it would be open to SEBI to participate in the proceedings or not. On November 21, 2003, the Counsel appearing for SEBI sought time to file their reply and accordingly the matters were adjourned. The final hearing of the petitions was scheduled on January 8 and 9, 2004. The matter came up for hearing before the CLB on January 8, 2004 and by mutual consent of the parties, the matter has been adjourned to March 11 and 12, 2004.

On November 15, 2003 Harish Kumar and Anita Kumar filed a Civil Writ Petition (Civil Writ Petition No. 7780 of 2003) before the High Court of Delhi against the Union of India, SEBI, EKL and ABE, *inter alia*, challenging the validity of the SEBI (Delisting of Securities) Guidelines, 2003 ("Delisting Guidelines") on the ground that they provide a discriminatory mechanism in the case of delisting pursuant to a rights issue. Harish Kumar has also prayed for an order quashing the letter dated December 24, 2002 wherein SEBI had permitted ABE to acquire the unsubscribed portion of the Rights Issue and within 6 months of completion of the rights issue to either offload the equity shares so that the non-promoter shareholding is minimum 25% or to buy out the remaining shares at the price of the rights issue resulting in a delisting of shares of EKL in terms of the Delisting Guidelines. In addition, Harish Kumar has also tabled certain non-compliances with the applicable law in relation to the allotment of shares to ABE by way of a preferential allotment in 1994 and the rights issue of EKL in 1999. It has been alleged that ABE had violated the provisions of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1994 ("Takeover Code of 1994") in relation to the preferential allotment of shares to ABE which took place in 1994 for which SEBI had initiated an inquiry. Further it has also been alleged that EKL was illegally allowed to proceed with the rights issue which took place in 1997 despite the said breaches of the Takeover Code of 1994 and the pending inquiry by SEBI. As regards the rights issue which took place in 1999, it has been alleged that the said rights issue was oversubscribed and despite the over-subscription, ABE increased its shareholding in EKL and therefore acquired shares in excess of its entitlement without making a public offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. However the Petition does not contain any specific prayers in relation to the alleged breaches of the Takeover Code. In the interim, Harish Kumar has filed an Application (Civil Miscellaneous Application No. 13080 of 2003) praying for a stay of the operation of the said letter dated December 24, 2002 and also for an order restraining SEBI from giving effect to the provisions of the Delisting Guidelines and approving the Letter of Offer that has been filed by EKL.

Status: The matter was listed before the High Court of Delhi on December 11, 2003 wherein the counsel appearing for SEBI sought time of two weeks to file Counter Affidavit to the Writ Petition which he felt was necessary before finally adjudicating the disputes between the parties, as the Delisting Guidelines under challenge have been formulated by SEBI. Accordingly, by its Order dated December 11, 2003, the High Court of Delhi granted time to SEBI to file their Counter Affidavit and listed the matter for hearing on January 8, 2004. During the hearing on January 8, 2004, SEBI sought time to file a detailed reply. The Court did not pass any order on the prayers of the Petitioner and has directed SEBI to file their reply. The matter was adjourned to January 30, 2004 and subsequently has now been posted for hearing before the High Court of Delhi on March 16, 2004.

Other litigations:

There is an opposition no. BOM 53134 filed by AB Electrolux against application no. 560541 in class 7 for the mark "ELECTREX" in the name of Electrex (India) Limited. The matter is pending before the Trademark Registry, Mumbai. Evidence in support of application has been filed by M/s Electrex (India) Limited.

Potential adverse effect of any proceedings on the financial performance of EKL: Please refer to "Harish Kumar Litigations".

Details of the proceedings of litigations / disputes/ penalties known to be contemplated by the Governmental authorities: None is believed as per ABE's knowledge but please refer to SEBI's involvement in the "Harish Kumar Litigations".

ABE has not defaulted in meeting statutory dues, institutional dues and dues towards debenture holders, fixed deposit holders etc. in respect of its operations in India and that there are no outstanding litigations including disputed tax liabilities of any nature and civil/ criminal prosecution launched against ABE for any alleged offences including under the enactments specified in Para 1 of Part I of Schedule XIII of the Act pertaining to matters likely to affect the operations and finances of Electrolux Kelvinator Limited other than those stated elsewhere in this Letter of Offer. Further, neither ABE nor any of the Promoter Group companies in India have been detained as willful defaulters by RBI / Government authorities and there are no violation of securities laws committed by them in the past or pending against them.

Key Management:

Board of directors:

Rune Anderson (Chairman), Peggy Bruzelius, Thomas Halvorsen, Louis R. Hughes, Hans Straberg (President and CEO), Barbara Thoralfsson, Michael Treschow, Karel Vuursteen and Jacob Wallenberg (Deputy Chairman).

Employee representative members are Ulf Carlsson, Bert Gustafsson, Annika Ögren, Malin Björnberg (Deputy Member), Mats Ekblad (Deputy Member) and Ola Bertilsson (Deputy Member).

Share information:

AB Electrolux is listed on the Stockholm Stock Exchange, London Stock Exchange and NASDAQ. As of December 31, 2002 around 51% of the share capital of the Company was held by Swedish institutions and mutual funds, about 9% by private Swedish investors and the balance shares were held by investors in rest of the world.

The table below shows the share trading information:

A-shares:

Highest market price during the preceding six months:	SEK 185	September 2, 2003
Lowest market price during the preceding six months:	SEK 150.50	November 5, 2003

B-shares:

Highest closing price	SEK 191	Sep. 3, 2003
Highest trading price	SEK 194.50	Sep. 3, 2003
Lowest closing price	SEK 152	Dec. 17, 2003
Lowest trading price	SEK 151.50	Dec. 17 and 18, 2003

Changes in the capital structure during the preceding six months: ABE has bought back 5,676,128 B-shares for a total amount of approx. SEK 895m. The net debt/equity ratio has moved from 20% to 5% between June 30, 2003 and Sep. 30, 2003.

Promoter holdings:

ABE holds Equity Shares in EKL constituting 75.96% of the issued Equity Capital.

Collaborators

The Company entered into a Technical Collaboration with ABE on December 14, 1996. Subsequently, ABE vide its letter dated July 31, 2002, agreed for suspension of payment of 5% royalty under the abovesaid agreement, for the period commencing from January 1, 2002 to December 14, 2004. The salient features of the Technical Collaboration agreement dated December 14, 1996 are given below:

- EKL at their expense, shall with the prior written approval of ABE, procure and maintain patents in India on such inventions and improvements made by EKL as EKL may choose. ABE shall also have the right to use the inventions and improvements made by EKL. ABE may, in its sole discretion, and at its own expense, procure and maintain patents covering such inventions and improvements in all countries outside India and shall take full title to such patents so procured by ABE outside India.

- EKL shall manufacture the products in strict accordance with the said know-how; the standard of quality embodied therein or as may be set from time to time by ABE. To ensure the performance of this provision, ABE shall have the right to inspect at reasonable intervals and during business hours the facilities of EKL devoted to the manufacture of the said products.

- Subject to other provisions of the Agreement, ABE has granted EKL:
  - A non-exclusive licence to make in India the products by the use of any or all of ABE's know-how.
  - A non-exclusive licence to use and sell the said products throughout the world.

- In consideration of ABE having agreed to disclose to EKL the latest method of manufacture of the products and other processes and having further agreed to supply technical advice and data, EKL agrees to pay subject to tax, a sum of INR 50 Million.

- EKL further agrees to pay to ABE a royalty of 5% (five per cent) of the net selling price of the products covered by the Agreement for a period of 8 years from the date of execution of the Agreement. The net selling price would mean the ex-factory sale price of the Produce exclusive of Excise Duties, minus the cost of the standard bought out components and the landed cost of imported components irrespective of the source of procurement, including ocean freight, insurance, custom duties etc. Such royalty payments are subject to Indian taxes. As stated above, ABE has since then agreed to suspend the royalty payments for the period commencing from January 1, 2002 to December 14, 2004.

- The agreement shall remain effective for a period ending 8 years from the date the agreement is taken on record by the Government of India. Upon the expiration of the agreement, the know-how therefore, delivered to EKL shall remain its property for its full and free use thereof.

Subject to the approval of the Indian Government, the agreement may be renewed in whole or in part for further period by mutual agreement.

Other details of the Collaborator:

Place of registration	Stockholm
Year of incorporation	1919
Issued share capital – December 31, 2002	SEK 1,694 million
Turnover of the last financial year of operation – December 31, 2002	Consolidated turnover of SEK 133,150 million and Income after financial items SEK 7,545 million.

Other Ventures of the Promoter (in India):

In addition to EKL, ABE has interest in the following ventures in India that can be classified as companies under the same management in terms of Section 370 (1B) of the Companies Act, 1956:

Name of the company	Nature of Activities
Eureka Forbes Limited (EFL)	Main business activity is marketing of vacuum cleaners, water filter cum purifiers, electronic air cleaning systems, security systems, small household appliances and other commercial / industrial cleaning systems
Aquamall Water Solutions Limited (AWSL) - Wholly owned subsidiary of EFL	Manufacture and sale of Water Filter-cum-Purifier and range of water related products.
Forbes Aquamall Ltd. (FAQL) – Wholly owned subsidiary of Aquamall Water Solutions Limited.	Manufacture and sale of Water Filter-cum-Purifiers.

On July 8, 2002, ABE acquired Diamant Boart International SA ("DBISA"), a Belgian company carrying on the business of manufacture of various kinds of diamond tools and machines. ABE is investigating the files of DBISA's wholly-owned subsidiary Diamant Boart SA ("DBSA") with respect to its previous investments in India. DBSA had a certain equity stake in two Indian companies called Diamant Boart India Private Limited ("DBI") and Diamant Boart Petroleum India Private Limited ("DBPL") which stakes in the opinion of DBSA have been divested in favour of its Indian joint venture partner. This is being contested by the former joint venture partner, who has made various allegations against DBSA and its officers to different Indian governmental and police authorities and claims that DBI is still a subsidiary of DBSA. All such allegations that have been tried, have been dismissed as unfounded. DBSA has maintained that its shareholding in DBI has been effectively divested.

A suit is pending before the High Court of Bombay for specific performance of the transfer of DBSA's stake in DBI to the former joint venture partner. Said suit became infructuous in 2001 in view of the fact that RBI and FIPB granted their approvals of the transfer and that DBSA pursuant to a settlement reached between the parties has handed over share certificates (13,625 shares) and share transfer deed to the advocate of the joint venture partner and has requested issue of duplicate share certificates (19,000 shares) to DBI and thereafter transfer the same shares to the joint venture partner.

It therefore appears that there are pending proceedings against DBSA. However, no orders appear to have been passed against DBSA in this regard, which are in force. DBSA is not in management of DBI or DBPL and ABE does not make any declaration or representation in relation to the affairs of DBI or DBPL or pendency of any proceedings against DBI or DBPL.

The Promoter of DBI has threatened to use the "ELECTROLUX" name and trademark for which ABE would adopt proceedings as advised.

The above is not likely to affect EKL in any respect and/or its current Rights Issue.

Eureka Forbes Limited (EFL):

EFL is a 40 : 60 Joint Venture between ABE and Forbes Gokak Limited (FGL) of Shapoorji Pallonji group and is engaged in the marketing of vacuum cleaners, water filters cum purifiers, electronic air cleaning systems, security systems and small household appliances.

EFL is Asia's largest direct sales company. EFL, which pioneered the concept of direct sales in health and hygiene products, started from a single office and ten field representatives in 1982; today it operates from 136 customer response centres covering 98 towns with over 3,900 sales personnel. It also has a 2,500 strong dealer network throughout the nation catering to over 3 million retail consumers and over 20,000 industrial customers.

The company markets its products under various brand names - Tornado and Euroclean (Vacuum Cleaners); Pureguard, Aquaguard and Forbes Aquaflo (Water Purifiers); Euroair (Air Purifier); Forbes (home appliances products) and EuroVigil (Security Systems)

Details of Eureka Forbes Limited and select information from the audited financials for the year ended March 31, 2003.

Date of Incorporation	February 10, 1982
Nature of activities	EFL's main business activity is marketing of vacuum cleaners, water filter cum purifiers, electronic air cleaning systems, security systems, small household appliances and other commercial / industrial cleaning systems.
Equity Capital	Authorised: 1,50,00,000 Equity Shares of Rs. 10/- each
Date of Incorporation	February 10, 1982
	Paid Up: 49,50,000 Equity Shares of Rs.10/- each amounting to Rs.495 Lacs
Reserves (excluding revaluation reserves)	Rs. 6,777.35 Lacs
Sales and Other Income	Rs. 44,237.45 Lacs
Profit after Tax	Rs. 1,454.01 Lacs
Earnings per share	Rs. 29/-
Net Asset Value (per share)	Rs. 147/-

Details of issues made in the last 3 years: EFL has not made any public or rights issue during the previous three years

Stock Market Data: Eureka Forbes Limited is not listed on the Stock Exchanges.

Financial highlights for the preceding three years:

Rupees in Lacs

	2002-03	2001-02	2000-01
Equity Capital	495.00	495.00	495.00
Reserves	6777.35	5323.34	4915.59
Total Debt	185.36	1.32	1.69
Gross Fixed Assets	3516.13	2991.97	2582.54
Total Assets	7491.35	5877.62	5412.28
Total Revenues	44237.45	39899.36	35698.04
PBDIT	2849.13	2602.55	2412.47
Depreciation	483.51	435.14	339.21
Interest	25.93	10.72	19.96
PBT	2339.69	2156.69	2053.30
Tax	885.68	580.82	800.00
PAT	1454.01	1575.86	1253.30
EPS (Rs)	29.37	31.84	25.32
Dividend per share (Rs)	-	20.00	8.50

Important/significant notes of auditor as mentioned in the Auditors Report:

Loans and Advances include Rs. 83.28 Lacs (previous year Rs. 117.65 Lacs) which is overdue but recoverable since the Arbitrators' award is in favour of the company for recovery of this amount. No provision has been made in the accounts for this outstanding advance amount pending initiation of recovery proceedings.

Aquamall Water Solutions Ltd.

AWSL was incorporated in the year 1980 and commenced production of Water Filter-cum-Purifier (WFCP) at its factory located at Sanathnagar, Hyderabad, Andhra Pradesh in 1981-82.

In 1983, AWSL became a subsidiary of Eureka Forbes Limited (EFL). AWSL markets its products through EFL.

In the year 1989-90, AWSL as a part of its expansion programme, established its second factory at an industrially backward area, Bhimtal, Dist. Nainital in the state of Uttar Pradesh.

In order to meet the growing market demand in both local and export markets and to develop other new products in the areas of water purification systems, AWSL as part of its expansion programme acquired 19,002 square meters of land on lease from KIADB to establish a third factory at Bommasandra, Bangalore. The company commenced commercial production on March 26, 1998.

Stock Market Data – AWSL is an unlisted wholly owned subsidiary of EFL

Details of AWSL and the audited financials for the year ended March 31, 2003.

Date of Incorporation	November 27, 1980
Nature of activities	Manufacture and sale of Water Filter Cum Purifier, Water Cooler and other Products.
Equity capital	Authorised: 50,00,000 equity shares of Rs. 10/- eachPaid Up: 20,00,080 equity shares of Rs. 10/- each amounting to Rs. 200.01 Lacs
Reserves (excluding revaluation reserves)	Rs. 2,071.64 Lacs
Sales and other income	Rs. 15,025.70 Lacs
Profit after tax	Rs. 544.83 Lacs
Earnings per share	Rs. 27/-
Net Asset Value (per share)	Rs. 114/-

Financial highlights for the preceding three years:

Rupees in Lacs

	2002-03	2001-02	2000-01
Equity Capital	200.01	200.01	200.01
Reserves	2071.64	1526.81	1307.38
Total Debt	419.75	1328.12	1023.36
Gross Fixed Assets	2179.25	2119.29	1996.41
Total Assets	2691.40	3054.94	2530.74
Total Revenues	15025.70	12443.96	10242.35
PBDIT	1140.02	859.91	940.12
Depreciation	183.35	175.77	176.57
Interest	82.33	166.10	140.89
PBT	874.34	518.02	622.66
Tax	329.51	185.70	256.00
PAT	544.83	332.32	366.66
EPS (Rs)	27.24	16.61	18.40
Dividend per share (Rs)	-	20.00	10.00

Important/significant notes of auditor as mentioned in the Auditors Report: None

Forbes Aquamall Limited (FAQL)

The company is a 100% subsidiary of AWSL. It was incorporated as a public limited company on August 28, 2002 with its registered office and manufacturing unit at Meghalaya. The authorized, issued, subscribed and paid up capital of the company is Rs. 50 Lacs (5,00,000 equity shares of Rs. 10/- each). FAQL started its commercial production on October 30, 2002. FAQL is eligible for all backward area benefits. Presently FAQL manufactures Water Purifiers.

Stock Market Data – FAQL is an unlisted wholly owned subsidiary of AWSL

Details of FAQL and the audited financials for the year ended March 31, 2003.

Date of Incorporation	August 28, 2002
Nature of activities	Manufacture and sale of Water Filter Cum Purifier, Water Cooler and other Products.
Equity capital	Authorised: 5,00,000 equity shares of Rs. 10/- eachPaid Up: 5,00,000 equity shares of Rs. 10/- each amounting to Rs. 50.00 Lacs
Reserves (excluding revaluation reserves)	Rs. 30.14 Lacs
Sales and other income	Rs. 369.99 Lacs
Profit after tax	Rs. 30.14 Lacs
Date of Incorporation	August 28, 2002
Earnings per share	Rs. 6/-
Net Asset Value (per share)	Rs. 16/-

Financial highlights for the preceding three years:

Rupees in Lacs

	2002-03	2001-02	2000-01
Equity Capital	50.00	-	-
Reserves	30.14	-	-
Total Debt	40.00	-	-
Gross Fixed Assets	34.66	-	-
Total Assets	120.14	-	-

Rupees in Lacs

	2002-03	2001-02	2000-01
Total Revenues	369.98	-	-
PBDIT	34.61	-	-
Depreciation	3.69	-	-
Interest	0.78	-	-
PBT	30.14	-	-
Tax	-	-	-
PAT	30.14	-	-
EPS (Rs)	6.03	-	-
Dividend per share (Rs)	-	-	-

Note: 2002-03 is the first year of operation.

Important/significant notes of auditor as mentioned in the Auditors Report: None

EFL, AWSL, have no commercial business/ investment association with the Issuer Company except as disclosed on page no. xiv.

ABE and Directors of ABE may be deemed to be interested in the Company to the extent of their shareholding in the Company. Further, ABE may also be deemed to be interested in the Company to the extent of the royalty payable for use of trade name and trademarks by the Company in terms of the Technical Collaboration and Trademark Registered User Agreements as mentioned elsewhere in this Letter of Offer.

Besides EFL, EKL, AWSL (100% subsidiary of EFL) and FAQL (100% subsidiary of AWSL) there are no other ventures/companies promoted by ABE in India. There are no adverse factors related to EFL and AWSL other than those already specified in this offer document. These companies are not sick companies within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985. Financial data on these companies is mentioned in the appropriate place in the document.

The group concerns of ABE, irrespective of their location have no business/investment association with the issuing Company, other than those disclosed in the document. Hence, information pertaining to brief history, activities and financial performance of all these other group concerns (other than Indian concerns – EFL, AWSL and FAQL) of the promoters is not applicable.

Details of outstanding litigations/disputes against group companies in India: Investors are requested to refer to Page no. 79 for the same.

Except for EKL, none of the entities has become a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding up or has become a BIFR company or is having a negative networth.

There are no listed companies in India under the same management within the meaning of Section 370 (1B) which made any capital issue in the last three years.

Names of group companies for which application has been made to the Registrar of Companies for striking off their names: None

VIII. FINANCIAL INFORMATION OF THE COMPANY

Quote

To

The Board of Directors
Electrolux Kelvinator Limited
Global Business Park
2nd and 3rd Floor
Mehrauli – Gurgaon Road
Gurgaon – 122 002
Haryana

Dear Sirs,

We have examined the financial information of Electrolux Kelvinator Limited (" the Company"), as attached to this report stamped and initialled by us for identification and as approved by the Board of Directors of the Company, which has been prepared in accordance with Part II of Schedule II of the Companies Act, 1956 ("the Act") and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ("the Guidelines") issued by the Securities and Exchange Board of India ("SEBI") on January 19, 2000 in pursuance to section 11 of the Securities and Exchange Board of India Act, 1992 and the related Clarifications XIII and XIV issued by SEBI, and in accordance with the instructions dated November 12, 2003 received from the Company requesting us to carry out work in connection with the Offer Document being issued by the Company in connection with its proposed Right Issue of Equity Shares in the Company (referred to as "the Issue").

A. Financial information as per the audited financial statements

We have examined the attached restated Balance Sheets of the Company, as at September 30, 2003, December 31, 2002, December 31, 2001, December 31, 2000 September 30, 1999, and March 31, 1998 (Annexure I) and the attached restated statement of Profit and Loss Account for each of the years/periods ended on those dates (Annexure II), together referred to as "summary statement", read with the adjustments which have been carried out for the purpose of this offer document as set out in Note 1 on Annexure IV below and subject to the non-adjustments/ regroupings as set out in Note 2 on Annexure IV below. We have also examined and found correct the statement of accounts of the Company for the period January 1, 2003 to September 30, 2003 prepared and approved by the Board of Directors of the Company. These summary statements have been extracted from the financial statements for these periods/years audited by us and approved by the Board of Directors/Members for the respective periods/years. Based on our examination of these summary statements we confirm as under:

1. The summary statements of the Company have been restated with retrospective effect to reflect the significant accounting policies of the Company (as disclosed in Annexure III to this report) as adopted by the Company as at September 30, 2003.

2. The material adjustments, qualifications in the auditors' reports and changes in accounting policies relating to previous periods/ years, ***subject to matters reported in Note 2 on Annexure IV***, have been made in the summary statements.

B. Other financial information

We have examined the following financial information relating to the Company, which is proposed to be included in the Offer Document, as approved by you and annexed to this report:

i) Summary of Accounting Ratios based on the adjusted profits relating to earnings per share, net asset value and return on net worth is enclosed in Annexure V

ii) Capitalisation Statement of the Company is enclosed in Annexure VI

iii) Statement on Tax Shelter is enclosed in Annexure VII

iv) Details of items of Other Income is enclosed in Annexure VIII

We confirm that the Company has not paid dividend for any financial year since inception.

In our opinion, the financial information of the Company, as attached to this report as mentioned in paragraphs (A) and (B) above, read with significant accounting policies, after making groupings and adjustments and ***subject to non-adjustment of certain matters as stated in the notes to accounts***, have been prepared in accordance with Part II of Schedule II of the Act and the Guidelines issued by SEBI on January 19, 2000 in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992 and the related clarifications XIII and XIV issued by SEBI.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the Issue of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Yours faithfully,

Anupam Dhawan
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

New Delhi
Date: December 17, 2003

ANNEXURE I

ADJUSTED BALANCE SHEETS

Assets and Liabilities of the Company as at the end of each financial year/period read with significant accounting policies (Refer Annexure III below), after making groupings and adjustments and *subject to non-adjustment of certain matters as stated in notes to accounts (Refer Annexure IV below)*, are set out below:

(Rupees in lacs)

		As at March 31, 1998	As at September 30, 1999	As at December 31, 2000	As at December 31, 2001	As at December 31, 2002	As at September 30, 2003
		12 Months	18 Months	15 Months	12 Months	12 Months	9 Months
					(Rupees in lacs)		
A.	**Fixed Assets:**						
	Gross Block	5,702.65	8,913.82	10,231.25	32,369.36	28,031.70	25,907.33
	Less: Depreciation	(1,030.34)	(2,074.19)	(3,295.15)	(6,033.50)	(8,071.58)	(9,601.73)
	Net Block	4,672.31	6,839.63	6,936.10	26,335.86	19,960.12	16,305.60
	Add: Capital Work in Progress	1,570.73	256.05	398.55	1,211.19	1,734.42	426.30
	Less: Revaluation Reserve	-	-	-	-	-	
	Net Block after adjustment for Revaluation Reserve	**6,243.04**	**7,095.68**	**7,334.65**	**27,547.05**	**21,694.54**	**16,731.90**
B.	**Investments**	**51.00**	**51.00**	**51.00**	**-**	**-**	-
C.	**Current Assets, Loans and Advances:**						
	Inventories	2,602.70	8,160.45	6,646.32	20,365.51	12,835.51	9,229.36
	Sundry Debtors	4,326.11	5,524.90	10,099.73	16,131.87	8,651.81	1,120.69
	Cash and Bank Balances	907.23	308.31	1,159.29	3,351.86	2,308.92	1,851.53
	Loans and Advances	1,534.88	1,564.72	1,724.26	4,612.24	3,676.84	2,360.89
		9,370.92	**15,558.38**	**19,629.60**	**44,461.48**	**27,473.08**	**14,562.47**
D.	**Liabilities and Provision:**						
	Secured Loans	4,463.46	3,341.78	34.77	975.00	-	-
	Unsecured Loans	3,312.06	8,879.02	9,166.98	38,491.05	22,775.85	24,133.47
	Current Liabilities and Provisions	7,332.90	9,186.94	9,501.81	25,029.71	25,461.90	18,079.97
		15,108.42	**21,407.74**	**18,703.56**	**64,495.76**	**48,237.75**	**42,213.44**
E.	Miscellaneous Expenditure to the extent not written off	1,349.39	353.15	143.89	43.66	-	-
F.	**Networth (A+B+C-D+E)**	**1,905.93**	**1,650.47**	**8,455.58**	**7,556.43**	**929.87**	**(10,919.07)**
	Represented by						
	1. Share Capital	6,805.33	6,805.38	13,593.75	22,435.29	37,435.29	37,435.29
	2. Advance against Equity	-	-	-	-	-	-
	3. Share Premium	2,265.25	2,265.25	2,265.25	-	-	-
	4. Reserves and Surplus	15.00	15.00	15.00	15.00	15.00	15.00
	5. Less: Profit and Loss Account	7,179.65	7,435.16	7,418.42	14,893.86	36,520.42	48,369.36
	Networth (1+2+3+4-5)	**1,905.93**	**1,650.47**	**8,455.58**	**7,556.43**	**929.87**	**(10,919.07)**

The accompanying significant accounting policies (Annexure III below) and notes (Annexure IV below) are an integral part of this statement

ANNEXURE II

ADJUSTED PROFIT AND LOSS ACCOUNT

The profit/losses of the Company for five financial years ended December 2002 and nine months ended September 30, 2003, read with significant accounting policies (Refer Annexure III below), after making groupings and adjustments and *subject to non-adjustments of certain matters as stated in notes to the accounts (refer Annexure IV below)* are set out below:

(Rupees in lacs)

	Year ended March 31, 1998	**Period ended September 30, 1999**	**Period ended December 31, 2000**	**Year ended December 31, 2001**	**Year ended December 31, 2002**	**Period ended September 30, 2003**
	12 Months	**18 Months**	**15 Months**	**12 Months**	**12 Months**	**9 Months**
				(Rupees in Lacs)		
Income						
Sales :						
(a) Of products manufactured by the Company	16,410.08	37,617.62	33,955.48	42,263.83	43,715.21	22,520.97
(b) Of products traded in by the Company	3,355.63	4,507.24	3,516.30	4,028.31	3,552.91	1,285.46
Total	**19,765.71**	**42,124.86**	**37,471.78**	**46,292.14**	**47,268.12**	**23,806.43**
Other Income	284.40	833.60	1,117.80	1,755.21	2,621.35	1,569.33
Increase/ (Decrease) in Inventories	1,120.53	5,124.52	(1,641.60)	1,464.51	(6,767.18)	(2,792.62)
Total Income (A)	**21,170.64**	**48,082.98**	**36,947.98**	**49,511.86**	**43,122.29**	**22,583.14**
Expenditure						
Raw Materials and Components Consumed/ Purchases for Resale	13,971.70	27,413.10	18,593.25	27,210.12	24,300.41	12,965.31
Manufacturing Cost	3,087.66	7,731.78	4,942.47	7,934.83	7,390.52	3,870.77
Employee Cost	883.47	1,764.63	1,636.75	5,754.73	6,322.26	3,922.48
Administrative and Other Expenses	1,279.85	2,526.30	1,855.54	3,935.20	3,977.50	2,629.37
Selling & Distribution Cost	1,596.40	5,309.67	7,012.42	12,339.96	11,936.76	5,702.27
Miscellaneous Expenditure written off	769.09	996.24	320.93	100.23	43.67	-
Financial Cost	689.54	1,476.31	1,328.84	3,677.57	2,948.31	1,302.76
Depreciation	515.26	1,120.46	1,235.03	2,831.16	2,852.77	2,087.62
Total Expenditure(B)	**22,792.97**	**48,338.49**	**36,925.23**	**63,783.80**	**59,772.20**	**32,480.58**
Net Profit/ (Loss) before Tax and Exceptional Items	**(1,622.33)**	**(255.51)**	**22.75**	**(14,271.94)**	**(16,649.91)**	**(9,897.44)**
Provision for Tax	-	-	6.00	-	-	-
Net Profit/ (Loss) after Tax but before Exceptional Items	**(1,622.33)**	**(255.51)**	**16.75**	**(14,271.94)**	**(16,649.91)**	**(9,897.44)**
Exceptional Items (Net) (Refer Note 23 on Notes to the Accounts)	**-**	**-**	**-**	**-**	**4,976.65**	**1,951.50**
Net Profit/ (Loss) after Exceptional Items	**(1,622.33)**	**(255.51)**	**16.75**	**(14,271.94)**	**(21,626.56)**	**(11,848.94)**
Carry Forward Loss from Previous Year	**(5,557.32)**	**(7,179.65)**	**(7,435.16)**	**(7,418.42)**	**(14,893.86)**	**(36,520.42)**
Amalgamation adjustment (Refer Note 19 (iv) on Notes to the Accounts)	**-**	**-**	**-**	**6,796.50**	**-**	**-**
Loss Transferred to the Balance Sheet	**(7,179.65)**	**(7,435.16)**	**(7,418.42)**	**(14,893.86)**	**(36,520.42)**	**(48,369.36)**

The accompanying significant accounting policies (Annexure III below) and notes (Annexure IV below) are an integral part of this statement

ANNEXURE - III

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. HISTORICAL COST CONVENTION

The accounts have been prepared on the historical cost basis in accordance with the requirements of the applicable mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provision of the Companies Act, 1956.

2. FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at cost of acquisition. “Cost” comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use and includes pre-operative expenses and financing costs attributable to construction or acquisition of fixed assets upto the period when the assets are ready to be put to commercial use.

Depreciation is provided on the straight-line basis at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956. Leasehold land is amortized over the lease period.

Technical know-how allocable to plans, drawings and designs included under plant and machinery is amortized over a period of five years.

Goodwill arising on amalgamation is amortized over a period of five years.

Fixed Assets costing upto Rs. 5,000 each are depreciated fully in the year of purchase.

(Also refer to note 11 below)

3. GRANTS

Revenue Grant is recognised as income over the period necessary to match it on a systematic basis to the cost which it is intended to compensate. Where grant relates to an asset, its value is deducted in arriving at the carrying amount of the related asset.

4. INVENTORIES

Inventories are stated at lower of cost and net realizable value, except Stores and Spares and Loose Tools, which are stated at cost. Cost is determined on a weighted average basis. Cost of Work-in-Progress and Finished Goods includes an appropriate portion of allocable overheads.

Provision for obsolescence is made wherever necessary.

5. REVENUE RECOGNITION

Revenue from sales is recognized on completion of sale of goods.

Maintenance service charges are invoiced at the time of sale of goods, and are recognized as revenue over the maintenance period.

Sales are stated gross of excise and net of trade discounts, sales return and sales tax.

6. MISCELLANEOUS EXPENDITURE

Rights issue expenses are amortized over a period of three years from the year the shares are allotted.

Technical know-how allocable to products and processes is amortized over a period of five years.

7. RETIREMENT AND RELATED EMPLOYEE BENEFITS

Gratuity and leave encashment are provided for as per actuarial valuation as at the year end.

8. WARRANTY

Provision for the estimated liability in respect of warranty is made in the year in which the revenues are recognised, based on technical evaluation.

9. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction.

Exchange differences arising on foreign currency transactions settled during the year are recognised in the Profit and Loss Account for the year, other than exchange differences relating to the liabilities for the acquisition of fixed assets that are adjusted to the cost of related fixed assets. All monetary items denominated in the foreign currency are translated at exchange rates prevailing on the balance sheet date. The resultant exchange differences are recognised in the Profit and Loss Account for the year, other than exchange difference related to the liabilities for acquisition of fixed assets that are adjusted to the cost of fixed assets.

In the case of forward contract, the difference between the forward rate and the exchange rate on the date of the transaction is recognised in the Profit and Loss Account over the life of the contract, except in the case of liabilities relating to the acquisition of fixed assets, which are adjusted to the carrying cost of fixed assets.

10. RESEARCH AND DEVELOPMENT

Equipment purchased for research and development is capitalized when commissioned, and included in the gross block of fixed assets. Revenue expenditure on research and development is charged in the period in which it is incurred.

11. ACCOUNTING FOR LEASES

Where the company is a lessee

Operating Leases: Rentals in respect of all operating leases are charged to the Profit & Loss account.

Finance Leases: Rentals in respect of all finance leases entered before 1st April, 2001 are charged to the Profit & Loss account

In accordance with Accounting Standard-19 on “Accounting for Leases” issued by Institute of Chartered Accountants of India, assets acquired under finance lease on or after 1st April, 2001, are capitalised at the lower of the their fair value and present value of the minimum lease payments and are disclosed as ‘Leased Assets’

12. TAXATION

Provision for Income Tax, comprising current tax and deferred tax, is made on the basis of the results of the year.

In accordance with Accounting Standard 22 – ‘Accounting for Taxes on Income’ issued by the Institute of Chartered Accountants of India, deferred tax assets arising from temporary timing differences are recognized to the extent there is a reasonable certainty that the assets can be realized in future.

ANNEXURE IV

NOTES TO THE SUMMARY STATEMENT

1. **Changes in Accounting Policies during the last 5 years / periods (Adjusted as per SEBI clarification)**

YEAR / PERIOD ENDED	CHANGE
March 31, 1998	No change in Accounting Policy over the previous year / period.
September 30, 1999	No change in Accounting Policy over the previous year / period.
December 31, 2000	**(I) Customs and Excise Duties:** The Company has changed its accounting policy relating to accounting of customs and excise duties from " on clearance" basis in the previous year to "accrual" basis, to conform to the mandatory Accounting Standard – 2 "Valuation of Inventories" issued by the Institute of Chartered Accountants of India. The above change does not have any impact on the net profit for the years/periods. (a) Manufacturing Cost is higher by Rs. 23.01 lacs for the year ended March 1998. (b) Raw materials and Components Consumed/ Purchase for Resale is higher by Rs. 150.11 lacs and Rs. 183.11 lacs for the years/period ended March 1998 and September 1999 respectively. (c) Inventory and Current Liabilities are higher by Rs. 173.12 lacs and Rs. 183.11 lacs for the years/period ended March 1998 and September 1999 respectively.
	(II) Sales: The Company has changed its accounting policy relating to Sales being earlier stated "Gross of excise and discount and net of sales tax" to "Gross of excise and net of discounts and sales tax". The above change does not have any impact on the net profit for the years/periods. Sales and Selling and Distribution Costs are lower by Rs. 1,737.24 lacs and Rs. 2,689.15 lacs for the years/ period ended March 1998 and September 1999 respectively.
December 31, 2001	**(I) Finance Leases** In view of Accounting Standard – 19 "Accounting for Leases" issued by the Institute of Chartered Accountants of India, in case of finance leases entered into on or after April 1, 2001, the Company has capitalized and charged depreciation on certain assets. Accordingly, finance leases for the previous years have been restated. The impact of the same over different period is as under: (a) Depreciation is higher by Rs. 0.27 lacs; Rs. 5.59 lacs; Rs. 5.59 lacs and Rs. 4.36 lacs for the year/ period ended December 2000, December 2001, December 2002 and September 2003 respectively. (b) Interest is higher by Rs. 0.15 lacs; Rs. 2.98 lacs; Rs. 1.87 lacs and Rs. 0.61 lacs for the year/ period ended December 2000, December 2001, December 2002 and September 2003 respectively. (c) Lease rental is lower by Rs. 0.69 lacs, Rs. 13.84 lacs; Rs. 13.84 lacs and Rs. 10.38 lacs for the year/ period ended December 2000, December 2001, December 2002 and September 2003 respectively. (d) Net Block of Fixed Assets is higher by Rs. 10.68 lacs; Rs. 29.99 lacs; Rs. 24.39 lacs and Rs. 20.04 lacs for the year/ period ended December 2000, December 2001, December 2002 and September 2003 respectively. (e) Current Liabilities are higher by Rs. 11.10 lacs, Rs. 24.45 lacs; Rs. 12.49 lacs and Rs. 2.72 lacs for the year/ period ended December 2000, December 2001, December 2002 and September 2003 respectively.
December 31, 2002	No change in Accounting Policy over the previous year / period.
September 30, 2003	No change in Accounting Policy over the previous year / period.

2. **Non Adjustment/Regroupings**

A. **Change in Accounting Policies**

(i) No adjustments have been made to earlier accounts for changes in accounting policy in the year ended December 31, 2001 relating to the method of valuation of inventory of the Company from First In First Out to Weighted Average Cost basis, the impact of which is not material.

B. Qualifications in the Auditors' Report

(i) In respect of the period ended September 30, 2003, regarding old balances appearing under ' Advance Sales Tax', reconciliation of which is under progress. However, as an abundant caution the Company has provided for an amount of Rs. 150 lacs.

(ii) In respect of the period ended September 30, 2003, regarding preparation of accounts on a going concern basis. The accumulated losses of the Company as at September 30, 2003 have exceeded the net worth of the Company and therefore, the Board of Directors of the Company have decided to make necessary filings / reportings with the relevant regulatory authorities in accordance with the applicable laws. Further, as indicated by the Company, to maintain future viability of operations, certain management initiatives are required which will require substantial outlay of funds. We are unable to comment on the appropriateness of the going concern assumption as the same is dependent upon the proposed rights issue and/or continued financial support of AB Electrolux, Sweden, which is currently not certain.

(iii) a) In respect of the year/ period ended December 31, 2001 and December 31, 2002, regarding pending registration of the conveyance deed and other legal formalities, clear title of the Company in respect of certain land and buildings aggregating Rs. 2,276.98 lacs and Rs. 2,213.46 lacs respectively (net book value) is not established. Further, in view of the Board of Directors' approval, in August 2003, to the closure of Nandalur Plant, the impact of the Company not having a clear title on the subsequent disposal of these immovable assets cannot be estimated at this stage.

b) In respect of the period ended September 30, 2003, the Company has after the closure of Nandalur Plant fully written down the value of the related Land and Building amounting to Rs. 2,165.81 lacs. In the absence of any valuation report for assessing the net realizable value, we are unable to comment on the appropriateness of the write down and its consequent impact on the carrying value of land and building in the books of account.

3. Details of Share Capital

(Rs. in lacs)

Particulars	**As at March 31, 1998**	**As at September 30, 1999**	**As at December 31, 2000**	**As at December 31, 2001**	**As at December 31, 2002**	**As at September 30, 2003**
Authorised Capital						
Equity Shares of Rs. 10 each	7,000.00	7,000.00	15,000.00	22,500.00	45,000.00	45,000.00
10% Cumulative Redeemable Non Convertible Preference Shares of Rs. 100 each	-	-	-	5,000.00	5,000.00	5,000.00
6% Cumulative Redeemable Non Convertible Preference Shares of Rs. 100 each	-	-	-	-	15,000.00	15,000.00
Issued, Subscribed and fully paid-up						
Equity shares of Rs. 10 each	6,809.56	6,809.56	13,664.12	17,480.29	17,480.29	17,480.29
Less: Rights kept in abeyance	-	-	67.50	45.00	45.00	45.00
Less: Calls in Arrears	4.23	4.18	2.87	- #	- #	- #
	6,805.33	6,805.38	13,593.75	17,435.29@	17,435.29@	17,435.29@
10% Cumulative Redeemable Non Convertible Preference Shares of Rs. 100 each	-	-	-	5,000.00	5,000.00	5,000.00
6% Cumulative Redeemable Non Convertible Preference Shares of Rs. 100 each	-	-	-	-	15,000.00	15,000.00
Total	**6,805.33**	**6,805.38**	**13,593.75**	**22,435.29**	**37,435.29**	**37,435.29**
Of the above, the following shares are held by AB Electrolux, Sweden, the Holding Company:						
Equity Shares of Rs. 10 each	3,800.36	3,800.36	7,737.13	13,244.60	13,244.60	13,244.60
10% Cumulative Redeemable Non Convertible Preference Shares of Rs. 100 each	-	-	-	5,000.00	5,000.00	5,000.00
6% Cumulative Redeemable Non Convertible Preference Shares of Rs. 100 each	-	-	-	-	15,000.00	15,000.00

@ Increase in share capital on amalgamation Rs. 8,372.79 lacs as reduced by reduction in paid-up equity share capital by Rs. 4,531.25 lacs as part of the Scheme of Amalgamation referred to Note 19 below.

Amount adjusted on amalgamation/ reduction as part of the Scheme of Amalgamation referred to Note 19 below.

During the year/ period ending March 31, 1998 and December 31, 2000, the Company has raised equity capital by way of rights issue aggregating to Rs. 3,393.55 lacs and Rs. 6,787.06 lacs respectively.

The terms of redemption of Preference Shares are as under:

(i) 10% Cumulative Redeemable Non-Convertible Preference Shares are redeemable at par on 19.12.2007. These Preference Shares carry put and call option for redemption at the end of 19.12.2003, 19.12.2004, 19.12.2005 and 19.12.2006, subject to notice period of three months prior to the due date of redemption.

(ii) 6% Cumulative Redeemable Non-Convertible Preference Shares are redeemable at par on 16.12.2007. These Preference Shares carry put and call option for redemption, which can be exercised at any time on or after 16.03.2003.

4. Schedule of Unsecured Loans as at September 30, 2003

(Rs. in lacs)

	Name of Institute	**Outstanding**	**Rate of Interest**	**Repayment Schedule**
A	**External Commercial Borrowings**			
	AB Electrolux, Sweden, the Holding Company	9,604.00	10.27	October 2004
C	**Short Term Demand Loans**			
	Citibank	7,500.00	6.00	October 2003
	Standard Chartered Bank	1,000.00	6.50	October 2003
	Standard Chartered Bank	500.00	5.65	October 2003
	Standard Chartered Bank	500.00	5.60	October 2003
	Deutsche Bank	4,000.00	5.60	October 2003
E	**Cash Credit**			
	Deutsche Bank	12.23	15.00	Not Applicable
	Citibank	1003.19	14.50	Not Applicable

Note: The above excludes interest accrued and due Rs. 14.05 Lacs

5. CONTINGENT LIABILITIES AS AT:

(Rs. in lacs)

	Particulars	March 31, 1998	September 30, 1999	December 31, 2000	December 31, 2001	December 31, 2002	September 30, 2003
a)	Claims against the Company not acknowledged as debt in respect of						
	-Sales Tax	32.71	22.03	44.12	79.75	348.89	496.03
	-Excise Duty	593.00	874.94	913.12	1,284.04	2,120.30	1,858.86
	-Income Tax	3.35	Nil	Nil	Nil	Nil	Nil
	-Others	10.71	28.62	49.38	442.84	1,206.96	1,872.99
b)	Dividend on Preference Shares, accrued but not due on:						
	-10% Preference Shares	Nil	Nil	Nil	521.92	1,021.92	1,021.92
	- 6% Preference Shares	Nil	Nil	Nil	Nil	32.05	32.05
c)	- Counter guarantees given by the Company in respect of guarantees issued by the bank and outstanding as on date	26.65	317.22	345.38	167.94	513.08	464.97
	- Outstanding Letters of Credit	1,417.81	1,560.13	44.35	426.99	465.76	1,218.26

d) Consumer court cases pending against the Company are non-quantifiable

6. Estimated amount of Contracts remaining to be executed on Capital Account (Net of Advances)

(Rs. in Lacs)

Particulars	March 31, 1998	September 30, 1999	December 31, 2000	December 31, 2001	December 31, 2002	September 30, 2003
Capital Commitments	116.71	165.79	83.25	1,031.79	411.22	284.58

7. Discounts on Sales are net of refund claims relating to sales tax on rebates

(Rs. in Lacs)

Particulars	March 31, 1998	September 30, 1999	December 31, 2000	December 31, 2001	December 31, 2002	September 30, 2003
	(12 mths)	**(18 mths)**	**(15 mths)**	**(12 mths)**	**(12 mths)**	**(9 mths)**
Sales Tax Refund on rebates	44.91	215.36	119.56	329.08	311.39	62.59

8. The accumulated losses of the Company as on September 2003 have exceeded the net worth of the Company. The necessary filings/reportings with the relevant regulatory authorities will be made in due course in accordance with law. To maintain future viability of operations, the Company has been pursuing various initiatives, including but not limited to, rationalizing of manpower, brands, products and manufacturing facilities, capital infusion, re-payment of debts etc. These will improve productivity and efficiency of its operations, reduce recurring costs and make the Company more competitive. Pending these actions the capacity utilisation of the plants under operation was low which coupled with heavy spends on brand building and interest payment were resulting in losses for the Company. However, for all the above initiatives to yield a positive outcome will involve extensive outlay of funds. As the Company has been incurring losses and this trend is unlikely to reverse in the immediate future, the Company's ability to continue as a going concern is dependant on the success of the proposed rights issue and AB Electrolux's commitment to support the rights issue by subscribing to the unsubscribed portion of the rights offer, beyond their entitlement, in the event the other shareholders of the company do not subscribe to their entitlement and in view of the same, the Board do note that upon the timely and successful completion of the said right issue, an amount of approximately Rs. 200 crores would be infused in the Company thereby making the Company's net worth positive.

9. To derive economies of scale and synergies in its operations, the Company had announced a restructuring programme, which inter-alia envisages relocation of its Gurgaon washing machine plant. The Company has with effect from April 30, 2002 closed down the operations of Gurgaon plant and its workforce has also been separated/ suitably relocated. The management has identified the machinery, tooling and equipment to be relocated to its Butibori Plant and basis that, the Company has during the period provided for an estimated loss of Rs. 2,352.94 lacs for assets not useable on relocation. Land and Building held for disposal has been written down to Rs. 769.75 Lacs, being the net realisable value estimated by the management

10 Mr. Harish Kumar – Director and Shareholder of the Company along with his Associates has, in the earlier period, filed petitions/ application(s)/appeals against the Company before various forums including Hon'ble Delhi High Court and Company Law Board under Section 250, 392, 397, 398 and 409 of the Companies Act, 1956 and Section 151 of Civil Procedure Code challenging inter-alia the implementation of Scheme of Amalgamation approved by the Hon'ble High Court and alleging oppression of minority shareholders and mismanagement and praying for directions restraining the Board of Directors of the Company from passing and giving effect to any resolution disposing off or alienating or encumbering or creating any third party rights, in respect of any of its fixed and movable assets, including any of the plants. The matters are currently sub-judice and the impact of the outcome of the same on the accounts of the Company, if any, is not ascertainable at this stage.

11. (a) The Board of Directors in its meeting held on November 26, 2002 have given approval for offering a Voluntary Retirement Scheme (VRS) to the workmen (as defined under the Industrial Disputes Act 1947) and executive employees of the Compressor Plant at Sanathnagar, Hyderabad and for the closing down of the operations of the above Plant. Thereafter, a Memorandum of Settlement (MOS) has been signed with the Allwyn Electrolux Employees' Union (Union) at Sanathnagar, pursuant to which, VRS has been offered to all the 569 Sanathnagar Workmen and 27 Executive employees and the services of all workmen/ employees had come to an end on December 30, 2002.

    The Company had incurred an amount of Rs. 2,702 Lacs (net) towards the above VRS during year ended December 31, 2002.

    (b) The Management had taken a decision to close down the operations of Warora Compressor Plant and therefore during the year ended December 31, 2002, the Plant and Machinery amounting to Rs. 1,056.35 lacs no longer useable has been written down to Nil, being the net realisable value estimated by the management.

    (c) Pursuant to the Voluntary Retirement Scheme (VRS) at Sanathnagar Compressor Plant, the Company has, during the period ended September 30, 2003, paid the balance compensation of Rs. 2,276 lacs to the Workmen. The sales proceeds of Rs. 238.31 lacs from disposal of plant & machinery written off in the previous year have been accounted for in the period ended September 30, 2003 as an 'Exceptional Item'. However, the related land and building has been held for disposal/ surrender/ transfer of rights therein, the estimated realizable value of which can not be ascertained at this stage.

    (d) The Board of Directors had, with a view to economise the business operations for an overall improvement in the performance of the Company, approved VRS for the 'Workmen' and 'Executives' employed at the Company's manufacturing facilities located at Nandalur, Warora and Shahjahanpur, by way of a circular resolution passed on December 24, 2002. Subsequently, the VRS was introduced across all these plants but the response to the VRS was not very encouraging (total payout of Rs. 156.44 lacs). Since rationalizing of manpower is imperative in order to improve the productivity and efficiencies in the manufacturing operations of the Company in order to make it more competitive, the Board of Directors, in its meeting held on August 28, 2003 have approved the VRS for its permanent workers at Warora and Shahjahanpur plants. Subsequently, an amount of Rs. 2945.73 lacs has been paid for Warora.

    (e) The Board of Directors had, in its meetings held on 1st August 2003 and October 22, 2003 approved the restructuring plan for its manufacturing facilities located at Nandalur. The restructuring plan inter-alia include:

    i. Introduction of Voluntary Retirement Scheme (VRS) for the 'Workmen' and 'Supervisors' and 'Executives' employed/posted at the Nandalur Plant. As a result, an amount of Rs. 4,875.59 lacs has been paid to the employees as separation cost.

    ii. Closure of Nandalur Plant.

    iii. Consequent to the closure of Nandalur Plant the Management has identified the machinery, tooling and equipment to be relocated to other plants and basis that, the Company has during the period provided for an estimated loss of Rs. 3,524.54 Lacs for assets not considered useable (including land and building Rs. 2,165.81 lacs, which has been written down to Nil, being the net realisable value estimated by the management). The Company does not have a clear title in respect of the freehold land and building thereon at Nandalur. The registration of the conveyance deed and other legal formalities are in progress.

12. The Shareholders of the Company have w.e.f. February 1, 2003, approved the remuneration of the Managing Director in excess of the limits prescribed by Schedule XIII of the Companies Act 1956, subject to the approval of the Central Government, which would be effective from the date specified in such approval. Accordingly, the Company has applied to the Central Government, seeking approval for the remuneration in excess of the limits prescribed in the Act. The excess amount of remuneration included in the accounts for the period ended June 30, 2003 is Rs. 6,681,047.

13. Mr. Lars Bertil Ohlson was appointed as a Director on the Board of Directors of the Company with effect from 24th December 2002. As per the terms of his contract, the remuneration payable to Mr. Ohlson in respect of benefits provided to him in India is to be borne by the Company. The remuneration of Rs. 1,527,584 paid/ payable to Mr. Ohlson during his tenure as Whole Time Director of the Company from December 24, 2002 till August 28, 2003 is within the ceiling stipulated under Schedule XIII to the Companies Act, 1956 and has been approved by the Remuneration Committee and the Board of Directors of the Company in their meeting held on August 28, 2003. The remuneration so paid/payable is, however, subject to approval of the shareholders of the Company in the next annual general meeting.

14. In terms of the Ozone Depleting Substances (Regulations and Control) Rules, 2000 framed under The Environment Protection Act, 1986, manufacture, sale, distribution and stocking of CFC refrigerators is not permitted beyond December 31, 2002. The Company has taken necessary steps for making its refrigerator manufacturing facilities Non-CFC compliant inter alia by identifying certain machinery and equipments, which cannot be converted and used beyond 31st December 2002 (for liquidation of CFC stock the date have been extended upto March 31, 2003). As a result, higher depreciation of Rs. 229.33 lacs was provided by the Company in the accounts for the year ended December 31, 2002 on such machinery and equipment based on its balance useful life.

15. The Company has during the year ended December 31, 2002, entered into a contract amounting to Rs. 32.25 lacs, without the prior approval of the Central Government, with a private company in which one of the directors is interested. The application made to the Central Government seeking approval under the provisions of the Section 297 of the Companies Act, 1956 is still pending.

16. The Credit facilities from ICICI Bank Limited amounting to Rs. 6,500 lacs are secured by hypothecation of current assets of the Company, both present and future. During the period ended September 30, 2003, the Company has not availed these facilities.

17. In pursuance to the agreement for assistance under OTF Grant dated February 19, 2002, the Industrial Development Bank of India (IDBI) has agreed to make available the assistance aggregating to Rs. 133 lacs for ODS phase out at the Shahjahanpur Plant. These new facilities, both present and future, are hypothecated with IDBI for the said amount.

18. Reconciliation of old balances appearing under 'Advance Sales Tax' is under progress. However, as an abundant caution the Company has provided for an amount of Rs. 150 lacs.

19. Note explaining the Scheme of Amalgamation

(i) The Scheme of Amalgamation (the Scheme) of Intron Limited (IL) and Electrolux India Limited (EIL), both transferor companies, with Electrolux Kelvinator Limited (EKL) (the Company) has become effective from January 1, 2001 (the Appointed Date) upon filing of the certified copy of the Order dated September 14, 2001 of the Hon'ble High Court of Delhi, under sections 391 and 394 of the Companies Act, 1956, with the Registrar of Companies on October 30, 2001.

Accordingly, the accounts of the year ending December 31, 2001 include the assets, liabilities of the erstwhile IL and EIL and the transactions of these companies from January 1, 2001.

The erstwhile IL was primarily engaged in the manufacture and trading of washing machines; the erstwhile EIL was primarily engaged in the manufacture and sale of refrigerators and washing machines in addition to trading in other consumer goods like air-conditioners, deep freezers, dishwashers and cooking ranges; and the Company is primarily engaged in the manufacture and trading of refrigerators and microwave ovens.

The Scheme has been accounted for using the "purchase method" since the assets and liabilities of the transferor companies have been incorporated in these financial statements at their respective fair values as on January 1, 2001.

The salient features of the Scheme were as follows:

a) The entire business and undertaking of EIL and IL, including all its assets, entitlements, rights, licences, contracts, engagements, present and future liabilities and debts have been vested in EKL w.e.f the Appointed Date (January 1, 2001).

b) EKL has issued 1 (one) equity share of Rs. 10 (Rupees Ten Only) each fully paid up for every 4 (four only) fully paid up equity shares of Rs. 10 each and 1 (one only) equity share as fully paid up for every 21 (twenty one only) partly paid up equity shares of Rs. 10 (Ten) each, (Rs. 5/-(five only) paid up) held by members of transferor company, IL. All equity shares issued and allotted shall rank pari passu in all respects with the existing equity shares of EKL.

c) EKL has issued 4 (four) equity share of Rs. 10 (Rupees Ten Only) each fully paid up for every 5 (five only) fully paid up equity shares of Rs. 10 each held by members of transferor company, EIL. All equity shares issued and allotted shall rank pari passu in all respect with the existing equity shares of EKL.

d) EKL has issued 1 (one) preference share of Rs. 100 (Rupees One Hundred Only) each fully paid up for every 1 (one only) fully paid up preference share of Rs. 100 each held by each preference shareholder of transferor company, EIL.

e) Every member of EKL has been issued new shares in the proportion of 2 (two only) equity shares of Rs. 10 each as fully paid up has been issued for every 3 (three) equity shares of Rs. 10 each fully paid up. Similarly, 1 (one only) equity share as fully paid up has been issued for every 3 (three only) partly paid up equity shares of Rs. 10 (Ten) each, (Rs. 5/-(five only) paid up) held by members of EKL. All equity shares issued and allotted shall rank pari passu in all respect with the existing equity shares of EKL.

(ii) The Goodwill arising on Amalgamation has been computed as under:

(Rs. in Lacs)

Particulars	EIL(Rs.)	IL(Rs.)	Total(Rs.)
Fixed Assets(Net Block) (including Capital work in progress amounting to Rs 1,289 lacs)	15,073.37	3,536.90	18,610.27
Inventories	11,905.41	983.96	12,889.37
Sundry Debtors	12,027.07	1,001.38	13,028.45
Cash and Bank Balances	792.36	32.15	824.51
Loans and Advances	3,113.42	113.05	3,226.47
Total Assets	42,911.63	5,667.44	48,579.07
Less:			
Secured Loans	4,774.20	-	4,774.20
Unsecured Loans	11,527.27	4,150.11	15,677.38
Current Liabilities and Provisions	16,300.72	1,532.45	17,833.17
Total Liabilities	32,602.19	5,682.56	38,284.75
Net Assets taken over	10,309.44	(15.12)	10,294.32

	(Rs. in Lacs)
Face value of shares issued under the Scheme	13,372.78
Less: Aggregate Net Assets of transferor companies taken over	(10,294.32)
Less: Adjustment of reserve created on revaluation of certain fixed assets of EKL	(718.69)
Goodwill	2,359.77

(iii) Land and Buildings of the Company have been revalued as at January 1, 2001 through an approved valuer and the net additions aggregating Rs. 718.69 Lacs have been added to the respective fixed assets. Land & buildings of the erstwhile EIL and IL were also revalued as at Jan 1, 2001 and Rs. 2670.11 lacs were added to the fixed assets which were taken over. The revaluation Reserve arising as a result of revaluation has been adjusted against goodwill arising upon amalgamation as per the scheme of amalgamation.

(iv) In addition, a reduction in share capital and premium has been effected as part of the Scheme as under:

	(Rs. in Lacs)
Reduction in share capital account of EKL	4,531.25
Add: Reduction of share premium account of EKL	2,265.25
	6,796.50
Less: Debit balance in Profit and Loss Account of EKL, adjusted	6,796.50

20. The remuneration aggregating Rs. 17.23 lacs drawn by the Managing Director of the Company from the erstwhile Intron Limited during the period from January 1, 2001 till October 29, 2001, the 'Effective Date' of amalgamation, where he was working in the capacity of 'President' and not a Director, if included, in the remuneration drawn from the Company, would cross the ceiling specified in Schedule XIII to the Companies Act, 1956. The Company has, however, been advised that no approval is required from the Central Government in respect of such remuneration as it was drawn by the Managing Director prior to the 'Effective Date' of amalgamation while working in a capacity otherwise than as a 'Director'/ 'Manager'.

21. The Company has been advised that the interest free advance of Rs. 110 lacs granted by erstwhile EIL during July-August, 2001 i.e. before the "Effective Date" of amalgamation to one of the Directors of the Company, who was not the Director of

erstwhile EIL but was a Director of erstwhile IL, is not covered by the provisions of section 295 of the Companies Act, 1956 and has accordingly not applied to the Central Government seeking approval of the advance.

22. In view of there not being any certainty at this stage of realising the unabsorbed depreciation and carried forward tax losses, the net deferred tax asset computed in accordance with the Accounting Standard –22 on "Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India has not been recognised in these accounts.

23. Exceptional Items (net) included in the restated accounts represent:

(Rs. In Lacs)

	Year ended December 31, 2002	Period ended September 30, 2003
Voluntary Retirement Cost [1]	5,044.09	4,926.96
Capital Advances written Off [2]	60.00	-
Fixed Assets Written Off [3]	4,699.62	3,524.54
Revenue Grant [4]	(5,000.00)	(6,500.00)
Provision for Inventory Obsolescence [5]	156.75	-
Depreciation [6]	254.49	-
Other Income [7]	(238.31)	-
	4,976.65	**1,951.50**

Notes:

1. On account of closure of Sanathnagar Compressor Plant and Relocation of Gurgaon facilities for the year ended December 31, 2002. For the Period ended September 30, 2003 on account of closure of Nandalur Plant – Rs. 4,770.52 lacs and VRS cost at Shajahanpur Plant – Rs. 80.37 lacs, Nandalur Plant – Rs. 26.78 lacs and Warora Plant – Rs. 49.29 lacs.
2. On account of closure of Sanathnagar Compressor Plant.
3. Due to closure of Sanathnagar & Warora Compressor Plants and Gurgaon Plant in December 2002 and Nandalur Plant in September 2003.
4. Voluntary, Discretionary Revenue Grant received from AB Electrolux, the Holding Company.
5. On account CFC stock not saleable after December 31, 2002
6. Accelerated Depreciation on CFC facilities not useable beyond December 31, 2002
7. On account of sale of Plant and Machinery of Sanathnagar Compressor Plant Written off.
8. Figures in brackets indicate "Credits"

ANNEXURE V

KEY ACCOUNTING RATIOS

	Year/ Period Ended					
Particulars	**March 31, 1998**	**September 30, 1999**	**December 31, 2000**	**December 31, 2001**	**December 31, 2002**	**September 30, 2003**
	12 Months	**18 Months**	**15 Months**	**12 Months**	**12 Months**	**9 Months**
Basic Earning Per Share (Rs.)						
- Before exceptional items	(2.38)	(0.38)	0.01	(8.19)	(9.55)	(5.68)
- After exceptional items	(2.38)	(0.38)	0.01	(8.19)	(12.40)	(6.80)
Net Asset Value per share (Rs.)	2.80	2.43	6.22	1.47	(10.94)	(17.73)
Return on Networth (%)	(85.12)	(15.48)	0.20	(188.87)	(1,790.61)	(90.64)

Formulae:

Basic Earning Per Share (Rs.) - Before exceptional items = $\frac{\text{Net Profit after tax and before extraordinary / exceptional items}}{\text{Weighted Average Number of equity shares at each year/period end}}$

Basic Earning Per Share (Rs.) - After exceptional items = $\frac{\text{Net Profit after tax and before extraordinary items but after exceptional items}}{\text{Weighted Average Number of equity shares at each year/period end}}$

Net Asset Value per share (Rs.) = $\frac{\text{Net Worth excluding revaluation reserve and preference share capital}}{\text{Number of equity shares at each year/period end}}$

Return on Networth (%) = $\frac{\text{Net Profit after tax and before extraordinary / exceptional items}}{\text{Net Worth excluding revaluation reserve}}$

ANNEXURE VI

CAPITALISATION STATEMENT

(Rupees in lacs)

Particulars	**Pre Issue as at September 30, 2003**	**As adjusted for the Issue ***
Borrowings		
Short Term Debts	14,529.47	14,529.47
Long Term Debts	9,604.00	9,604.00
Total Debts	**24,133.47**	**24,133.47**
Shareholders Fund		
Share Capital	37,435.29	57,412.76
Reserve and Surplus	15.00	15.00
Less: Profit and Loss Account	(48,369.36)	(48,369.36)
Total Shareholders' Fund	**(10,919.08)**	**9,058.40**
Long Term Debts/ Shareholders' Fund	**(0.88)**	**1.06**

* Assuming that Right Issue is fully subscribed

ANNEXURE – VII

TAX SHELTER STATEMENT

(Rupees in lacs)

Particulars	**Year ended March 31, 1999**	**Year ended March 31, 2000**	**Year ended March 31, 2001**	**Year ended March 31, 2002**	**Year ended March 31, 2003**
Profit/(Loss) before tax, as per Books (A)	(815.57)	275.55	(3,957.20)	(14,983.36)	(19,513.23)
Tax on actual rate	-	82.67	-	-	-
Adjustments:					
Permanent Differences:					
Wealth Tax	0.04	0.02	0.07	1.19	-
Income Tax	1.94	-	-	-	-
Fines/ Penalties	3.83	0.45	5.07	0.12	1.06
Disallowances u/s 43(B)	0.38	0.02	0.02	0.02	0.03
Warranty written back not claimed earlier	-	-	-	-	(611.26)
Gratuity Paid not provided earlier	-	-	-	-	(282.65)
Advances written off in books disallowed	50.00	-	-	-	
Stock Adjustment	-	-	-	-	156.75
Expenses in respect of Amalgamation	-	-	-	43.40	3.06
Right issue expenses w/off during the period	-	-	64.34	-	25.54
Amortisation of Goodwill	-	-	114.53	475.42	-
Donation	-	-	-	10.00	-
Others	16.31	-	0.81	0.10	60.00
Total Permanent Differences: (B)	**72.50**	**0.49**	**184.84**	**530.25**	**(647.47)**
Timing Differences:					
Difference between Tax Depreciation and Book Depreciation	(427.56)	938.96	1,369.32	(1,730.30)	(610.84)
Fixed Assets Written off / Down	17.30	11.89	73.31	1.01	2,897.15
(Profit)/Loss on sale of assets	39.81	11.44	14.05	8.05	5.56
Non Competition fees	85.13	-	-	-	-
Provision for Doubtful Debts / Advances	114.52	24.04	362.35	1,233.24	2,028.38
Provision for Leave Encashment	3.93	6.29	13.46	30.31	-
Provision for Warranties	(147.36)	122.61	(502.25)	(107.35)	-
Provision for Gratuity	6.77	12.13	36.80	78.01	(132.96)
Prior Period Expenses	-	-	-	-	4.72
Disallowance u/s 40(a)(i)	-	-	-	61.81	(61.81)
Disallowance u/s 43(B)	32.93	28.39	(795.88)	7.89	149.85
Deduction u/s 35D	(8.56)	(8.56)	(32.76)	(32.76)	(21.67)
Deduction u/s 35AB	(87.50)	(87.50)	(24.50)	(24.50)	(87.50)
Disallowance of Managerial Remuneration	-	-	-	5.63	14.07
Miscellaneous Expenditure Written off	769.09	472.92	37.23	37.23	18.61

(Rupees in lacs)

Particulars	Year ended March 31, 1999	Year ended March 31, 2000	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003
Deduction u/s 35DD	-	-	19.96	(7.39)	(7.39)
Deduction u/s 35DDA	-	-	-	-	4,619.23
Repayment of Principal amount in finance lease	-	-	-	(12.32)	(17.93)
Expenses on account of relocation of Gurgaon unit	-	-	-	80.73	(80.73)
Brought forward loss On Acquisition u/s 72A	-	-	(11,796.36)	-	
Total Timing Differences: (C)	**398.50**	**1,532.61**	**(11,225.27)**	**(370.71)**	**8,716.74**
Net Adjustments: (B+C)	**471.00**	**1,533.10**	**(11,040.43)**	**159.54**	**8,069.27**
Brought Forward Losses Adjusted (D)	-	**(1,808.65)**	-	-	-
Tax Burden/(Saving) thereon	-	**(82.67)**	-	-	-
Tax as per Income tax Return	-	-	-	-	-
Profit/(Loss) as per Income Tax Return (E)=(A+B+C+D)	**(344.57)**	**0.00**	**(14,997.63)**	**(14,823.82)**	**(11,443.96)**
Carried Forward Loss	**(9,244.11)**	**(7,435.46)**	**(22,433.09)**	**(37,256.92)**	**(48,700.89)**

Note:

1. The above statement has been prepared for the last five fiscal years ending on March 31, 2003, as per the Income Tax Act, 1961.

ANNEXURE - VIII

Detail of Other Income

(Rs. in lacs)

	Year / Period Ended					
Particulars	**March 31, 1998**	**September 30, 1999**	**December 31, 2000**	**December 31, 2001**	**December 31, 2002**	**September 30, 2003**
	(12 mths)	**(18 mths)**	**(15 mths)**	**(12 mths)**	**(12 mths)**	**(9mths)**
Recurring						
Income from Investments (gross)	8.16	12.24	10.23	1.70	Nil	Nil
Service Income	52.80	417.92	598.44	1,153.56	1,272.99	904.48
Scrap Sales	152.88	290.45	194.91	298.07	364.95	194.90
Others	28.32	51.32	1.12	36.78	83.97	186.18
Non-Recurring*						
Provision / Liabilities Relating to earlier years no longer required written back						
- Warranty	Nil	24.75	265.98	233.28	677.31	Nil
- Others	7.42	31.18	44.30	25.16	222.13	283.77
Insurance claims received	34.82	5.74	2.82	6.66	Nil	Nil
TOTAL	**284.40**	**833.60**	**1,117.80**	**1,755.21**	**2,621.35**	**1,569.33**

* Provision / Liabilities relating to earlier years no longer required written back and insurance claims received are non- recurring but incidental to the carrying on of the business.

Unquote

Year-wise break-up of Advances written off:

Year /Period Ending	**Amount (Rs in Lacs)**
September 30, 2003	23.30
December 31, 2002	113.46
December 31, 2001	102.16
December 31, 2000	38.88
September 30, 1999	144.26
March 31, 1998	59.86

Break-up of Sundry Debtors balances recoverable from Related and Unrelated Parties:

(Rs. in Lacs)

Particulars	**Sept - 03**	**Dec - 02**
Appliance City Limited	10.11	53.94
Total	**10.11**	**53.94**
Unrelated parties	1,110.58	8,597.87
Total	**1,120.69**	**8,651.81**

Break-up of Advances Receivable from Related and Unrelated Parties:

(Rs. in Lacs)

Particulars	**Sept - 03**	**Dec - 02**
E.H.P. International	10.26	
Electrolux Cash Management Services	1.01	
Electrolux Floor Care Light Appliances A.B.	0.59	
Electrolux Lehel-kft	3.69	1.65
Electrolux Distripart AB	1.59	1.59
Electrolux Home Products Corporation N.V. BEE-Belgium	38.06	94.67
Eureka Forbes Ltd	0.02	
Electrolux AB		5.01
Electrolux Far East Ltd		0.38
Maharaja Appliances Limited		11.06
Mr. Ram S. Ramsunder		44.71
Mr. Inder Khosla		110.00
Total	**55.21**	**269.07**
Unrelated parties	2,305.68	3,407.77
Total	**2,360.89**	**3,676.84**

Debts outstanding for more than Six Months as on September 30, 2003

		(Rs. in Lacs)
Considered Good		**50.82**
Considered Doubtful	**3,700.34**	
Less: Provision for Doubtful Debts	**3,700.34**	**-**
Other Debts - Considered Good		**1,069.87**
Considered Doubtful	**82.60**	
Less: Provision for Doubtful Debts	**82.60**	-
		1,120.69

Details of Contingent Liability as on September 30, 2003

Particulars	**Amount (Rs. in Lacs)**
Sales Tax Cases	496.03@
Excise Duty	1,858.86#
Others:	
Custom	347.90
Labour Law cases	770.09
FEMA	355.00
Weight and Measure	400.00
Total Others	**1,872.99**
Bank Guarantees	464.97
Outstanding Letter of Credit/Bills of Exchange	1,218.26
Grand Total	**5,911.11**

Note: No further contingent liability is considered for Preference Shares dividend considering that it would be due only at the end of the year.

Amount provided in books till date against tax litigations.
@ The Company has provided for Rs. 29.65 Lacs
# The Company has provided for Rs. 60.00 Lacs

IX. MANAGEMENT DISCUSSION AND ANALYSIS

The following analysis and discussion should be read in conjunction with the Company's financial statements and related notes that appear in the previous section of this Letter of Offer.

Summary of Adjusted Audited Financial Results

Rupees in Lacs

	Year ended December 31, 2000	Year ended December 31, 2001	Year ended December 31, 2002	Nine months ended September 30, 2003
	15 Months (Audited)	**12 Months (Audited)**	**12 Months (Audited)**	**9 Months (Audited)**
Income				
Sales:				
(a) Of products manufactured by the Company	33,955.48	42,263.83	43,715.21	22,520.97
(b) Of Products traded in by the Company	3,516.30	4,028.31	3,552.91	1,285.46
Total	**37,471.78**	**46,292.14**	**47,268.12**	**23,806.43**
Other Income	1,117.80	1,755.21	2,621.35	1,569.33
Increase / (Decrease) in Inventories	(1,641.60)	1,464.51	(6,767.18)	(2,792.62)
Total Income (A)	**36,947.98**	**49,511.86**	**43,122.29**	**22,583.14**
Expenditure				
Raw Materials and Components Consumed/ Purchases for Resale	18,593.25	27,210.12	24,300.41	12,965.31
Manufacturing Cost	4,942.47	7,934.84	7,390.52	3,870.77
Employee Cost	1,636.75	5,754.73	6,322.26	3,922.48
Administrative and Other Expenses	1,855.54	3,935.20	3,977.50	2,629.37
Selling & Distribution Cost	7,012.42	12,339.96	11,936.76	5,702.27
Miscellaneous Expenditure written off	320.93	100.23	43.67	-
Financial Cost	1,328.84	3,677.57	2,948.31	1,302.76
Depreciation	1,235.03	2,831.16	2,852.77	2,087.62
Total Expenditure (B)	**36,925.23**	**63,783.80**	**59,772.20**	**32,480.58**
Net Profit / (Loss) before Tax and Extraordinary Items	**22.75**	**(14,271.94)**	**(16,649.91)**	**(9,897.44)**
Provision for Tax	6.00	-	-	-
Net Profit/ (Loss) after Tax but before Extraordinary Items	**16.75**	**(14,271.94)**	**(16,649.91)**	**(9,897.44)**
Extraordinary Items	-	**-**	**4,976.65**	**1,951.50**
Net Profit/ (Loss) after Extraordinary Items	**16.75**	**(14,271.94)**	**(21,626.56)**	**(11,848.94)**
Carry Forward Loss from Previous Year	**(7,435.16)**	**(7,418.42)**	**(14,893.86)**	**(36,520.42)**
Amalgamation adjustment	-	**6,796.50**	-	-
Loss Transferred to the Balance Sheet	**(7,418.42)**	**(14,893.86)**	**(36,520.42)**	**(48,369.36)**

Comparison of the significant items of income and expenditure for the nine months period ended September 30, 2003 and audited year ended December 31, 2002.

Sales

The turnover of the Company during nine months period ended September 2003 decreased by 33% on an annualized basis against 2002. The decline was mainly due to brand rationalization and slow down of the institutional business undertaken by the Company in 2003 as compared to 2002.

Expenditure

The raw-material consumed to total income went up slightly from 56% in 2002 to 57% in 2003. However, on other expenditure side there has been improvement in terms of absolute costs when compared on an annualized basis against 2002 which has come down by almost 27%. As a result net loss before exceptional items on an annualized basis improved by 21% over 2002. During 2003 there are net exceptional costs of Rs. 1,952 Lacs (net of income due to revenue grant of Rs. 6,500 Lacs received from AB Electrolux) which increased net loss to Rs.11,849 Lacs.

Comparison of the significant items of income and expenditure for the audited year ended December 31, 2002 and audited year ended December 31, 2001.

Sales

The turnover of the Company increased to Rs. 47,268 Lacs from Rs. 46,292 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 transition and CFC stock liquidation.

Expenditure

The selling and distribution costs and administrative and other expenditure of the Company were lesser during the year ended December 31, 2002 in comparison to the previous year. The financial cost also came down from 3,678 Lacs to 2,948 Lacs due to reduced debt burden.

However the net loss before extra ordinary items of the Company increased to Rs. 16,650 Lacs during the year as compared to Rs. 14,272 Lacs in the previous year. Such increase was mainly due to reduced Gross Margins.

The net loss of the Company after extra ordinary items during the year was Rs. 21,627 Lacs. The Company identified exceptional items amounting Rs. 4,977 Lacs (net debit after revenue grant of Rs. 5,000 Lacs), the details of the same have been included in the Company's financial statements and related notes in the previous section of this Letter of Offer.

Comparison of the significant items of income and expenditure for the audited year ended December 31, 2001 and audited fifteen months period ended December 31, 2000.

Pursuant to the Scheme of Amalgamation approved by the Hon'ble High Court of Delhi, vide its Order dated September 14, 2001 filed with the Registrar of Companies, NCT of Delhi & Haryana on October 30, 2001, IL and EIL have been amalgamated with the Company, Electrolux Kelvinator Limited with retrospective effect from January 1, 2001. Accordingly, the financial results for the year ended December 31, 2001 include transactions of IL and EIL. Hence, the figures for the year ended December 31, 2001 would not be comparable with those of the previous fifteen months period.

Sales

The turnover of Rs. 46,292 Lacs as compared to turnover of Rs. 37,472 Lacs in the previous fifteen months period, was mainly as a result of 43% growth in the total number of household appliances sold. However, in value terms, growth was lower on account of increased pressure on realisations given the heightened competition and industry slowdown.

Expenditure

The consumption of raw materials and components increased from Rs. 18,593 Lacs during the previous accounting period to Rs. 27,210 Lacs during the year ended December 31, 2001 mainly due to amalgamation. The depressed market condition and competitive environment put severe pressure on pricing thus impacting bottom line adversely. The advertising expenses were higher to support the Company's multiple brands and aggressive trade push. This coupled with increasing debt burden; higher depreciation charge resulted in a net loss of Rs. 14,272 Lacs during the year as compared to a net profit of Rs. 17 Lacs in the previous accounting period.

Unusual or infrequent events or transactions:

To derive economies of scale and synergies in its operations, the Company had announced a restructuring programme, which inter-alia envisages relocation of its Gurgaon washing machine plant. The Company has with effect from April 30, 2002 closed down the operations of Gurgaon plant and its workforce has also been separated/ suitably relocated. The management has identified the machinery, tooling and equipment to be relocated to its Butibori plant and the Board of Directors in its meeting held on December 17, 2003 approved the disposal of the land and building at Gurgaon which has been written down to Rs. 769.75 Lacs, being the net realisable value estimated by the management. The Company is in the process of disposing-off the land and building at Gurgaon.

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, ABE as a principal shareholder has made a voluntary, discretionary, revenue grant of Rs. 5,000 Lacs to EKL on September 26, 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 EKL in the interest of the Company, its shareholders and creditors.

In order to augment the networth of the Company, AB Electrolux also subscribed to 6% cumulative non-convertible preference shares aggregating Rs. 15,000 Lacs on December 19, 2002 and has also given further voluntary, discretionary revenue grants of Rs. 2,000 Lacs on April 7, 2003 and Rs 4,500 Lacs on June 26, 2003.

The Board of Directors of the Company in their meetings held on August 1, 2003 and October 22, 2003 approved the restructuring plan for its manufacturing facilities at Nandalur. Please refer to page no. 34 for details of the restructuring plan. The operations at Nandalur plant have been discontinued from August 31, 2003 and all workforces separated. The assets at Nandalur are in the process of being relocated/disposed-off.

Mr. Harish Kumar – Director and Shareholder of the Company along with his Associates have filed company petitions / writ petition(s) / application(s) / appeals against the Company before the Hon'ble High Court of Delhi and Company Law Board under Section 250, 392, 397, 398 and 409 of the Companies Act, 1956 and Article 226 of the Constitution of India inter alia challenging the implementation of Scheme of Amalgamation approved by the Hon'ble High Court of Delhi and alleging oppression of minority shareholders and mismanagement of the Company praying for directions restraining the Board of Directors of the Company from passing and giving effect to any resolution which has the effect of disposing off or alienating or encumbering or creating any third party rights, in respect of any of its fixed and movable assets, including any of the plants including alteration of the capital structure of the Company and also praying that SEBI should be directed not to clear this Letter of Offer. Some of the petitions also allege that ABE has been in violation of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1994 ("Takeover Code of 1994") in relation to the preferential allotment of shares to ABE which took place in 1995 and allotment of shares to ABE in excess of their entitlement to ABE in the 1999 rights issue by EKL without making a public offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997. The matters are currently sub-judice and the impact of the outcome of the same on the accounts of the Company, if any, is not ascertainable at this stage. For details of the litigations filed by Mr. Harish Kumar and his associates, investors are requested to refer to page no. 74.

Significant economic policy changes affecting or likely to affect the income from continuing operations:

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 31, 2002. The said deadline for liquidation of the old CFC stock was further extended upto March 31, 2003 by the Government of India. EKL has taken necessary steps for conversion of its refrigerator manufacturing facilities to make them fully compliant with such regulations. As a consequence of this, certain machinery and equipment were identified by the Company, which could not be used beyond December 31, 2002 and accordingly an amount of Rs. 229.33 Lacs towards accelerated depreciation based on balance useful life of such assets has been charged in the books of accounts of the Company for the year ending December 31, 2002. The cost of production, after sales cost and the pricing decisions have been aligned with such a transition. However, the Management foresees no lasting impact of the same on income from continuing operations.

Though the above regulations do not restrict manufacturing of CFC R12 Compressors, since EKL compressor manufacturing was primarily meant for meeting its captive requirements, any further continuation of such manufacturing would have made the compressor business sub-optimal as R12 compressors can only be used for servicing the old population of CFC refrigerators but can not be used in manufacturing new refrigerators which have to be CFC free.

To overcome this, the Company had evaluated various options including conversion of its compressor manufacturing facilities to CFC free or to divest its compressor business, to company(ies) which were specialist(s) in this field and had necessary skills and technology to carry out such conversion. The Company had finally decided to close the operations of Sanathnagar Compressor Plant and offer VRS to its employees at the plant. For further details investors are requested to refer to page no. 32. The assets including machinery and equipments at the Plant have already been disposed off and the Company has also relinquished its rights in the immovable property situated at Sanathnagar. The machinery and equipment at the Warora Compressor plant are in the process of being disposed-off. The operations of the Company are not likely to be impacted by closure of compressor manufacturing facilities since Company in such case would source CFC free compressors from other compressor suppliers.

Known trends or uncertainties that have had or are expected to have material adverse impact on sales, revenue or income from continuing operations:

Indian economy primarily being an agricultural economy is to a large extent dependent on good rains for irrigation. During 2002, however, in most parts of India where agriculture is the main activity, rainfall had been very poor resulting in drought like situation. However, during 2003, the rainfall has been quite good and spreadout which is likely to boost rural demand and may have a positive impact on consumer goods industries. The general economic conditions of the country may also impact consumer demand in general for consumer durables.

Future changes in relationships between Costs and Revenues, in case of events such as future increase in labour or material costs or prices that will cause a material change are known:

Save and apart from what is stated in this document and changes in relationship between costs and revenues due to transition to CFC free products as mentioned above, the Management does not foresee any future changes in relationships between costs and revenues.

The extent to which material increases in net sales or revenues are due to increased sales volume, introduction of new products or services or increased sales prices

The increase in sales has primarily been caused because of increased sales volume as a consequence of amalgamation of erstwhile EIL and IL with EKL.

Total turnover of each major industry segment in which the Company operates:

The turnover based on the Company's estimates has been stated at the appropriate place in this document.

Status of any publicly announced new products or business segments:

The Company has recently launched its new range of fully automatic washing machines, which includes 'Washy Talky', world's first talking washing machine. The product has received exceptionally good media coverage globally and has been very well accepted in the domestic market. The Company has also launched 'Ozone', its frost free range of refrigerators. The Company has launched its new range of Air-conditioners and Microwave ovens.

The extent to which business is seasonal:

The business activities of the Company are seasonal in the sense that April to June and October till December are peak months for refrigerators. The summer, being the appropriate season for the purchase of refrigerators and winter purchases are propelled due to festive occasions, harvest and marriage season purchases. The other months usually show a declining trend of sales of refrigerators. Similarly, July-December is normally considered peak season for washing machines where humid weather conditions prevail since otherwise clothes normally take longer time to dry. This is followed by festive, harvest and marriage season in October-December.

Significant dependence on a single or few suppliers or customers:

The Company is not dependent on any single supplier or customer.

Competitive conditions:

Stated at appropriate places in this document.

Other significant material events during the period discussed above:

- 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 VRS was not very encouraging. The Company introduced revised VRS in a phased manner for its various plants and the cost of such VRS and related expenditure has been met out of short term borrowings which are proposed to be repaid from part of the proceeds of this Rights Issue.
- As at September 30, 2003, the accumulated losses of the Company have exceeded the net worth. The necessary filings/ reportings and/or other procedures, in relation to the erosion of the networth, will be made/ followed by the Company with the relevant authorities in accordance with law. As per the legal opinion received by the Company, the requirement of filings/reporting with the relevant regulatory authorities should be applicable on the finalization of duly audited accounts for the full financial year. Considering this proposed Rights Issue and AB Electrolux's commitment to support the Rights Issue by subscribing to the unsubscribed portion of the Rights Offer, beyond their entitlement, in the event the other shareholders of the Company do not subscribe to their entitlement, an amount of approximately Rs. 20,000 Lacs would be infused in the Company which will augment the networth of the Company to that extent. The Company may also require further infusion of capital within six months of opening of this Rights Issue to make its networth positive.
- In view of the huge accumulated losses on its balance sheet, the Company may subject to all necessary approvals, carry out a capital reduction exercise after this Rights Issue after obtaining all other requisite approvals. Such capital reduction if carried out would also impact the share capital proposed to be raised through this Rights Issue. The quantum and manner of such capital reduction exercise is, however, not yet decided. The Company may also require further infusion of capital via another rights issue or preferential allotment of equity or preference capital within six months of opening of the present Rights Issue.
- The Board of Directors of the Company in its meeting held on December 17, 2003 approved the charge to be created on the assets of the Company in favour of its bankers to secure the loans taken by the Company from such banks. The Company is in the process of creating such charge.
- The Company is also evaluating the option to integrate its brands and may consolidate its brands and switchover to a single global brand. In such an eventuality, the Company may look at possibilities of disposing-off the brands owned by it.

Material Developments after the date of the last Balance Sheet:

1. 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 introduced revised VRS in a phased manner for its various plants and the cost of such VRS and related expenditure has been met out of short-term borrowings, which are proposed to be repaid from part of the proceeds of this Rights Issue.

2. Mr. Harish Kumar – Director and Shareholder of the Company along with his associates have filed company petitions / writ petition(s) / application(s) / appeals against the Company before the Hon'ble High Court of Delhi and Company Law Board under Sections 250, 392, 397, 398 and 409 of the Companies Act, 1956 and Article 226 of the Constitution of India challenging inter-alia the implementation of Scheme of Amalgamation approved by the Hon'ble High Court and alleging oppression of minority shareholders and mismanagement of the Company praying for directions restraining the Board of Directors of the Company from passing and giving effect to any resolution which has the effect of disposing off or alienating or encumbering or creating any third party rights, in respect of any of its fixed and movable assets, including any of the plants and alteration of the capital structure of the Company. Mr. Harish Kumar and Associates have also in certain cases prayed that the SEBI be directed not to clear this Letter of Offer. Some of the petitions also allege that ABE has been in violation of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1994 ("Takeover Code of 1994") in relation to the preferential allotment of shares to ABE which took place in 1995 and allotment of shares to ABE in excess of their entitlement in the 1999 rights issue by EKL without making a public offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997. The matters are currently sub-judice and the impact of the outcome of the same on the accounts of the Company, if any, is not ascertainable at this stage. Investors are requested to refer to page no. 74 for details of the litigations filed by Mr. Harish Kumar and his associates.

3. The Board of Directors of the Company in their meetings held on August 1, 2003 and October 22, 2003 approved the restructuring plan for its manufacturing facilities at Nandalur. Please refer to page no. 34 for details of the restructuring plan. The operations at Nandalur plant have been discontinued from August 31, 2003 and all workforces separated. The assets at Nandalur are in the process of being relocated/disposed-off.

4. The Board of Directors of the Company in their meetings held on August 28, 2003 approved the introduction of VRS for the workmen employed / posted at the Warora and Shahjahanpur plants. Consequently, a VRS was introduced in October 2003 in Warora plant and in December 2003 in Shahjahanpur plant. This VRS has been accepted by 373 employees in Warora and 207 employees in Shahjahanpur and payments for the same have been made from short-term borrowings, which are proposed to be repaid from the proceeds of this Issue.

5. The Company has relinquished its rights in the immovable property situated at Sanathnagar during December 2003 and has also disposed off its Nagpur office during February 2004. The Company presently is in the process of disposing off its assets at Gurgaon, Nandalur and Warora-Compressor plant.

6. The Board of Directors of the Company in its meeting held on December 17, 2003 approved the charge to be created on the assets of the Company in favour of its bankers to secure the loans taken by the Company from such banks. The Company is in the process of creating such charge.

X. STOCK MARKET DATA

The equity shares of the Company have not been traded for the calendar year 2003 on the stock exchanges at Delhi, Jaipur, Bangalore and Ahmedabad. The shares were traded in some volumes on the Stock Exchange, Mumbai (BSE) and very marginal trading on the stock exchange at Kolkata.

The following is the movement in the share price of the Company on the Stock Exchange, Mumbai (BSE). The table also gives number of shares traded on the days when the high and low prices were recorded

Year (Rs.)	Highest (Rs.)	Lowest (Rs.)	Average (Rs.)	Dates		Trading Volume		No. of shares	Value (Rs. in Lacs)
				High	Low	High	Low		
2002	13.20	6.55	10.13	July 8	October 24	5,23,146	25,322	90,18,254	945.99
2001	19.75	5.40	12.58	February 9	October 1	2,86,019	4,328	1,36,00,411	1,574.14
2000	63.00	13.30	38.15	February 23	November 13	2,08,800	32,180	85,40,390	2,170.54
1999	51.80 CR	9.50 CR	30.65	October 22	January 14	1,09,500	1,900	66,74,528	2,197.27
	46.50 XR	30.40 XR	38.45	November 17	December 10	4,87,400	2,86,800		

Month	Highest (Rs.)	Lowest (Rs.)	Dates		No. of shares traded on		No. of shares	Value (Rs. in Lacs)
			Highest	Lowest	Day of Highest	Day of Lowest		
August 2003	10.13	7.91	August 18	August 4	4,35,228	28,401	27,67,730	255.33
September 2003	8.78	7.71	September 1	September 25	55,305	69,437	9,65,615	79.46
October 2003	8.36	7.45	October 10	October 31	55,526	20,707	9,97,536	80.71
November 2003	10.04	7.36	November 28	November 3	73,143	30,686	16,86,221	154.05
December 2003	17.71	9.76	December 9	December 2	9,76,089	43,029	90,34,765	1,433.52
January 2004	15.80	11.20	January 2	January 22	1,92,936	1,53,410	24,68,773	350.64

Source: BSE website

The Registrars have confirmed that as per the records maintained by them, ABE, all the directors of ABE and the directors nominated by ABE on the Board of EKL, have not purchased or sold any securities of the Company in the physical form during the six months, prior to filing the LoF with SEBI. The Registrars have also confirmed that there is no change in shareholding in EKL in the demat folios of the directors of EKL who are holding shares in EKL, based on weekly beneficiary position downloaded from the depositories during the last six months.

The market price on the Stock Exchange, Mumbai on May 27, 2002, one day after the first resolution was passed by the Board of Directors approving the Issue was Rs. 9.75 and the market price on the Stock Exchange, Mumbai on September 18, 2002, the day after the resolution was passed by the Board of Directors reducing the Rights Issue size was Rs. 7.90.

The fresh shares issued pursuant the Scheme of Amalgamation were admitted for trading by the Delhi Stock Exchange on May 06, 2002. The last trade in the shares listed earlier (which were cancelled as a part of the Scheme of Amalgamation) was on November 22, 2001 (on BSE). The record date for cancellation of shares and allotment of fresh shares was December 10, 2001 and the fresh shares were allotted on December 19, 2001.

XI. BASIS FOR ISSUE PRICE

	Year/ Period	**2000**	**2001**	**2002**
1	**Adjusted Earnings per Share (Rs. Per share)**			
	For the Company	0.01^	-8.54	-9.55$
	Industry Comparables:			
	Whirlpool of India Ltd	1.61	0.72	0.68
	Videocon Appliances Ltd	10.32	9.98	13.39#
2	**Return on Net Worth (%)**			
	For the Company	0.20%^	-608%	Note 1
	Industry Comparables:			
	Whirlpool of India Ltd	13.78%	4.53%	4.90%
	Videocon Appliances Ltd	7.91%	7.49%	10.55%#
3	**Price/ Earning Ratio** @			
	For the Company: NA			
	Industry Average (Domestic appliances): 2			
	Industry Comparables:			
	Whirlpool of India Ltd: 11.7			
	Videocon Appliances Ltd: 1			
4	Minimum Return on Total Net Worth after Issue Needed to maintain EPS – NA			
5	Net Asset Value (Rs. Per Equity share): – (10.94)– as on December 31, 2002 and (17.73) as on September 30, 2003			
	Net Asset Value (Rs. Per Equity share) - After issue*: (2.93)			
	Issue price: Rs. 10			

^ period of 15 months # 18 months

@: Price / Earnings ratios on industry and the individual companies are sourced from Capital Market Vol. XVIII /18 for the period November 10 – 23, 2003. The financial year closures of individual companies may be different than EKL.

* i.e. Net Asset Value as on September 30, 2003 adjusted for the current Issue

$ before exceptional items. EPS after exceptional items is Rs. (11.08)

Note 1: Can not be computed as networth (as defined in SEBI (DIP) Guidelines i.e. without taking into account preference share capital as part of the networth) is negative

Figures of Whirlpool of India Ltd. and Videocon Appliances Ltd. are computed based on their respective annual reports.

The typical earnings based approach to justify the issue price is not applicable in this case as the Company has been making losses. In addition, the book value of the Equity of the Company as per the restated audited accounts on December 31, 2002 and on September 30, 2003 is negative. Therefore, shares are being issued at par (i.e. Rs. 10/-), below which price it is not possible to issue shares under this Rights Issue.

XII. OUTSTANDING LITIGATIONS/DEFAULTS

Material Outstanding Litigations involving EKL

Litigations involving Criminal Offences

1. Kamal Agarwal, Advocate, customer of the Company had filed a First Information Report (FIR) under Section 420 of the Criminal Procedure Code, 1973 against the Company's Dealer - Rahul Electronics - Ghaziabad and Electrolux Kelvinator Limited with the Police Station, Kotwali, Bulandshahar (U.P.) in response to the Company's scheme "Bada Fridge Chhota Price" alleging cheating as he has been given 165 litres refrigerator instead of promised 210 litres. There is no further development as per the information available with the Company.

2. In order to bring down the accounts receivable, the Company embarked on a debt recovery exercise and had initiated legal action against its debtors. The matters are currently sub-judice. The Company, as on January 31, 2004, has filed 210 criminal complaints in the courts at Gurgaon under Section 138 of the Negotiable Instruments Act, 1881 and 16 Civil Suits in the courts at locations where dealers are operating from against 191dealers of the Company and a sum aggregating to approximately Rs. 2,666.59 Lacs is to be recovered.

   In response to the debt recovery exercise undertaken by the Company, some of the dealers have filed criminal cases against the Company as under:

   i. Dashmesh Teletronics (P) Ltd, a dealer of the Company in Ludhiana has filed a petition under section 482 of Criminal Procedure Code (CrPC) in High Court of Punjab & Haryana - Chandigarh in 2001 for quashing the complaint filed by the Company against them u/s 138 of the Negotiable Instruments Act, 1881 at Gurgaon. The reference number of the petition is 48686/2001. The value of cheque bounced is Rs. 24.44 Lacs. The matter is sub-judice.

   ii. Shakti Teletronics (P) Ltd, a dealer of the Company in Patiala has filed a criminal complaint against the Company in the Court of Judicial Magistrate, Patiala in 2002 u/s 420, 467, 468, 478 and 120-B of Indian Penal Code (IPC) for misappropriation of cheques & other documents in response to the complaint filed by the Company against them u/s 138 of the Negotiable Instruments Act, 1881 at Gurgaon. The matter is coming up for hearing on March 18, 2004. The reference number of the petition is 16/ 2002. The value of cheque bounced is Rs. 160.68 Lacs. The Company has filed a petition under section 482 of the CrPC in High Court of Punjab and Haryana for getting the criminal complaint, filed by the dealer at Patiala, to be quashed. The said petition has been admitted and adjourned till February 12, 2004 for the appearance of dealer before the Court. The matter has been adjourned till April 1, 2004 and the Dealer has been directed to file its reply with a direction to lower court to not to hear the matter till April 1, 2004.

   iii. Fridge Agencies, a dealer of the Company, filed an FIR at Trichy for criminal trespass and intimidation against Company officials. The Company obtained bail for the employees against whom the FIR was filed. The said FIR is filed as a counterblast to the complaint filed by the Company under section 138 of the Negotiable Instruments Act, 1881 at Gurgaon. The matter is sub-judice.

   iv. Mr. Nalin Patel of Timothy Sales, a dealer of the Company, filed a criminal complaint against the Company and Mr. Harish Kumar (Director) in the Court of Judicial Magistrate Ist class Gurgaon in 2003 u/s 340 of Criminal Procedure Code, 1973 for enquiry under Section 191, 192, 193 and 196 and section 34 of Indian Penal Code alleging furnishing of false evidence by the Company. The said application is a counterblast to the complaint filed by the Company under section 138 of the Negotiable Instruments Act, 1881 at Gurgaon for dishonour of cheque of Rs. 41.81 Lacs. The matter is sub- judice. The case no. is 53 of 2002-2003 and is coming up on April 24, 2004 for arguments/evidence.

Litigations involving Securities Related Offences

1. In 1995, EKL made a preferential issue to ABE in accordance with SEBI guidelines for preferential issue dated August 4, 1994. The Company at that time did not seek clearance from SEBI/Stock Exchanges under SEBI (Substantial Acquisition of Shares & Takeover) Regulations and Clause 40A/40B of Stock Exchange Listing Agreement in the belief that these provisions were not applicable. However, SEBI vide its letter dated January 20, 1997 sought a clarification as to whether provisions of SEBI (Substantial Acquisition of Shares & Takeover) Regulations were complied with and whether the necessary clearances for increase in stake had been taken from SEBI to which a reply was sent to SEBI. The contravention, if any, the consequences thereof and remedial action are presently not ascertainable. The Company will however comply with any directions/instructions that SEBI may issue in this regard at a later date.

2. A suit has been filed by Vindhya Woodcraft Pvt. Ltd. in the Court of Senior Civil Judge – Delhi in 1997 under reference no. 64/1997 for an injunction restraining issue of duplicate share certificates and transfer of 25,000 shares allegedly misplaced/lost by them. The Company has been directed to maintain "Status – Quo" until further orders by the Court. Out of 25,000 shares, 3,400 shares are transferred and 7,000 shares are pending for transfer. The matter is currently sub-judice.

3. A case has been filed by A. H. Holdings Pvt. Ltd. in the High Court – New Delhi in 1996 under reference no. 2384/1996 demanding a stay on issue of duplicate share certificates and transfer of 2,00,000 shares to Tiger Management Corporation. The Delhi High Court has granted an ad-interim stay on the application of the party and subsequently the High Court clarified that any issuing of duplicate share certificate in respect of the shares in dispute would be subject to the results of the suit. The matter is sub-judice.

4. The State Consumers Redressal Commission, Haryana directed the Company vide its order dated December 24, 1998 to refund to Haryana Estate Agency a sum of Rs. 0.28 Lacs alongwith interest @ 18% p.a. pertaining to the application money paid by them in the public issue of the Company in 1991. An appeal has been filed by the Company vide petition no. 573/1999 before the National Consumer Redressal Commission, Delhi against the orders of the State Consumers Redressal Commission, regretting the inability of the Company to comply with the directives of the State Commission as the amount has been seized by the Income Tax Authorities and the said amount has been deposited by the Company with the Income Tax department. The Honorable National Consumer Redressal Commission has granted a stay and the matter is now sub-judice.

Litigations involving Civil Offences

1. There is a civil suit filed in 1998 by M/s Business Centre, one of the ex-distributors of the Company in Rajkot, Gujarat, before the Civil Judge (SD) under the reference no. 287/1998 for the recovery of a sum of Rs. 3.19 Lacs alongwith interest @ 18% p.a. The case is being contested since the amount of claim is disputed. The Company has presented its case to the appropriate authorities through its solicitors. The matter is currently sub-judice.

2. Bhattacharya & Associates, New Delhi, a law firm has filed a civil suit before the Civil Judge, Tis Hazari, Delhi under reference no. 456 of 2001 for recovery of Rs. 0.13 Lacs towards consultation fee in 2001. The matter is sub-judice.

3. There is a civil suit filed by Bombay Electronics, Bharuch against Voltas Limited, Electrolux Voltas Limited & Others under reference no. 181/2000 in respect of the recovery of an alleged outstanding amount of Rs. 2.65 Lacs in 2001. The case relates to the transactions entered by the dealer with Voltas Limited, prior to the acquisition by Electrolux Voltas Limited. The matter is being handled by Voltas Limited.

4. There are 154 complaints as on February 27, 2004 pending before Consumer Disputes Redressal Forum/ State Commission regarding product-related and service deficiency complaints on EKL products by the customers and thereby claiming replacement/ refund/ interest/penalty/ damages aggregating approximately Rs. 15.65 Lacs.

5. East India Rubber Works, New Delhi (former warehouse owner) has filed a recovery suit for arrears of rent for an amount of Rs. 2.26 Lacs, before the Additional District Judge in 2001 under reference no. 347/2001, Tis Hazari, New Delhi. The case is being contested by the Company.

6. In retaliation to cheque bouncing case filed by the Company at Gurgaon for recovery of Rs. 8.46 Lacs, Sanyo Sales, a dealer of the Company at Moradabad, has filed a recovery suit before the Civil Judge – Senior Division, Moradabad for its alleged claim of Rs. 4.99 Lacs under the reference no. 400/2002. The matter is currently sub-judice.

7. In retaliation to cheque bouncing case filed by the Company at Gurgaon for recovery of Rs. 9.59 Lacs, Shyam Radios, a dealer of the Company at Mathura, has filed a recovery suit before the Civil Judge – Senior Division, Mathura for its various alleged claims aggregating to Rs. 3 Lacs under the reference no. 623/2002. The Court had passed a decree directing reconciliation of accounts. Application has been moved for setting aside the decree. The matter is currently sub-judice.

8. Sukh Sadhan Kendra, a dealer of the Company at Ajmer has filed a recovery suit before the Additional District & Sessions Court - Ajmer for recovery of security deposit of Rs. 0.50 Lacs and unsold stock of Rs. 4.50 Lacs & interest under reference no. 54/2001 in 2001. The total alleged claim sought by the dealer is Rs. 6.20 Lacs. The matter is currently sub-judice.

9. In retaliation to cheque bouncing case filed by the Company at Gurgaon for recovery of Rs. 41.81 Lacs, Timothy Sales, a dealer of the Company at Coimbatore, has filed a recovery suit before the Court of Sub-ordinate Judge, Coimbatore under reference no.88 of 2003 for decree declaring the cheque as invalid. The matter is currently sub-judice.

10. In retaliation to cheque bouncing case filed by the Company at Gurgaon for recovery of Rs. 25.75 Lacs, Omni Sales, a dealer of the Company at Ludhiana, has filed a recovery suit before the Court of Civil Judge Junior Division, Ludhiana for rendition of accounts under reference no. 135/2001 in 2001. The matter is currently sub-judice.

11. Concept Refrigerations, an ex service franchise of the Company at Delhi , has filed a recovery suit before the Civil Judge Tis Hazari, Delhi for its various alleged claims aggregating to Rs.0.66 Lacs under the reference no. 209/02 in 2002. The matter is currently sub-judice.

12. Jagdish Gupta a dealer of Hyderabad Allwyn Limited, Jammu filed an execution petition for recovery of Rs. 5.69 Lacs against the Company. Case filed under reference no.124/85. The matter is being contested by the Company by way of objection to the execution petition and is presently sub- judice.

13. Lipton India Limited (since amalgamated with Hindustan Lever Limited – "HLL") had filed a suit in 1991 in the Court of the Senior Sub Judge, Gurgaon, for recovery of Rs. 60.00 Lacs. These dues pertain to Thackers Food & Beverages (P) Limited, from whom erstwhile IL (since amalgamated with EKL vide order of amalgamation dated September 14, 2001 passed by the Honorable High Court of Delhi) had purchased the land and factory premises at Gurgaon. The Company had won the case at the level of the Civil Judge (Senior Division). HLL filed an appeal before the District Judge Gurgaon. The appeal was dismissed by the District Judge – Gurgaon –as the Appeal has been found to be time – barred. HLL has now filed a Review Petition in the Court of District Judge Gurgaon against the order dated September 18, 2002 passed by the District Judge, Gurgaon. The Company is contesting the matter.

14. In retaliation to cheque bouncing case filed by the Company at Gurgaon for recovery of Rs. 33.98 Lacs, Deepak Electronics, a dealer of the Company at Kolkata, had filed a suit for declaration and permanent injunction in the City Civil Court at Kolkata under the reference no. 1149/2003. Vide his order the learned judge refused the ad-interim injunction. Deepak Electronics preferred an appeal (stay petition) with High Court of Calcutta vide FMT No. 2772 of 2003. No interim order or stay is granted. Matter is sub Judice.

15. M/s Beta Traders and Agencies (P) Ltd., the C&F Agent of the Company at Cochin had filed a petition under section 9 of the Arbitration and Conciliation Act, 1996 before the Hon'ble District Court, Ernakulum under reference no.2910 of 2003 and O.P (Arbitration) No. 287 of 2003.The Court granted a temporary injunction restraining the Company from removing the schedule articles from its place of storage. The Court further vide its order dated October 21, 2003 directed the Company to furnish the Bank Guarantee of Rs. 10 Lacs upon production of which the Company can deal with its products and injunction stands vacated. The Company has furnished the Bank Guarantee and injunction is vacated. Matter is sub judice and Company is contesting the same.

16. In retaliation to cheque bouncing case filed by the Company at Gurgaon for recovery of Rs. 6.41 Lacs, Rahul Electronics, a dealer of the Company at Rohtak, had filed a suit for rendition of accounts and mandatory injunction in the Court of Civil Judge (Sr. Div.) at Rohtak under reference no. 872/5/8/2003. The Company is in the process of filing its Written Submission. Matter is sub judice.

17. In retaliation to cheque bouncing case filed by the Company at Gurgaon for recovery of Rs. 63.47 Lacs, Anuj Trading Co., a dealer of the Company at Delhi, had filed a suit for declaration and permanent injunction in the High Court of Delhi under the reference no. 1341/2003 in 2003. No interim order or stay is granted. Matter is sub judice.

18. In retaliation to cheque bouncing case filed by the Company at Gurgaon for recovery of Rs 12.55 Lacs, Dashmesh Teletronics (P) Ltd., a dealer of the Company at Ludhiana, had filed a Civil suit for quashing of complaint filed by the Company U/s138 of Negotiable Instruments Act 1881 at Gurgaon.

19. Paras Electronics a dealer of Company at Rohtak has filed a civil suit before Civil Judge Rohtak for recovery of its purported claim of Rs. 7.24 Lacs under reference no. 780/1 of October 17, 2003. The Company is contesting and the matter is sub-judice.

20. Company has filed petition under section 9 of Arbitration and Concilliation Act, 1996 against M/s Sterling Enterprises Pvt. Ltd., one of its Distributors in Agra for attachment of Bank

Account of the said Distributor under reference no.OMP71/ 2004. The Hon'ble High Court of Delhi vide its order dated February 23, 2004 has ordered the attachment of the Bank Account of M/s Sterling to the extent of Rs. 27.18 Lacs.The matter is currently sub-judice.

21. The Company has filed a Recovery suit for recovery against Horizen Enterprises a dealer of the Company in Cochin for a sum of Rs. 20 Lacs before the Hon'ble Court of Sub Judge Ernakulum, under reference no. 178/2004 .The Hon'ble Court vide its order dated February 26, 2004 has conditionally attached the property of the Dealer and asked them to furnish in the alternative a Bank Guarantee for a sum of Rs. 20 Lacs. The matter is sub judice.

Litigations involving Statutory and other offences & details of the proceedings of litigations / disputes/ penalties known to be contemplated by the Governmental authorities

1. Notices have been received from the Office of the Controller of Legal Metrology for alleged contravention of the provisions relating to the declaration of Maximum Retail Price (MRP), Month and Year of manufacture on the packages, under the provisions of Standards of Weights and Measures Act, 1976. The Company has filed a writ petition before the High Court, Bombay (Writ Petition No 2805/2002) and obtained a stay on seizure of Company products and penal action by the Department. The matter is now sub-judice. Some other notices have been suitably replied to by the Company, after taking legal opinion from the Company's solicitors.

2. Municipal Corporation of City of Ahmedabad has served a notice to make payment of Rs. 2.54 Lacs on account of property tax of Ahmedabad Branch Office premises. A municipal valuation and tax appeal has been filed in the Court of Small Causes Judge, Ahmedabad under reference no. 1585 / 1998 against the order of the Appellate Officer. The appeal was rejected by the Small Causes Court at Ahmedabad. The Company had requested to Municipal Corporation to reconsider the demand which they favourably considered and Company will pay the reduced demand.

3. The Company had received directions vide notice no F-4/170-B/SDE/AKB/02/9346 dated May 31, 2002 from the "Enforcement Directorate" for submission of information and documents in relation to the advertisements of its products on Sony / Star T.V. worth Rs. 355 Lacs in violation of various provisions under FERA, 1973. The Enforcement Directorate is to allow inspection of files by the Company.

4. The Company had availed custom duty benefits worth Rs. 245 Lacs by purchasing DEPB Pass Books from M/s Padmini Polymers Limited. The Company received a show cause notice No. 50D/25/98CI dated April 24, 2001 wherein the department had alleged that M/s Padmini Polymers Limited had fraudulently got DEPB pass books issued from the customs authorities and the benefits availed by the Company should be refunded to the authorities. The Company has filed its reply before the Customs authorities denying the allegations and establishing the bonafide availment of the duty concessions. An application under section 127B (1) of the Customs Act, 1962 has been filed by the Company in sequel to application filed by M/s Padmini Polymers Limited before the Customs and Excise Settlement Commission, Bench at New Delhi. The matter is under consideration.

5. The Company had availed custom duty benefits worth Rs. 27.70 Lacs by purchasing DEPB Pass Books from M/s Classic ITM, Delhi. The Company has received a show cause notice No. DRI.F.No. 50D/58/99-CI dated 28.03.2002 wherein the department had alleged that Classic ITM, Delhi had fraudulently got issued DEPB Pass Books from the customs authorities and the benefits availed by the Company should be refunded to the Authorities. The Company has submitted the papers as enquired by the authorities. Till date, there is no further demand from the department.

6. The Company had availed custom duty benefits worth Rs. 12.82 Lacs and Rs. 19.33 Lacs by purchasing DEPB Pass Books from M/s Mangali Impex Ltd., Delhi and M/s J.K.Impex, Delhi respectively. The Company has received a show cause notice no. SIIB/CUS/SCN/47/2000/SSS9 dated 31.10.2003 wherein the Department had alleged that M/s Mangali Impex Ltd., Delhi and M/s J.K.Impex, Delhi had fraudulently got DEPB pass books issued from the customs authorities and the benefits availed by the Company should be refunded to the authorities. The Company is in the process of replying to the said show cause notice.

7. The office of the Commissioner of Customs(General) Special Valuation Branch, New Delhi vide its order no. 2/SR/2004 dated 23.01.2004 has loaded the Invoice price of imports of the Company from AB Electrolux, and its associate companies by 20%. SVB allegations are that the existing relationship between the importer i.e. the Company and the Supplier i.e.Electrolux(Far East) Ltd., Hong Kong (an associate Company of AB Electrolux) are enough to treat them as related within the meaning of rule 2(2) of the Customs Valuation Rules 1988. Further as per them there are not enough documents to establish that such relationship did not influence the import price. The Company is in the process of preferring an appeal before Commissioner of Customs (Appeals) New Delhi against the said order.

8. Writ Petition against the land revenue assessment by Maharashtra Government was filed by Voltas Limited before the Nagpur Bench of the High Court, Bombay on January 24, 1992 under reference no. 260/92. The Company has been advised to pay land revenue at the enhanced rate under protest. The case has not been decided till date. The Company filed a civil application 744/97 on March 14, 1997 amending the writ petition filed by Voltas Limited. The change of name has been effected from Electrolux Voltas Limited to Electrolux Kelvinator Limited. The Company has deposited tax for the year 2001-02, i.e. Rs. 4.88 Lacs pertaining to the balance of last year and Rs. 6.65 Lacs for year 2002-03.

9. Aluminium sheets imported from Italy were classified under Chapter 7606.11 (6,026 Kilograms – Value EUR 21,633.34). Deputy Commissioner of Customs – IV, New Delhi had issued notice no. SCN. VIII / 12 / ACU / 7 / CRAD / 01 / CH / 76 / 2002 / 141-142 dated January 7, 2002 alleging the classification as Chapter 8418.99 and demanded additional duty of Rs. 1.28 Lacs with interest of 24% p.a. Representation has been made before the department.

10. The Company has received directions from the "Enforcement Directorate" – New Delhi for adjudication proceedings in respect of non - submission of Bill of Entries in respect of imports made by the Company during the years1992, 1993, 1994 and 1999. The Company had made an appearance before the Special Director and clarified its position. In respect of imports made by the Company during 1992, 1993 and 1994, the Company has made its submission that as the authorized dealer – Karnataka Bank did not provide the reference number of the Bill of Entries it was not possible to trace the Bill of Entries. The Special Director has issued directions for issue of notice to the authorized dealer. Vide its order no.SDE/SKP/ III/119/2003 dated 9.9.03 passed by Special Director Enforcement Directorate has levied penalty of Rs. 100 Lacs on the Company. All efforts are being made to trace the Bills of Entry and Proof of Import. Appeal against the order of Special Director has been filed before the Appellate Tribunal for Foreign Exchange, New Delhi.

11. The Company has received notice under section 160 of the Criminal Procedure Code, 1973 from the Central Bureau of Investigation (CBI), New Delhi in respect of two DEPB licenses. The CBI has desired for the proof of purchase of the DEPB licenses.

12. The Company has received a show cause notice from the Government of Karnataka – Department of Labour, Bangalore in respect of alleged violations under the labour laws. The Company has made appropriate representation as advised.

13. On September 30, 2003 the Company had claims not acknowledged as debts of

    a) Sales Tax - Rs. 496.03 Lacs;

    d) Excise Duty – Rs. 1,858.86 Lacs ; and

    e) Others – Rs. 1,872.99 Lacs

Disputed Tax Liabilities: As on September 30, 2003, the Company has 78 excise related matters pending at various stages with Excise Commissioner (Adjudication), Excise Commissioner (Appeals), Additional Commissioner, CEGAT and with excise range and divisions for an aggregate amount of Rs. 1858.86 Lacs as per details given below:

Sr. No.	Particulars /Plant	Amount (Rs. in Lacs)	Remarks / status
1	CEGAT- Shahjahanpur	823.18	5 matters pending
2	Excise Commissioner – Shahjahanpur	3.04	2 matters pending
3	Excise Division /Range- Shahjahanpur	364.76	20 matters pending
4	Excise Division/Range- Warora	588.30	31 matters pending
5	Excise Commissioner – Butibori	26.27	4 matters pending
6	Excise Division/Range- Gurgaon	12.00	12 matters pending
7	Excise Division/Range- Nandalur	24.95	2 matters pending
8	Excise Commissioner- Nandalur	16.36	2 matters pending
	Total	**1,858.86**	

The Company also has various sales tax matters pending at various stages with local sales tax authorities and the disputed tax liability is Rs. 496.03 Lacs. Apart from above Company also has Customs related and other disputed tax liabilities aggregating to Rs. 347.90 Lacs.

Labour problems / closure

As on February 27, 2004, there are 55 cases pending before various forums regarding labour and staff related issues

a) Warora Plant: 3 cases are pending before Labour Court, Chandrapur, and 14 cases are pending before Industrial Court, Nagpur. Most of the cases are pertaining to reinstatement and permanency claims filed by various direct and indirect personnel. The contingent liability for these cases would be Rs 480.35 Lacs.

b) Shahjahanpur Plant: 2 cases are pending before the High Court of Rajasthan and 26 cases are pending before Labour Court at Alwar. The workmen have challenged the termination and the same is being contested by the Company. The aggregate claim could be approximately Rs. 90 Lacs.

c) Sanathnagar Plant: 1 case is pending before the Additional Industrial Tribunal at Hyderabad. A writ petition filed by Allwyn Electrolux Officers Association praying for payment of VRS to them. Reply has been filed by the Company in the High Court of Andhra Pradesh under reference no.WP No. 8658 of 2003. The Court has dismissed the prayer of the petitioner for granting any interim order. The aggregate claim could be approximately Rs.180 Lacs. The matter is sub judice.

d) Nandalur Plant: 1 case is pending before the Industrial Tribunal at Cuddapah. The case is filed under Industrial Disputes Act for recovery of Rs. 0.24 Lacs by a technician who was working in maintenance department.

e) Corporate Support Center: 2 cases are pending before Labour Court, Delhi and 1 case is pending at Industrial Tribunal – cum – Labour Court at Gurgaon. The cases are filed against the Company for recovery of alleged dues. The aggregate claim is approximately Rs. 6 Lacs.

f) Gurgaon Plant: 3 cases pending at Labour Courts. Two cases are filed against the Company for reinstatement and one case is filed for stay on transfer orders. The aggregate claim may be Rs. 6 Lacs approximately.

g) General Secretary of Voltas Employees Union had filed a complaint in the Industrial Court at Warora against the VRS introduced by the Company at its Warora plant requesting the Court to set aside the VRS. On a writ petition filed before the Hon'ble High Court of Judicature at Bombay, the Industrial Court, Nagpur has been directed to dispose off the complaint on merits within a period of four months from the date of receipt of its Order. The impugned order passed by the Industrial Court has been suspended.

In July 2000, the Company had temporarily suspended the operations at the Shahajahanpur factory due to some labour problem and the same were resumed in September 2000 pursuant to the discussions held between the management and the union.

Summary of material litigations filed by Mr. Harish Kumar along with his wife and associates

On May 29, 2003, Harish Kumar and his associates filed an application under Section 392 of the Companies Act, 1956 ("Companies Act") against EKL before the High Court of Delhi (Company Application No. 685-687 of 2003 in Company Petition No. 218 of 2001) before the High Court of Delhi *inter alia* alleging that ABE had sought the consent of the shareholders of EKL for the merger between EKL, Electrolux India Limited (EIL) and Intron Limited (IL) in 2001, by making misrepresentations to the shareholders of EKL at the time of the merger. Harish Kumar and his associates have *inter alia* alleged that the merger has eroded shareholder value and has allowed consolidation of ABE's holding in EKL which holding is being used by ABE to gain absolute control of EKL to the complete disregard of minority interests. The Application prays for the Court to direct EKL to submit a report on the working of the Scheme of Amalgamation between EIL, IL and EKL ("Scheme").

In addition to the main application Harish Kumar and his associates have filed several other applications in the main application under Section 392 of the Companies Act namely:

i. An interim application in the main application (Company Application No. 686 of 2003 in Company Petition No. 218 of 2003): In this application, it was prayed that pending consideration of the report on the working of the Scheme, the Court should pass appropriate directions restraining EKL from disposing off or alienating or encumbering or creating any third party rights, in respect of any of its assets or in any manner altering the capital structure of EKL.

ii. An application in respect of the Nandalur Plant of EKL (Company Application No. 915 of 2003 in Company Application Nos. 685-687 of 2003 in Company Petition No. 218 of 2001): In this application, Harish Kumar and his associates have prayed for appropriate directions to be passed restraining the Board of Directors of EKL from passing or giving effect to any resolution disposing off or alienating or encumbering or creating any third party rights, in respect of any of the fixed and movable assets, including any of the plants specified in the application; and

iii. An application in respect of the Sanathnagar Plant of EKL (Company Application No. 1191of 2003 in Company Application Nos. 685-687 of 2003 in Company Petition No. 218 of 2001): This application contains prayers for the Court to pass appropriate directions restraining EKL from disposing off or alienating or encumbering or creating any third party rights in respect of any of the fixed and movable assets at the Sanathnagar Plant.

iv. A Perjury Application: A perjury application (Criminal Application No. 3 of 2003 in Company applications No. 685-687 of 2003 in Company Petition No. 218 of 2001) has been filed against Mr. Rajeev Karwal, Managing Director of EKL under Section 340 read with Section 190 of the Code of Criminal Procedure in relation to alleged misstatements in relation to the rounding off of certain figures qua the 1999 rights issue of the Company made in the Counter Affidavit dated July 14, 2003 filed on behalf of EKL in the Company Application No. 686 of 2003 in Company Petition No. 218 of 2001. It has been alleged that Mr. Karwal has intentionally sworne a false affidavit and therefore should be punished for the offence of perjury. The matter has been listed on several occasions before the High Court of Delhi. However no notice has been issued in respect of the application. The perjury application has been filed against Mr. Rajeev Karwal in his personal capacity. The offence of perjury is punishable under Code of Criminal Procedure, 1973 and a person if convicted of the offence may be liable to imprisonment for a term 7 years or upwards. The perjury application has no direct implications on the Company.

Status: The matters have been listed on several occasions before the High Court of Delhi. However, there has been no interim or restraining order issued against EKL. The matters have now been posted for hearing before the High Court of Delhi on May 25, 2004.

Further, Harish Kumar and his associates and one Mr. Balraj Malhotra had, on June 17, 2003, filed two petitions before the Company Law Board ("CLB") in Delhi. In the said petitions, besides EKL and ABE, the SEBI has also been impleaded as a party. The details of the said petitions are as follows:

i. A petition under Sections 397-398 of the Companies Act (Company Petition No. 57 of 2003) *inter alia* alleging acts of oppression and mismanagement. The said petition prays for the CLB to issue appropriate directions under the said sections. The said petition also alleges that ABE has been in violation of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1994 ("Takeover Code of 1994") in relation to the preferential allotment of shares to ABE which took place in 1995 for which SEBI had initiated an inquiry. Further it has also been alleged that EKL was illegally allowed to proceed with the rights issue which took place in 1997 despite the said breaches of the Takeover Code of 1994 and the pending inquiry by SEBI. As regards the rights issue which took place in 1999, it has been alleged that the said rights issue was oversubscribed and despite the over-subscription, ABE increased its shareholding in EKL and therefore acquired shares in excess of its entitlement without making a public offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997. The interim reliefs prayed for in the petition are as follows:

   a. The CLB should pass appropriate directions restraining EKL from disposing off or alienating or encumbering or creating any third party rights in respect of any of its assets or in any manner altering the capital structure of EKL;

   b. The CLB should appoint nominee directors on the Board of EKL to ensure the protection of the rights of the minority shareholders;

   c. A direction to be issued to SEBI restraining it from approving the draft Letter of Offer for the proposed Rights Issue submitted by EKL and ABE; and

   d. The CLB should pass directions restraining EKL and ABE from passing any resolution to retire/remove Anita Kumar as a director of EKL.

ii. A Petition under Section 250 of the Companies Act (Company Petition No. 58 of 2003): The said petition also alleges that ABE has been in violation of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1994 ("Takeover Code of 1994") in relation to the preferential allotment of shares to ABE which took place in 1995 for which SEBI had initiated an inquiry. Further it has also been alleged that EKL was illegally allowed to proceed with the rights issue which took place in 1997 despite the said breaches of the Takeover Code of 1994 and the pending inquiry by SEBI. As regards the rights issue which took place in 1999, it has been alleged that the said rights issue was oversubscribed and despite the over-subscription, ABE increased its shareholding in EKL and therefore acquired shares in excess of its entitlement without making a public offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997. In the said petition Harish Kumar and his associates have prayed that appropriate directions under Section 250 of the Companies Act be passed by the CLB so that an investigation for the purpose of determination of the true persons, who are or have been financially interested in the failure, whether real or apparent, of EKL after the Scheme, by having been able to control and materially influence the policies of EKL. The said petition also contains prayers for certain interim reliefs, namely:

   a. Directions be passed that no voting rights be exercisable in respect of the shares allotted pursuant to the Scheme;

   b. Directions be passed that no further shares would be issued in the right of the shares allotted pursuant to the Scheme and that any issue of such shares or any transfer of the right to be issued therewith is declared void; and

   c. A direction to be issued to SEBI restraining it from approving the draft Letter of Offer for the proposed Rights Issue submitted by EKL and ABE;

In addition, Harish Kumar's wife, Anita Kumar who was a director of EKL till June 25, 2003 also filed a Company Petition under Section 409 (Company Petition No. 59 of 2003) of the Companies Act before the CLB on June 17, 2003. The said petition also alleges that ABE has been in violation of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1994 ("Takeover Code of 1994") in relation to the preferential allotment of shares to ABE which took place in 1995 for which SEBI had initiated an inquiry. Further it has also been alleged that EKL was illegally allowed to proceed with the rights issue which took place in 1997 despite the said breaches of the Takeover Code of 1994 and the pending inquiry by SEBI. As regards the rights issue which took place in 1999, it has been alleged that the said rights issue was oversubscribed and despite the over-subscription, ABE increased its shareholding in EKL and therefore acquired shares in excess of its entitlement without making a public offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997. The said petition prayed for an order restraining EKL and ABE from passing or giving effect to the resolutions proposed at the Annual General Meeting that the vacancy caused by the retirement by rotation of Mrs. Anita Kumar, who had not offered herself for re-appointment be not filled. The following interim reliefs were also prayed for:

a. Directions should be passed restraining EKL and ABE from passing any resolution to retire/remove Anita Kumar as a director of EKL; and

b. Directions should be passed restraining SEBI from approving the Letter of Offer for the Rights Issue.

The CLB by way of its order dated June 18, 2003 has declined to grant any interim reliefs prayed for by the Petitioners (Harish Kumar and his associates) in the aforesaid petitions filed before the CLB. In view of the same, Harish Kumar and his associates also filed appeals in the High Court of Delhi against the order of the CLB dated June 18, 2003 wherein the CLB had declined to grant any interim reliefs in the aforesaid petitions. On July 28, 2003, the High Court disposed off the Company Appeals with a direction to the CLB to dispose off the petitions as and when they would be listed.

Status: Harish Kumar and his associates had filed fresh applications in relation to the aforesaid petitions on August 19, 2003 essentially asking for the CLB to issue a notice to SEBI. The CLB had on September 10, 2003, passed an order wherein it was of the view that SEBI is a 'necessary' party to the said petitions and issued notice to SEBI. The said order clarified that in light of regulation 22 of the Company Law Board Regulations, 1991, it would be open to SEBI to participate in the proceedings or not. On November 21, 2003, the Counsel appearing for SEBI sought time to file their reply and accordingly the matters were adjourned. The final hearing of the petitions was scheduled on January 8 and 9, 2004. The matter came up for hearing before the CLB on January 8, 2004 and by mutual consent of the parties, the matter has been adjourned to March 11 and 12, 2004.

On November 15, 2003 Harish Kumar and Anita Kumar filed a Civil Writ Petition (Civil Writ Petition No. 7780 of 2003) before the High Court of Delhi against the Union of India, SEBI, EKL and ABE, *inter alia*, challenging the validity of the SEBI (Delisting of Securities) Guidelines, 2003 ("Delisting Guidelines") on the ground that they provide a discriminatory mechanism in the case of delisting pursuant to a rights issue. Harish Kumar has also prayed for an order quashing the letter dated December 24, 2002 wherein SEBI had permitted ABE to acquire the unsubscribed portion of the Rights Issue and within 6 months of completion of the rights issue to either offload the equity shares so that the non-promoter shareholding is minimum 25% or to buy out the remaining shares at the price of the rights issue resulting in a delisting of shares of EKL in terms of the Delisting Guidelines. In addition, Harish Kumar has also tabled certain non-compliances with the applicable law in relation to the allotment of shares to ABE by way of a preferential allotment in 1994 and the rights issue of EKL in 1999. It has been alleged that ABE had violated the provisions of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1994 ("Takeover Code of 1994") in relation to the preferential allotment of shares to ABE which took place in 1994 for which SEBI had initiated an inquiry. Further it has also been alleged that EKL was illegally allowed to proceed with the rights issue which took place in 1997 despite the said breaches of the Takeover Code of 1994 and the pending inquiry by SEBI. As regards the rights issue which took place in 1999, it has been alleged that the said rights issue was oversubscribed and despite the over-subscription, ABE increased its shareholding in EKL and therefore acquired shares in excess of its entitlement without making a public offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997. However the Petition does not contain any specific prayers in relation to the alleged breaches of the Takeover Code. In the interim, Harish Kumar has filed an Application (Civil Miscellaneous Application No. 13080 of 2003) praying for a stay of the operation of the said letter dated December 24, 2002 and also for an order restraining SEBI from giving effect to the provisions of the Delisting Guidelines and approving the Letter of Offer that has been filed by EKL.

Status: The matter was listed before the High Court of Delhi on December 11, 2003 wherein the counsel appearing for SEBI sought time of two weeks to file Counter Affidavit to the Writ Petition which he felt was necessary before finally adjudicating the disputes between the parties, as the Delisting Guidelines under challenge have been formulated by SEBI. Accordingly, by its Order dated December 11, 2003, the High Court of Delhi granted time to SEBI to file their Counter Affidavit and listed the matter for hearing on January 8, 2004. During the hearing on January 8, 2004, SEBI sought time to file a detailed reply. The Court did not pass any order on the prayers of the Petitioner and has directed SEBI to file their reply. The matter was adjourned to January 30, 2004 and subsequently has now been posted for hearing before the High Court of Delhi on March 16, 2004.

On February 12, 2004, Harish Kumar and Associates filed an application in respect of the proposed sale of the fixed assets of the plant located at Gurgaon. The Application *inter alia* prays for directions restraining EKL from selling or disposing off any of the assets, whether movable or immovable acquired pursuant to the order dated September 14, 2001 (Order approving the merger between EKL, EIL and IL) including the immovable and movable assets at the Gurgaon plant. The Application was listed on February 13, 2004 before the Hon'ble High Court. The Hon'ble High Court had issued notice and had directed EKL to file their counter affidavit. The Application was adjourned to February 24, 2004 for arguments. No interim reliefs were granted. On February 24, 2004 the Application was listed before the High Court of Delhi. The matter was argued at length and has now been adjourned to March 15, 2004 for further arguments. No interim reliefs were granted.

Mr. Harish Kumar has, through his legal advisors, sent a letter to the Company alleging that the Record Date fixed for the present Rights Issue by the Company is unlawful, illegal and misleading. The Company has responded to the letter refuting the allegations.

Against ABE for their operations in India:

(i) Diamant Boart International SA

On July 8, 2002, ABE acquired Diamant Boart International SA ("DBISA"), a Belgian company carrying on the business of manufacture of various kinds of diamond tools and machines. ABE is investigating the files of DBISA's wholly-owned subsidiary Diamant Boart SA ("DBSA") with respect to its previous investments in India. DBSA had a certain equity stake in two Indian companies called Diamant Boart India Private Limited ("DBI") and Diamant Boart Petroleum India Private Limited ("DBPL") which stakes in the opinion of DBSA have been divested in favour of its Indian joint venture partner. This is being contested by the former joint venture partner, who has made various allegations against DBSA and its officers to different Indian governmental and police authorities and claims that DBI is still a subsidiary of DBSA. All such allegations that have been tried, have been dismissed as unfounded. DBSA has maintained that its shareholding in DBI has been effectively divested.

A suit is pending before the High Court of Bombay for specific performance of the transfer of DBSA's stake in DBI to the former joint venture partner. Said suit became infructous in 2001 in view of the fact that RBI and FIPB granted their approvals of the transfer and that DBSA pursuant to a settlement reached between the parties has handed over share certificates (13,625 shares) and share transfer deed to the advocate of the joint venture partner and has requested issue of duplicate share certificates (19,000 shares) to DBI and thereafter transfer the same shares to the joint venture partner.

It therefore appears that there are pending proceedings against DBSA. However, no orders appear to have been passed against DBSA in this regard, which are in force. DBSA is not in management of DBI or DBPL and ABE does not make any declaration or representation in relation to the affairs of DBI or DBPL or pendency of any proceedings against DBI or DBPL.

The Promoter of DBI has threatened to use the "ELECTROLUX" name and trademark for which ABE would adopt proceedings as advised.

The above is not likely to affect EKL in any respect and/or its current Rights Issue.

(ii) Eureka Forbes Limited

On January 26, 1982 Osborn Tools Manufacturing Private Limited, an associate company of ABE entered into a Joint Venture Agreement with Forbes, Forbes, Campbell & Co Limited for promoting a joint venture company, which was subsequently incorporated as Eureka Forbes Limited. ABE and Eureka Forbes Limited are in dispute on the ownership of the trademark AQUA GUARD in India.

An application for rectification (No. BOM 81532) was filed by ABE against Eureka Forbes Limited before the Trade Mark Registry in Mumbai for cancellation of the registration of registered mark No. 571897B in Class 11 registered in the name of Eureka Forbes Limited for the trademark AQUA GUARD.

An application for rectification No. CAL 106482 was filed by Eureka Forbes Limited against ABE before the Trade Mark Registry in Kolkata for cancellation of the registration of registered mark No. 371464B in Class 11 registered in the name of ABE for the trademark AQUA GUARD.

Status:

Mumbai

An order dated December 5, 2003 has been passed in the Application for Rectification No. BOM 81532 by the Trade Mark Registry in Mumbai in favour of Eureka Forbes Limited. ABE has filed an appeal with the Intellectual Property Appellate Board against this order on March 3, 2004.

Kolkata

The application for rectification No. CAL 106482 is still pending before the Trade Mark Registry in Kolkata.

The dispute is not likely to affect EKL in any respect and /or its current Rights Issue.

(iii) Harish Kumar litigations

On May 29, 2003, Harish Kumar and his associates filed an application under Section 392 of the Companies Act, 1956 ("Companies Act") against EKL before the High Court of Delhi (Company Application No. 685-687 of 2003 in Company Petition No. 218 of 2001) before the High Court of Delhi *inter alia* alleging that ABE had sought the consent of the shareholders of EKL for the merger between EKL, Electrolux India Limited (EIL) and Intron Limited (IL) in 2001, by making misrepresentations to the shareholders of EKL at the time of the merger. Harish Kumar and his associates have *inter alia* alleged that the merger has eroded shareholder value and has allowed consolidation of ABE's holding in EKL which holding is being used by ABE to gain absolute control of EKL to the complete disregard of minority interests. The Application prays for the Court to direct EKL to submit a report on the working of the Scheme of Amalgamation between EIL, IL and EKL ("Scheme").

In addition to the main application Harish Kumar and his associates have filed several other applications in the main application under Section 392 of the Companies Act namely:

i. An interim application in the main application (Company Application No. 686 of 2003 in Company Petition No. 218 of 2003): In this application, it was prayed that pending consideration of the report on the working of the Scheme, the Court should pass appropriate directions restraining EKL from disposing off or alienating or encumbering or creating any third party rights, in respect of any of its assets or in any manner altering the capital structure of EKL.

ii. An application in respect of the Nandalur Plant of EKL (Company Application No. 915 of 2003 in Company Application Nos. 685-687 of 2003 in Company Petition No. 218 of 2001): In this application, Harish Kumar and his associates have prayed for appropriate directions to be passed restraining the Board of Directors of EKL from passing or giving effect to any resolution disposing off or alienating or encumbering or creating any third party rights, in respect of any of the fixed and movable assets, including any of the plants specified in the application; and

iii. An application in respect of the Sanathnagar Plant of EKL (Company Application No. 1191 of 2003 in Company Application Nos. 685-686 of 2003 in Company Petition No. 218 of 2003): This application contains prayers for the Court to pass appropriate directions restraining EKL from disposing off or alienating or encumbering or creating any third party rights in respect of any of the fixed and movable assets at the Sanathnagar Plant.

Status: The matters have been listed on several occasions before the High Court of Delhi. However, there has been no interim or restraining order issued against EKL. The matters have now been posted for hearing before the High Court of Delhi on May 25, 2004.

A perjury application (Criminal Application No. 3 of 2003 in Company applications No. 685-687 of 2003 in Company Petition No. 218 of 2001) has been filed against Mr. Rajeev Karwal, Managing Director of EKL under Section 340 read with Section 190 of the Code of Criminal Procedure in relation to alleged misstatements made in the Counter Affidavit dated July 14, 2003 filed on behalf of EKL in the Company Application No. 685-687 of 2003 in Company Petition No. 218 of 2001. It has been alleged that Mr. Karwal has intentionally sworne a false affidavit and therefore should be punished for the offence of perjury. The matter has been listed on several occasions before the High Court of Delhi. However no notice has been issued in respect of the application. The perjury application has been filed against Mr. Rajeev Karwal in his personal capacity. The offence of perjury is punishable under Code of Criminal Procedure, 1973 and a person if convicted of the offence may be liable to imprisonment for a term 7 years or upwards. The perjury application has no direct implications on the Company.

Further, Harish Kumar and his associates and one Mr. Balraj Malhotra had, on June 17, 2003, filed two petitions before the Company Law Board ("CLB") in Delhi. In the said petitions, besides EKL and ABE, the SEBI has also been impleaded as a party. The details of the said petitions are as follows:

i. A petition under Sections 397-398 of the Companies Act (Company Petition No. 57 of 2003) *inter alia* alleging acts of oppression and mismanagement. The said petition prays for the CLB to issue appropriate directions under the said sections. The said petition also alleges that ABE has been in violation of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1994 ("Takeover Code of 1994") in relation to the preferential allotment of shares to ABE which took place in 1995 for which SEBI had initiated an inquiry. Further it has also been alleged that EKL was illegally allowed to proceed with the rights issue which took place in 1997 despite the said breaches of the Takeover Code of 1994 and the pending inquiry by SEBI. As regards the rights issue which took place in 1999, it has been alleged that the said rights issue was oversubscribed and despite the over-subscription, ABE increased its shareholding in EKL and therefore acquired shares in excess of its entitlement without making a public offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997. The interim reliefs prayed for in the petition are as follows:

a. The CLB should pass appropriate directions restraining EKL from disposing off or alienating or encumbering or creating any third party rights in respect of any of its assets or in any manner altering the capital structure of EKL;

b. The CLB should appoint nominee directors on the Board of EKL to ensure the protection of the rights of the minority shareholders;

c. A direction to be issued to SEBI restraining it from approving the draft Letter of Offer for the proposed Rights Issue submitted by EKL and ABE; and

d. The CLB should pass directions restraining EKL and ABE from passing any resolution to retire/remove Anita Kumar as a director of EKL.

ii. A Petition under Section 250 of the Companies Act (Company Petition No. 58 of 2003): The said petition also alleges that ABE has been in violation of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1994 ("Takeover Code of 1994") in relation to the preferential allotment of shares to ABE which took place in 1995 for which SEBI had initiated an inquiry. Further it has also been alleged that EKL was illegally allowed to proceed with the rights issue which took place in 1997 despite the said breaches of the Takeover Code of 1994 and the pending inquiry by SEBI. As regards the rights issue which took place in 1999, it has been alleged that the said rights issue was oversubscribed and despite the over-subscription, ABE increased its shareholding in EKL and therefore acquired shares in excess of its entitlement without making a public offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997. In the said petition Harish Kumar and his associates have prayed that appropriate directions under Section 250 of the Companies Act be passed by the CLB so that an investigation for the purpose of determination of the true persons, who are or have been financially interested in the failure, whether real or apparent, of EKL after the Scheme, by having been able to control and materially influence the policies of EKL. The said petition also contains prayers for certain interim reliefs, namely:

a. Directions be passed that no voting rights be exercisable in respect of the shares allotted pursuant to the Scheme;

b. Directions be passed that no further shares would be issued in the right of the shares allotted pursuant to the Scheme and that any issue of such shares or any transfer of the right to be issued therewith is declared void; and

c. A direction to be issued to SEBI restraining it from approving the draft Letter of Offer for the proposed Rights Issue submitted by EKL and ABE;

In addition, Harish Kumar's wife, Anita Kumar who was a director of EKL till June 25, 2003 also filed a Company Petition under Section 409 (Company Petition No. 59 of 2003) of the Companies Act before the CLB on June 17, 2003. The said petition also alleges that ABE has been in violation of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1994 ("Takeover Code of 1994") in relation to the preferential allotment of shares to ABE which took place in 1995 for which SEBI had initiated an inquiry. Further it has also been alleged that EKL was illegally allowed to proceed with the rights issue which took place in 1997 despite the said breaches of the Takeover Code of 1994 and the pending inquiry by SEBI. As regards the rights issue which took place in 1999, it has been alleged that the said rights issue was oversubscribed and despite the over-subscription, ABE increased its shareholding in EKL and therefore acquired shares in excess of its entitlement without making a public offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997. The said petition prayed for an order restraining EKL and ABE from passing or giving effect to the resolutions proposed at the Annual General Meeting that the vacancy caused by the retirement by rotation of Mrs. Anita Kumar, who had not offered herself for re-appointment be not filled. The following interim reliefs were also prayed for:

a. Directions should be passed restraining EKL and ABE from passing any resolution to retire/remove Anita Kumar as a director of EKL; and

b. Directions should be passed restraining SEBI from approving the Letter of Offer for the Rights Issue.

Status: The CLB by way of its order dated June 18, 2003 has declined to grant any interim reliefs prayed for by the Petitioners (Harish Kumar and his associates and Mrs Anita Kumar) in the aforesaid petitions filed before the CLB. In view of the same, Harish Kumar and his associates also filed appeals in the High Court of Delhi against the order of the CLB dated June 18, 2003 wherein the CLB had declined to grant any interim reliefs in the aforesaid petitions. On July 28, 2003, the High Court disposed off the Company Appeals with a direction to the CLB to dispose off the petitions as and when they would be listed.

Harish Kumar and his associates and Mrs Anita Kumar had filed fresh applications in relation to the aforesaid petitions on August 19, 2003 essentially asking for the CLB to issue a notice to SEBI. The CLB had on September 10, 2003, passed an order wherein it was of the view that SEBI is a 'necessary' party to the said petitions and issued notice to SEBI. The said order clarified that in light of regulation 22 of the Company Law Board Regulations, 1991, it would be open to SEBI to participate in the proceedings or not. On November 21, 2003, the Counsel appearing for SEBI sought time to file their reply and accordingly the matters were adjourned. The final hearing of the petitions was scheduled on January 8 and 9, 2004. The matter came up for hearing before the CLB on January 8, 2004 and by mutual consent of the parties, the matter has been adjourned to March 11 and 12, 2004.

On November 15, 2003 Harish Kumar and Anita Kumar filed a Civil Writ Petition (Civil Writ Petition No. 7780 of 2003) before the High Court of Delhi against the Union of India, SEBI, EKL and ABE, *inter alia*, challenging the validity of the SEBI (Delisting of Securities) Guidelines, 2003 ("Delisting Guidelines") on the ground that they provide a discriminatory mechanism in the case of delisting pursuant to a rights issue. Harish Kumar has also prayed for an order quashing the letter dated December 24, 2002 wherein SEBI had permitted ABE to acquire the unsubscribed portion of the Rights Issue and within 6 months of completion of the rights issue to either offload the equity shares so that the non-promoter shareholding is minimum 25% or to buy out the remaining shares at the price of the rights issue resulting in a delisting of shares of EKL in terms of the Delisting Guidelines. In addition, Harish Kumar has also tabled certain non-compliances with the applicable law in relation to the allotment of shares to ABE by way of a preferential allotment in 1994 and the rights issue of EKL in 1999. It has been alleged that ABE had violated the provisions of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1994 ("Takeover Code of 1994") in relation to the preferential allotment of shares to ABE which took place in 1994 for which SEBI had initiated an inquiry. Further it has also been alleged that EKL was illegally allowed to proceed with the rights issue which took place in 1997 despite the said breaches of the Takeover Code of 1994 and the pending inquiry by SEBI. As regards the rights issue which took place in 1999, it has been alleged that the said rights issue was oversubscribed and despite the over-subscription, ABE increased its shareholding in EKL and therefore acquired shares in excess of its entitlement without making a public offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997. However the Petition does not contain any specific prayers in relation to the alleged breaches of the Takeover Code. In the interim, Harish Kumar has filed an Application (Civil Miscellaneous Application No. 13080 of 2003) praying for a stay of the operation of the said letter dated December 24, 2002 and also for an order restraining SEBI from giving effect to the provisions of the Delisting Guidelines and approving the Letter of Offer that has been filed by EKL.

Status: The matter was listed before the High Court of Delhi on December 11, 2003 wherein the counsel appearing for SEBI sought time of two weeks to file Counter Affidavit to the Writ Petition which he felt was necessary before finally adjudicating the disputes between the parties, as the Delisting Guidelines under challenge have been formulated by SEBI. Accordingly, by its Order dated December 11, 2003, the High Court of Delhi granted time to SEBI to file their Counter Affidavit and listed the matter for hearing on January 8, 2004. During the hearing on January 8, 2004, SEBI sought time to file a detailed reply. The Court did not pass any order on the prayers of the Petitioner and has directed SEBI to file their reply. The matter was adjourned to January 30, 2004 and subsequently has now been posted for hearing before the High Court of Delhi on March 16, 2004.

Other litigations:

There is an opposition no. BOM 53134 filed by AB Electrolux against application no. 560541 in class 7 for the mark “ELECTREX” in the name of Electrex (India) Limited. The matter is pending before the Trademark Registry, Mumbai. Evidence in support of application has been filed by M/s. Electrex (India) Limited.

Potential adverse effect of any proceedings on the financial performance of EKL: Please refer to “Harish Kumar Litigations”.

Details of the proceedings of litigations / disputes/ penalties known to be contemplated by the Governmental authorities: None is believed as per ABE’s knowledge but please refer to SEBI’s involvement in the “Harish Kumar Litigations”.

Details of contingent liabilities of ABE:

(as per accounts for the accounting period ended December 31, 2002)

***SEK*m**

Discounted Bills	10
Accounts receivable, with recourse	182
Guarantees and other commitments	
- on behalf of subsidiaries	–
- other	666
Capital Value of pension commitments in excess of reported liabilities	91
Total	**949**

Litigations against the directors:

A perjury application (Criminal Application No. 3 of 2003 in Company applications No. 685-687 of 2003 in Company Petition No. 218 of 2001) has been filed against Mr. Rajeev Karwal, Managing Director of EKL under Section 340 read with Section 190 of the Code of Criminal Procedure in relation to alleged misstatements in relation to the rounding off of certain figures qua the 1999 rights issue of the Company made in the Counter Affidavit dated July 14, 2003 filed on behalf of EKL in the Company Application No. 686 of 2003 in Company Petition No. 218 of 2001. It has been alleged that Mr. Karwal has intentionally sworne a false affidavit and therefore should be punished for the offence of perjury. The matter has been listed on several occasions before the High Court of Delhi. However no notice has been issued in respect of the application. The perjury application has been filed against Mr. Rajeev Karwal in his personal capacity. The offence of perjury is punishable under Code of Criminal Procedure, 1973 and a person if convicted of the offence may be liable to imprisonment for a term 7 years or upwards. The perjury application has no direct implications on the Company.

Mr. Nalin Patel of Timothy Sales, a dealer of the Company, filed a criminal complaint against the Company and Mr. Harish Kumar (Director) in the Court of Judicial Magistrate Ist class Gurgaon in 2003 u/s 340 of Criminal Procedure Code 1973 for enquiry under Section 191,192,193 and 196 and section 34 of Indian Penal Code alleging furnishing of false evidence by the Company. The said application is a counterblast to the complaint filed by the Company under section 138 of the Negotiable Instruments Act, 1881 at Gurgaon for dishonour of cheque of Rs. 41.81 Lacs. The matter is sub- judice as case No.53 of 2002-2003 and is coming up on April 24, 2004 for arguments/evidence.

Details of Outstanding litigations/disputes involving group companies in India:

Eureka Forbes Limited:

- Company entered into an Memorandum of Understanding (MOU) on March 7, 1996 for marketing and distribution arrangement with respect to electronic domestic appliances manufactured by Surya Morphy Richards Ltd (SMRL) under “Morphy Richards” brand. An advance of Rs. 50.00 Lacs plus further advance of Rs. 35.00 Lacs over and above advances against specific orders aggregating to Rs. 40.00 Lacs were given from time to time. Due to non-performance by SMRL in its commitment for return of advances, supplies as per orders and also non-adherence to quality standards, EFL filed suit before the Honourable High Court, Bombay for recovery of its outstanding dues. Due to provision of Arbitration clause in the MOU the matter was referred to the Arbitrators. In the Arbitration proceedings an order was passed in favour of EFL for an amount of Rs. 83.28 Lacs plus interest @ 12% p.a. effective March 16, 1998 till date of payment by SMRL.

  Management’s proposal to address the risk:

  Execution proceedings have been initiated for attachment of one of the properties belonging to SMRL under application 254 of 2003 before the Honourable High Court, Bombay.

- 3 cheques aggregating Rs. 5.20 Lacs were drawn on Mr. Mahesh D Shukla – (Sub-broker of M/s B. Champaklal & Devidas dealing in Government Securities) for purchase of 5,07,000 units of 6.75% State Government Securities as part of investments in Government Securities under Superannuation regulations. M/s B. Champaklal & Devidas, have been declared as notified person under Special Court (Trial and Offences relating to Securities) Act, 1992. The stock of the said securities belonging to M/s B. Champaklal & Devidas were lying with Bank of Karad, Mumbai at the time of its liquidation.

  The said suits are before the Honourable High Court, Bombay and were filed on April 26, 1995 under suit nos. 3242/1995, 3469/1995 and 5276/1995. The respondent is Mr. Mahesh D. Shukla. The matter has not been listed for hearing till date. Financial implication in the said suit is Rs. 6.77 Lacs plus interest @ 11% p.a.

- EFL’s premises at Kolkata taken on lease was sub-let in the year 1983 for a period of three years to a proprietorship organisation M/s Indo Marketing owned by Mr. Deepak Kumar Chaudhary. M/s Indo Marketing borrowed working capital from Allahabad Bank (the Bank) against their stocks. Indo Marketing closed its operation in 1987 and handed over the premises to EFL alongwith some of its stocks that were hypothecated to the said Bank. Indo Marketing owed Rs. 1.63 Lacs to EFL against the outstanding lease rental and EFL was requested by Indo Marketing to sell the stocks and hand over the realized amount after adjusting the outstanding amount due to EFL. EFL could only sell one of its stock and few spares for Rs. 1.57 Lacs and the amount realized was adjusted against its dues from Indo Marketing. The said Bank initiated recovery proceedings against Indo Marketing making EFL also as one of the respondents to the said suit since the hypothecated stocks were held by EFL. No one appeared and the matter was decided ex-parte in favour of the said Bank holding EFL jointly and severally liable for the amount due to the said Bank from Indo Marketing. Warrant of attachment was issued for decreed amount. Writ Petition was filed by EFL before the Honourable Calcutta High Court bearing No. WP-1804 of 1995 challenging the vires of the Recovery of Debts due to the Banks & Financial Institution Act, 1993 (the Act). The said Writ was disposed off with liberty to raise the issue of jurisdiction before the Honourable Debt Recovery Appellate Tribunal, Calcutta. Necessary applications have been filed before DRAT under appeal no. DRAT/CAL/43/2003 and the matter is sub-judice. The financial implication is Rs. 22.11 Lacs plus interest @ 6% p.a.

- Contingent liabilities not provided for as on March 31, 2003 (a) Claims not acknowledged as debts Rs. 42.37 Lacs (b) Disputed I.T. demands Rs. 26.76 Lacs (c) Disputed sales tax demands Rs. 412.58 Lacs (d) Bank guarantees issued on behalf of the company Rs. 76.88 Lacs (e) Disputed Central Excise demands Rs. 147.88 Lacs
- There are 56 complaints before Consumer Dispute Redressal Forum / State Commission alleging deficiency in service of EFL's products by the customers and thereby claiming replacement, refund, interest, compensation. The total financial implication is Rs. 0.73 Lacs. EFL has filed its reply cum affidavits in all these cases and the hearing is awaited.
- Trademark dispute: EFL are the registered proprietors in India of the trade mark "Aquaguard" vide original Registration Certificate No. 571897B dated September 13, 2002 issued by the Trade Mark Registry, Mumbai. AB Electrolux also claims to be the Registered Proprietor in India of the trade mark "AQUA GUARD", which claim is contested by EFL. In this regard both AB Electrolux and EFL have filed their rectification applications before the Hon'ble Trade Mark Registry at Mumbai and Kolkata respectively, seeking removal of other's registered trade mark from the Register of Trade Marks. The Hon'ble Asst. Registrar of Trade Marks, Mumbai passed an order on December 5, 2003 dismissing the Rectification application No. BOM 81532 filed by AB Electrolux and thereby allowing the entry relating to the registered trade mark no. 571897B in the name of EFL to continue to remain in the Register. EFL has filed Rectification application No. KOL-106482 for removal from Register of the Registered Trade mark "AQUA GUARD" bearing No. 371464B in class 11 in the name of AB Electrolux. No order has been passed in this regard.
- Guarantees given as on March 31, 2003 aggregates Rs. 76.88 Lacs.

Aquamall Water Solutions Limited:

- Contingent Liabilities not provided for as on March 31, 2003 (i) Disputed Central Excise demand Rs. 577.61 Lacs (ii) Disputed sales tax demand Rs. 4697.77 Lacs (iii) Disputed income tax demand Rs. 9.76 Lacs.
- The company paid excise duty as per new valuation rules, effective July 1, 2000. The Department issued show cause notices aggregating to Rs. 721 Lacs on the three manufacturing units of the company disputing the new method of valuation adopted by the company. Based on the order received from the Excise Department for one unit, an amount of Rs. 366 Lacs is provided in the accounts for Excise Duty liability for all the three units of the company. Out of the above a sum of Rs. 123 Lacs has been paid under protest complying with the order of CEGAT in the case of Bangalore factory.

Details of defaults in meeting statutory dues, institutional dues and dues towards debenture holders, fixed deposit holders etc.

The Company has not defaulted in meeting statutory dues, institutional dues and dues towards lease financing, debenture holders, fixed deposit holders during the last five years except the following:.

At the time of the previous rights issue (December 1999), there was an outstanding amount of Rs. 6.81 Lacs (excluding interest for delayed payments); due towards the balance interest payable at the rate of 18% on Part "B" of Rs. 10/- each of the Fully Convertible Debentures of face value Rs. 50/- each allotted during September 1993. The main allottees of the Fully Convertible Debentures were the original promoter of the Company and also various other small investors. The Company has since paid the amount and remitted the unpaid/ unclaimed amount to the 'Investor Education and Protection Fund'.

The investors must note that a show cause notice has been issued by SEBI to Harish Kumar & Associates under Section 11(4) of the SEBI Act for possible violation of Regulation 4(a) of SEBI (FUTP) Regulations, 1995 and Mr. Harish Kumar, one of the Directors of the Company, was summoned to appear in person on October 16, 2002 before the investigating authority under section 11 (3) of the SEBI Act, 1992 regarding dealing in the shares of the Company vide an order dated July 25, 2002 by SEBI Chairman. The Company has not received any further information on the same either from Mr. Harish Kumar or from SEBI.

Save and except as stated above, there are no outstanding litigations including winding up petitions, disputes, overdues to banks / financial institutions, defaults against banks/Financial Institutions, non payment of statutory dues including disputed tax liabilities of any nature, rollover / re-scheduling of loans or any other liability, defaults in dues including interest and principal amount towards instrument holders like debenture holders, bond holders, fixed deposits and arrears on cumulative preference shares issued by ABE, companies, firms promoted by ABE in India, and / or its Directors, in respect of its operations in India, in their personal capacity as promoters and as Directors, proceedings initiated for economic/civil/any other offences (including ventures in India where ABE were associated formerly during the last 5 years and past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of part 1 of Schedule XIII of the Companies Act, 1956) against ABE and against ventures/companies promoted by ABE in India, labour problems / closure against ABE and against ventures/companies promoted by ABE in India and guarantees given to third parties by ABE and ventures/companies promoted by ABE in India pending against ABE and / or its Directors, in respect of its operations in India, in their personal capacity as promoters and as Directors which is likely to affect the operations and finances of the Company. No criminal proceedings/criminal prosecutions have been launched against the Company or against any of the directors or promoters of the Company, or against the promoters or directors in their personal capacities and/or for any of the alleged offences under the enactments specified in Paragraph 1 of Part 1 of Schedule XIII of the Companies Act, 1956.

No disciplinary action/ investigation has been taken by the Securities and Exchange Board of India/ Stock Exchange or any other regulatory authority against the ABE/ companies /firms promoted by ABE in India or/and other business ventures (irrespective of the fact whether they fall under the purview of Sec 370 (1B) of the Companies Act, 1956 /Directors of EKL. Other than those mentioned above, there are no cases of pending litigations, defaults, etc. in which ABE is associated in respect of companies / firms/ventures with which ABE /Directors of EKL were associated in any manner in India in the past 5 years and are no longer associated.

The outstanding litigations, defaults and disputes, against ABE and / or its units located/operating internationally and the group /associate companies of ABE located/operating internationally is not believed to impact the operations or financials of the Company as they have no business/investment association or inter linkages with the Issuing Company apart from those disclosed in this document. Hence, disclosures in this regard are not relevant for making an investment decision in the Company's proposed Issue. The foregoing statement is however not applicable to the disputes with Harish Kumar (a director and shareholder of the Company), which disputes are described above.

There are no outstanding litigations, defaults and disputes, against ABE / or and its group concerns, other than those disclosed in this Offer Document as being relevant for making an investment decision in the Company's proposed Issue.

Arrears on cumulative preference shares

The dividend on preference shares accrued but not due is Rs. 1,053.97 Lacs as on September 30, 2003.

Names of small scale industries to whom the Company owes sums (including interest, if any) and which are outstanding for more than 30 days are as under (as on September 30, 2003):

A.A. International, Arasna Industries, Brajesh Packaging, Cheekatla Polymer, Dynatech Controls, EPES Thermo Rub, Futech Chemicals, Lumiere Trading Agency, Monarch self Adhesives, Nanda Glass Industries, Perfect Pressing, Sadanand Engineer, Shakti Engineering, Shakti Trading Co., Suyog Magnetics, Technova Tapes, VRC Plastomoulds, Vacuum Foam Products, Veekay Rubber Products, Vimta Labs, Heritage Rubbers, Autostrap India, Oswin Plastics, Progressive Polymers, Shakti Trading Co, Ajit Industries, Bajaj Nylon & Plastics, Bharat Lamp Industries, Cubix Controls systems, Jayen Wire links, K.K. Enterprises, Naini Exporters, Vijay Engineering, Wellchem (India), A.A. Industries, Capital Precision, Choice Copiers, Eltecs, Hi Tech Enterprises, Impex Plastic Works, Indian Solder, Jayanti Electricals, Kamal Engineering, Nanda Glass Industries, Phoenix Industries, R.P. Trading Co., Reliable Safety Glass, Sharad Electronics, Super Springs, Wonder Polymers, Farmaids & Agro Industries, Any Graphics (P) Ltd, Sangeeta Industries, Belmaks (P) Ltd, Anand Glass Industries, VRC Plastomoulds, Kagazz Print and Pack, Kiran Enterprises, Bhuvaneshwari Prints, Vineet Packaging.

Liabilities

Save and except disclosures made in this Letter of Offer, all known and identified liabilities have been acknowledged as liabilities and accounted for and necessary disclosures have been made in the Letter of Offer.

XIII. RISK FACTORS ENVISAGED BY THE MANAGEMENT AND PROPOSAL TO ADDRESS THE RISKS

Internal to the Company

Internal Risk Factor 1

The Company has accumulated losses of Rs. 48,369 Lacs as on September 30, 2003 as per audited results and of Rs. 61,502 Lacs as at January 31, 2004 (unaudited results) against total shareholders funds of Rs. 37,450 Lacs. This has resulted in complete erosion of the Company's networth. The auditors in their report, as reproduced later in this LoF, have qualified their report stating that they are unable to comment on the appropriateness of the going concern assumption as the same is dependant upon the proposed rights issue and/or continued financial support of AB Electrolux, Sweden, which is currently not certain.

Management's proposal to address the risk:

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 realisations, competitive industry environment and decreasing market share of the Company 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. The Company is presently undergoing a restructuring exercise that includes rationalisation of manpower and facilities. The restructuring has further impacted the bottom line. The benefits of such restructuring are believed to accrue in the coming years. However, the investors must note that though a significant part of the restructuring cost has already been incurred in the period up to September 30, 2003, some more restructuring costs are expected to be incurred in the current year and that may affect the profitability of the Company further. The Company may decide to have further infusion of capital via another rights issue or preferential allotment of equity or preference capital within six months of opening of the present Rights Issue. The necessary filings/ reportings and/or other procedures, in relation to the erosion of the networth, will be made / followed by the Company with the relevant authorities in accordance with law. As per the legal opinion received by the Company, the requirement of filings/reporting with the relevant regulatory authorities should be applicable on the finalization of duly audited accounts for the full financial year. Considering this proposed Rights Issue and AB Electrolux's commitment to support the Rights Issue by subscribing to the unsubscribed portion of the Rights Offer, beyond their entitlement, in the event the other shareholders of the Company do not subscribe to their entitlement, an amount of approximately Rs. 20,000 Lacs would be infused in the Company which will augment the networth of the Company to that extent. The Company may also require further infusion of capital within six months of opening of this Rights Issue to make its networth positive.

Internal Risk Factor 2

Investors may please note that if as a result of the instant Rights Issue, the non-promoter shareholding, required to be maintained for continuous listing, in the Company falls below the prescribed limits, the Company and ABE will comply with the provisions of Securities & Exchange Board of India (Delisting of Securities) Guidelines - 2003 by offering to buy out the remaining holders at the price of the Rights Issue as a result of that the shares of the company will be delisted.

Internal Risk Factor 3

Mr. Harish Kumar, one of the directors, has dissented to this Rights Issue in the Board meetings where this Rights Issue was approved. Harish Kumar and Associates have not given their consent to be declared as a promoter for the purpose of the Rights Issue. Mr. Harish Kumar has addressed a communication to the Company Secretary of the Company stating that he has not authorised anyone to refer to him or his associates as Promoter in any document being filed with any statutory body(ies) and that Company should desist from making any such declaration without his prior written consent/authorisation. Further, in a separate communication giving his consent to include his name in the Letter of Offer as a director of the Company, he has stated that any other information related to him, if included, in Letter of Offer required as per SEBI Guidelines, other than as a director of EKL, is not his responsibility. Therefore, Mr. Harish Kumar has not responded to the Company's requests for disclosures and information, as applicable for promoters, required as per SEBI Guidelines, for the purposes of this LoF. Mr. Harish Kumar believes that the present Rights Issue is detrimental to the interest of shareholders. Mr. Harish Kumar – Director and Shareholder of the Company along with his associates have, filed company petitions / writ petitions / application(s) / appeals against the Company before Hon'ble High Court of Delhi and Company Law Board under Sections 250, 392, 397, 398 and 409 of the Companies Act, 1956 and Article 226 of the Constitution of India inter alia challenging the implementation of Scheme of Amalgamation between EKL, EIL and IL approved by the Hon'ble High Court of Delhi, alleging acts of oppression of minority shareholders and mismanagement of the Company and praying inter alia for directions restraining the Board of Directors of the Company from passing and giving effect to any resolution which has the effect of disposing off or alienating or encumbering or creating any third party rights, in respect of any of its fixed and movable assets, including any of the plants and alteration of the capital structure of the Company, including praying that SEBI should be directed not to clear this Letter of Offer. Some of the petitions also alleges that ABE has been in violation of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1994 ("Takeover Code of 1994") in relation to the preferential allotment of shares to ABE which took place in 1995 and allotment of shares to ABE in excess of their entitlement to ABE in the 1999 rights issue by EKL without making a public offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997. Mr. Harish Kumar and Mrs. Anita Kumar have also filed a civil writ petition before the High Court of Delhi challenging the validity of the SEBI (Delisting of Securities) Guidelines, 2003 on the ground that they provide a discriminatory mechanism in the case of delisting pursuant to a rights issue. Mr. Harish Kumar has also filed a civil miscellaneous application praying for a stay of the operation of the SEBI letter dated December 24, 2002 and also for an order restraining SEBI from giving effect to the provisions of the Delisting Guidelines and approving the Letter of Offer that has been filed by EKL. On February 12, 2004, Harish Kumar and Associates filed an application in respect of the proposed sale of the fixed assets of the plant located at Gurgaon. The application *inter alia* prays for directions restraining EKL from selling or disposing off any of the assets, whether movable or immovable acquired pursuant to the order dated September 14, 2001 approving the merger between EKL, EIL and IL. The application was listed on February 13, 2004 before the Hon'ble High Court and the Hon'ble High Court had issued notice and had directed EKL to file their counter affidavit. The Application was adjourned to February 24, 2004 for arguments. No interim reliefs were granted. On February 24, 2004 the Application was listed before the High Court of Delhi. The matter was argued at length and has now been adjourned to March 15, 2004 for further arguments. No interim reliefs were granted. Investors are requested to refer to page no. 74 for details of the litigations filed by Mr. Harish Kumar and his associates. Mr. Harish Kumar has, through his legal advisors, sent a letter to the Company alleging that the Record Date fixed for the present Rights Issue by the Company is unlawful, illegal and misleading. The Company has responded to the letter refuting the allegations.

Management's proposal to address the risk:

The litigations between Harish Kumar and his associates and the Company are currently sub-judice and the impact of the outcome of the same on the accounts of the Company, if any, is not ascertainable at this stage.

Internal Risk Factor 4

In view of the accumulated losses on its Balance Sheet, the Company may carry out a capital reduction exercise after this Rights Issue after obtaining all other requisite approvals. Such capital reduction will also impact the share capital proposed to be raised through this Rights Issue. The quantum and manner of such capital reduction exercise is, however, not yet decided.

Management's proposal to address the risk:

Capital reduction if carried out would be aimed at providing more accurate representation of the capital structure/networth of the Company and therefore being in the nature of a book entry and if carried out, would not affect the cash position or operations of the Company.

Internal Risk Factor 5

A show cause notice has been issued by SEBI to Mr. Harish Kumar, one of the directors of the Company and his associates under Section 11(4) of the SEBI Act for possible violation of Regulation 4(a) of SEBI (FUTP) Regulations, 1995.

Internal Risk Factor 6

Shareholders may note that the equity share price of the Company on the BSE has displayed a generally falling trend since 2000 onwards. The Equity Share has also traded below par during certain periods. Equity share trading data is given on page 69. Further, the Equity Shares of the Company have not been traded for the calendar year 2003 on the stock exchanges at Delhi, Jaipur, Bangalore and Ahmedabad. The shares were traded in some volumes on the Stock Exchange, Mumbai (BSE) and very marginally traded on the stock exchange at Kolkata.

Internal Risk Factor 7

The requirement and deployment of funds by the Company appearing in this LoF have not been appraised by any bank or financial institution and are based on the Company's own estimates.

Management's proposal to address the risk:

The deployment of funds is primarily for repayment of loans, funding the VRS and related expenditure and to meet the issue expenses. This is based on the Company's current perception of business and its current growth plans. The Company has already incurred an amount of Rs. 596.92 Lacs towards VRS and related expenditure in one of its refrigerator factory that has been funded out of further short- term loans. The Company intends to launch further VRS in its factories and the proceeds of the Issue will be utilized to fund the same.

Internal Risk Factor 8

The Registered User / Trademark License agreements between ABE and the Company are non-exclusive and therefore ABE has the right to market its products in India through any subsidiary/joint venture or through any entity other than EKL.

Internal Risk Factor 9

The promoter of the Company, ABE is in the same line of business however they do not have any operations in India other than as disclosed in the Letter of Offer. Please also refer to the risk factor mentioned above. Further, the Company understands that one of the directors – Mr. Harish Kumar – is associated with companies / firms which could be in the similar line of activity as the Company. However, the Company does not have details thereof and therefore the extent of conflict of interest, if any, cannot be determined.

Internal Risk Factor 10

The Company is yet to receive the renewal from the pollution control board for its manufacturing plant at Butibori, renewal of its factory licence at Warora and Butibori plant, renewal of explosive licence of MEK, Kerosene & Thinner at its Warora plant. The "Allwyn" Trademark has been registered in the name of the Company. However, there are certain applications for stylized Trademark of "Allwyn" which are pending.

Management's proposal to address the risk:

These licenses are required to be taken in the normal course of business and the Company has applied for the renewal of these licenses. The Company is also following-up for the registration of stylized Trademark of "Allwyn".

Internal Risk Factor 11

The value of unexpired counter-guarantees issued to the banks is of the order of Rs. 464.97 Lacs and outstanding letters of credit Rs. 1,218.26 Lacs as on September 30, 2003. The estimated amount of contracts remaining to be executed on capital account, not provided for (net of advances) is Rs. 284.58 Lacs as on September 30, 2003. The dividend on preference shares accrued but not due is Rs. 1,053.97 Lacs as on September 30, 2003.

Management's proposal to address the risk:

Counter guarantees, contracts and Letters of Credit have been given by the Company to the banks in the normal course of business.

Internal Risk Factor 12

Litigations involving the Company

As on February 27, 2004, there are 55 cases pending before various forums regarding labour and staff related issues

a) Warora Plant: 3 cases are pending before Labour Court, Chandrapur, and 14 cases are pending before Industrial Court, Nagpur. Most of the cases are pertaining to reinstatement and permanency claims filed by various direct and indirect personnel. The contingent liability for these cases would be Rs 480.35 Lacs.

b) Shahjahanpur Plant: 2 cases are pending before the High Court of Rajasthan and 26 cases are pending before Labour Court at Alwar. The workmen have challenged the termination and the same is being contested by the Company. The aggregate claim could be approximately Rs. 90 Lacs.

c) Sanathnagar Plant: 1 case is pending before the Additional Industrial Tribunal at Hyderabad. 1 writ petition filed by Allwyn Electrolux Officers Association praying for payment of VRS to them. Reply has been filed by the Company in the High Court of Andhra Pradesh under reference no.WP No. 8658 of 2003. The Court has dismissed the prayer of the petitioner for granting any interim order. The matter is sub judice. The aggregate claim could be approximately Rs. 180 Lacs.

d) Nandalur Plant: 1 case is pending before the Industrial Tribunal at Cuddapah. The case is filed under Industrial Disputes Act for recovery of Rs. 0.24 Lacs by a technician who was working in maintenance department.

e) Corporate Support Center: 2 cases are pending before Labour Court, Delhi and 1 case is pending at Industrial Tribunal – cum – Labour Court at Gurgaon. The cases are filed against the Company for recovery of alleged dues. The aggregate claim is approximately Rs. 6 Lacs.

f) Gurgaon Plant: 3 cases pending at Labour Courts. Two cases are filed against the Company for reinstatement and one case is filed for stay on transfer orders. The aggregate claim may be Rs. 6 Lacs approximately.

g) General Secretary of Voltas Employees Union had filed a complaint in the Industrial Court at Warora against the VRS introduced by the Company at its Warora plant requesting the Court to set aside the VRS. On a writ petition filed before the Hon'ble High Court of Judicature at Bombay, the Industrial Court- Nagpur, has been directed to dispose off the complaint on merits, within a period of four months from the date of receipt of its Order. The impugned order passed by the Industrial Court has been suspended.

In July 2000, the Company had temporarily suspended the operations at the Shahajahanpur factory due to some labour problem and the same were resumed in September 2000 pursuant to the discussions held between the management and the union.

Product Related Customer Complaints / Disputes

There are 154 complaints as on February 27, 2004 pending before Consumer Disputes Redressal Forum/ State Commission regarding product related and service deficiency complaints on EKL products by the customers and thereby claiming replacement/ refund/ interest/ penalty/ damages aggregating approximately Rs. 15.65 Lacs.

Debt Recovery Cases:

In order to bring down the accounts receivable, the Company embarked on a debt recovery exercise and had initiated legal action against its debtors. As on January 31, 2004 there are total 210 criminal complaints filed in courts at Gurgaon under Section 138 of the Negotiable Instruments Act, 1881 and 16 Civil Suits in courts at locations where dealers are operating from against 191 dealers of the Company for recovery aggregating approximately Rs. 2,666.59 Lacs. However, the realizable value of such outstanding(s) on settlement might be much lower in comparison to the outstanding value(s).

Litigations involving Criminal Offences

1. Mr. Kamal Agarwal, Advocate, customer of the Company had filed a First Information Report (FIR) under Section 420 of the Criminal Procedure Code, 1973 against the Company's Dealer - Rahul Electronics - Ghaziabad and Electrolux Kelvinator Limited with the Police Station, Kotwali, Bulandshahar (U.P.) in response to the Company's scheme "Bada Fridge Chhota Price" alleging cheating as he has been given 165 litres refrigerator instead of promised 210 litres. There is no further development as per the information available with the Company.

   In response to the debt recovery exercise undertaken by the Company, some of the dealers have filed criminal cases against the Company as under:

   i. Dashmesh Teletronics (P) Ltd, a dealer of the Company in Ludhiana has filed a petition under section 482 of Criminal Procedure Code (CrPC) in High Court of Punjab & Haryana - Chandigarh in 2001 for quashing the complaint filed by the Company against them u/s 138 of the Negotiable Instruments Act, 1881 at Gurgaon. The reference number of the petition is 48686/2001. The value of cheque bounced is Rs. 24.44 Lacs. The matter is sub-judice.

   ii. Shakti Teletronics (P) Ltd, a dealer of the Company in Patiala has filed a criminal complaint against the Company in the Court of Judicial Magistrate, Patiala in 2002 u/s 420, 467, 468, 478 and 120-B of Indian Penal Code (IPC) for misappropriation of cheques & other documents in response to the complaint filed by the Company against them u/s 138 of the Negotiable Instruments Act, 1881 at Gurgaon. The matter is coming up for hearing on March 18, 2004. The reference number of the petition is 16/ 2002. The value of cheque bounced is Rs. 160.68 Lacs. The Company has filed a petition under section 482 of the CrPC in High Court of Punjab and Haryana for getting the criminal complaint, filed by the dealer at Patiala, to be quashed. The said petition has been admitted and adjourned till February 12, 2004 for the appearance of dealer before the Court. The matter has been adjourned till April 1, 2004 and the Dealer has been directed to file its reply with a direction to the lower court to not to hear the matter till April 1, 2004.

   iii. Fridge Agencies, a dealer of the Company, filed an FIR at Trichy for criminal trespass and intimidation against Company officials. The Company obtained bail for the employees against whom the FIR was filed. The said FIR is filed as a counterblast to the complaint filed by the Company under section 138 of the Negotiable Instruments Act, 1881 at Gurgaon. The matter is sub-judice.

   iv. Mr. Nalin Patel of Timothy Sales, a dealer of the Company, filed a criminal complaint against the Company and Mr. Harish Kumar (Director) in the Court of Judicial Magistrate Ist class Gurgaon in 2003 u/s 340 of Criminal Procedure Code 1973 for enquiry under Section 191,192,193 and 196 and section 34 of Indian Penal Code alleging furnishing of false evidence by the Company. The said application is a counterblast to the complaint filed by the Company under section 138 of the Negotiable Instruments Act, 1881 at Gurgaon for dishonour of cheque of Rs. 41.81 Lacs. The matter is sub- judice as case No.53 of 2002-2003 and is coming up on April 24, 2004 for arguments/evidence.

Litigations involving Securities Related Offences

1. In 1995, EKL made a preferential issue to ABE in accordance with SEBI guidelines for preferential issue dated August 4, 1994. The Company at that time did not seek clearance from SEBI/Stock Exchanges under SEBI (Substantial Acquisition of Shares & Takeover) Regulations and Clause 40A/40B of Stock Exchange Listing Agreement in the belief that these provisions were not applicable. However, SEBI vide its letter dated January 20, 1997 sought a clarification as to whether provisions of SEBI (Substantial Acquisition of Shares & Takeover) Regulations were complied with and whether the necessary clearances for increase in stake had been taken from SEBI to which a reply was sent to SEBI. The contravention, if any, the consequences thereof and remedial action are presently not ascertainable. The Company will however comply with any directions/instructions that SEBI may issue in this regard at a later date.

2. A suit has been filed by Vindhya Woodcraft Pvt. Ltd. in the Court of Senior Civil Judge – Delhi in 1997 under reference no. 64/1997 for an injunction restraining issue of duplicate share certificates and transfer of 25,000 shares allegedly misplaced/lost by them. The Company has been directed to maintain "Status – Quo" until further orders by the Court. Out of 25,000 shares, 3,400 shares are transferred and 7,000 shares are pending for transfer. The matter is currently sub-judice.

3. A case has been filed by A. H. Holdings Pvt. Ltd. in the High Court – New Delhi in 1996 under reference no. 2384/1996 demanding a stay on issue of duplicate share certificates and transfer of 2,00,000 shares to Tiger Management Corporation. The Delhi High Court has granted an ad-interim stay on the application of the party and subsequently the High Court clarified that any issuing of duplicate share certificate in respect of the shares in dispute would be subject to the results of the suit. The matter is sub-judice.

4. The State Consumers Redressal Commission, Haryana directed the Company vide its order dated December 24, 1998 to refund to Haryana Estate Agency a sum of Rs. 0.28 Lacs alongwith interest @ 18% p.a. pertaining to the application money paid by them in the public issue of the Company in 1991. An appeal has been filed by the Company vide petition no. 573/1999 before the National Consumer Redressal Commission, Delhi against the orders of the State Consumers Redressal Commission, regretting the inability of the Company to comply with the directives of the State Commission as the amount has been seized by the Income Tax Authorities and the said amount has been deposited by the Company with the Income Tax department. The Honorable National Consumer Redressal Commission has granted a stay and the matter is now sub-judice.

Litigations involving Civil Offences

1. There is a civil suit filed in 1998 by M/s Business Centre, one of the ex-distributors of the Company in Rajkot, Gujarat, before the Civil Judge (SD) under the reference no. 287/1998 for the recovery of a sum of Rs. 3.19 Lacs alongwith interest @ 18% p.a. The case is being contested since the amount of claim is disputed. The Company has presented its case to the appropriate authorities through its solicitors. The matter is currently sub-judice.

2. Bhattacharya & Associates, New Delhi, a law firm has filed a civil suit before the Civil Judge, Tis Hazari, Delhi under reference no. 456 of 2001 for recovery of Rs. 0.13 Lacs towards consultation fee in 2001. The matter is sub-judice.

3. There is a civil suit filed by Bombay Electronics, Bharuch against Voltas Limited, Electrolux Voltas Limited & Others in respect of the recovery of an alleged outstanding amount of Rs. 2.65 Lacs in 2001. The case relates to the transactions entered by the dealer with Voltas Limited, prior to the acquisition by Electrolux Voltas Limited. The matter is being handled by Voltas Limited and has reference no.181/2000.

4. East India Rubber Works, New Delhi (former warehouse owner) has filed a recovery suit for arrears of rent for an amount of Rs. 2.26 Lacs, before the Additional District Judge in 2001 under reference no. 347/2001, Tis Hazari, New Delhi. The case is being contested by the Company.

5. In retaliation to cheque bouncing case filed by the Company at Gurgaon for recovery of Rs. 8.46 Lacs, Sanyo Sales, a dealer of the Company at Moradabad, has filed a recovery suit before the Civil Judge – Senior Division, Moradabad for its alleged claim of Rs. 4.99 Lacs under the reference no. 400/2002. The matter is currently sub-judice.

6. In retaliation to cheque bouncing case filed by the Company at Gurgaon for recovery of Rs. 9.59 Lacs, Shyam Radios, a dealer of the Company at Mathura, has filed a recovery suit before the Civil Judge – Senior Division, Mathura for its various alleged claims aggregating to Rs. 3 Lacs under the reference no. 623/2002. The Court had passed a decree directing reconciliation of accounts. Application has been moved for setting aside the decree. The matter is currently sub-judice.

7. Sukh Sadhan Kendra, a dealer of the Company at Ajmer has filed a recovery suit before the Additional District & Sessions Court - Ajmer for recovery of security deposit of Rs. 0.50 Lacs and unsold stock of Rs. 4.50 Lacs & interest under reference no. 54/2001in 2001. The total alleged claim sought by the dealer is Rs. 6.20 Lacs. The matter is currently sub-judice.

8. In retaliation to cheque bouncing case filed by the Company at Gurgaon for recovery of Rs. 41.81 Lacs, Timothy Sales, a dealer of the Company at Coimbatore, has filed a recovery suit before the Court of Sub-ordinate Judge, Coimbatore under reference no.88 of 2003 for decree declaring the cheque as invalid. The matter is currently sub-judice.

9. In retaliation to cheque bouncing case filed by the Company at Gurgaon for recovery of Rs. 25.75 Lacs, Omni Sales, a dealer of the Company at Ludhiana, has filed a recovery suit before the Court of Civil Judge Junior Division, Ludhiana for rendition of accounts under reference no.135/2001 in 2001. The matter is currently sub-judice.

10. Concept Refrigerations, an ex service franchise of the Company at Delhi , has filed a recovery suit before the Civil Judge Tis Hazari, Delhi for its various alleged claims aggregating to Rs. 0.66 Lacs under the reference no. 209/02 in 2002. The matter is currently sub-judice.

11. Jagdish Gupta a dealer of Hyderabad Allwyn Limited, Jammu filed an execution petition for recovery of Rs. 5.69 Lacs against the Company. Case filed under reference no.124/85. The matter is being contested by the Company by way of objection to the execution petition and is presently sub- judice

12. Lipton India Limited (since amalgamated with Hindustan Lever Limited – "HLL") had filed a suit in 1991 in the Court of the Senior Sub Judge, Gurgaon, for recovery of Rs. 60.00 Lacs. These dues pertain to Thackers Food & Beverages (P) Limited, from whom erstwhile IL (since amalgamated with EKL vide order of amalgamation dated September 14, 2001 passed by the Honorable High Court of Delhi) had purchased the land and factory premises at Gurgaon. The Company had won the case at the level of the Civil Judge (Senior Division). HLL filed an appeal before the District Judge Gurgaon. The appeal was dismissed by the District Judge – Gurgaon –as the Appeal has been found to be time – barred. HLL has now filed a Review Petition in the Court of District Judge Gurgaon against the order dated September 18, 2002 passed by the District Judge, Gurgaon. The Company is contesting the matter.

13. In retaliation to cheque bouncing case filed by the Company at Gurgaon for recovery of Rs 33.98 Lacs, Deepak Electronics, a dealer of the Company at Kolkata, had filed a suit for declaration and permanent injunction in the City Civil Court at Kolkata under the reference no. 1149/2003. Vide his order the learned judge refused the ad-interim injunction. Deepak Electronics preferred an appeal (stay petition) with High Court of Calcutta vide FMT No. 2772 of 2003. No interim order or stay is granted. Matter is sub judice.

14. M/s Beta Traders and Agencies (P) Ltd., the C&F Agent of the Company at Cochin had filed a petition under section 9 of the Arbitration and Conciliation Act, 1996 before the Hon'ble District Court, Ernakulum under reference no.2910 of 2003 and O.P (Arbitration) No. 287 of 2003.The Court granted a temporary injunction restraining the Company from removing the schedule articles from its place of storage. The Court further vide its order dated October 21, 2003 directed the Company to furnish the Bank Guarantee of Rs. 10 Lacs upon production of which the Company can deal with its products and injunction stands vacated. The Company has furnished the Bank Guarantee and injunction is vacated. Matter is sub judice and Company is contesting the same.

15. In retaliation to cheque bouncing case filed by the Company at Gurgaon for recovery of Rs 6.41 Lacs, Rahul Electronics, a dealer of the Company at Rohtak, had filed a suit for rendition of accounts and mandatory injunction in the Court of Civil Judge (Sr. Div.) at Rohtak under reference no.872/5/8/ 2003. The Company is in the process of filing its Written Submission. Matter is sub judice.

16. In retaliation to cheque bouncing case filed by the Company at Gurgaon for recovery of Rs 63.47 Lacs, Anuj Trading Co., a dealer of the Company at Delhi, had filed a suit for declaration and permanent injunction in the High Court of Delhi under the reference no. 1341/2003 in 2003. No interim order or stay is granted. Matter is sub judice.

17. In retaliation to cheque bouncing case filed by the Company at Gurgaon for recovery of Rs 12.55 Lacs, Dashmesh Teletronics (P) Ltd., a dealer of the Company at Ludhiana, had filed a Civil suit for quashing of complaint filed by the Company U/s138 of Negotiable Instruments Act 1881 at Gurgaon.

18. Paras Electronics a dealer of Company at Rohtak has filed a civil suit before Civil Judge Rohtak for recovery of its purported claim of Rs. 7.24 Lacs under reference no. 780/1 of 17.10.2003.The Company is contesting and the matter is sub-judice

19. Company has filed petition under section 9 of Arbitration and Concilliation Act, 1996 against M/s Sterling Enterprises Pvt. Ltd.,one of its Distributors in Agra for attachment of Bank Account of the said Distributor under reference no.OMP71/ 2004. The Hon'ble High Court of Delhi vide its order dated February 23, 2004 has ordered the attachment of the Bank Account of M/s Sterling to the extent of Rs. 27.18 Lacs.The matter is currently sub-judice.

20. The Company has filed a Recovery suit for recovery against Horizen Enterprises a dealer of the Company in Cochin for a sum of Rs. 20 Lacs before the Hon'ble Court of Sub Judge Ernakulum, under reference no. 178/2004 .The Hon'ble Court vide its order dated February 26, 2004 has conditionally attached the property of the Dealer and asked them to furnish in the alternative a Bank Guarantee for a sum of Rs. 20 Lacs. The matter is sub judice.

Litigations involving Statutory and other offences

The following are the details of the proceedings of litigations / disputes/ penalties known to be contemplated by the Governmental authorities:

1. Notices have been received from the Office of the Controller of Legal Metrology for alleged contravention of the provisions relating to the declaration of Maximum Retail Price (MRP), Month and Year of manufacture on the packages, under the provisions of Standards of Weights and Measures Act, 1976. The Company has filed a writ petition before the High Court, Bombay (Writ Petition No 2805/2002) and obtained a stay on seizure of Company products and penal action by the Department. The matter is now sub-judice. Some other notices have been suitably replied to by the Company, after taking legal opinion from the Company's solicitors.

2. Municipal Corporation of City of Ahmedabad has served a notice to make payment of Rs. 2.54 Lacs on account of property tax of Ahmedabad Branch Office premises. A municipal valuation and tax appeal has been filed in the Court of Small Causes Judge, Ahmedabad under reference no. 1585 / 1998 against the order of the Appellate Officer. The appeal was rejected by the Small Causes Court at Ahmedabad. The Company had requested to Municipal Corporation to reconsider the demand which they favourably considered and Company will pay the reduced demand.

3. The Company had received directions vide notice no F-4/170-B/SDE/AKB/02/9346 dated May 31, 2002 from the "Enforcement Directorate" for submission of information and documents in relation to the advertisements of its products on Sony / Star T.V. worth Rs. 355 Lacs in violation of various provisions under FERA, 1973. The Enforcement Directorate is to allow inspection of files by the Company.

4. The Company had availed custom duty benefits worth Rs. 245 Lacs by purchasing DEPB Pass Books from M/s Padmini Polymers Limited. The Company received a show cause notice No. 50D/25/98CI dated April 24, 2001 wherein the department had alleged that M/s Padmini Polymers Limited had fraudulently got DEPB pass books issued from the customs authorities and the benefits availed by the Company should be refunded to the authorities. The Company has filed its reply before the Customs authorities denying the allegations and establishing the bonafide availment of the duty concessions. An application under section 127B (1) of the Customs Act, 1962 has been filed by the Company in sequel to application filed by M/s Padmini Polymers Limited before the Customs and Excise Settlement Commission, Bench at New Delhi. The matter is under consideration.

5. The Company had availed custom duty benefits worth Rs. 27.70 Lacs by purchasing DEPB Pass Books from M/s Classic ITM, Delhi. The Company has received a show cause notice No. DRI.F.No. 50D/58/99-CI dated 28.03.2002 wherein the department had alleged that Classic ITM, Delhi had fraudulently got issued DEPB Pass Books from the customs authorities and the benefits availed by the Company should be refunded to the Authorities. The Company has submitted the papers as enquired by the authorities. Till date, there is no further demand from the department.

6. The Company had availed custom duty benefits worth Rs. 12.82 Lacs and Rs. 19.33 Lacs by purchasing DEPB Pass Books from M/s Mangali Impex Ltd., Delhi and M/s J.K.Impex, Delhi respectively. The Company has received a show cause notice no. SIIB/CUS/SCN/47/2000/SSS9 dated 31.10.2003 wherein the Department had alleged that M/s Mangali Impex Ltd., Delhi and M/s J.K.Impex, Delhi had fraudulently got DEPB pass books issued from the customs authorities and the benefits availed by the Company should be refunded to the authorities. The Company is in the process of replying to the said show cause notice.

7. The office of the Commissioner of Customs(General) Special Valuation Branch, New Delhi vide its order no. 2/SR/2004 dated 23.01.2004 has loaded the Invoice price of imports of the Company from AB Electrolux, and its associate companies by 20%.SVB allegations are that the existing relationship between the importer i.e. the Company and the Supplier i.e. Electrolux(Far East) Ltd., Hong Kong (an associate company of AB Electrolux) are enough to treat them as related within the meaning of rule 2(2) of the Customs Valuation Rules 1988. Further as per them there are not enough documents to establish that such relationship did not influence the import price. The Company is in the process of preferring an appeal before Commissioner of Customs (Appeals) New Delhi against the said order.

8. Writ Petition against the land revenue assessment by Maharashtra Government was filed by Voltas Limited before the Nagpur Bench of the High Court, Bombay on January 24, 1992 under reference no. 260/92. The Company has been advised to pay land revenue at the enhanced rate under protest. The case has not been decided till date. The Company filed a civil application 744/97 on March 14, 1997 amending the writ petition filed by Voltas Limited. The change of name has been effected from Electrolux Voltas Limited to Electrolux Kelvinator Limited. The Company has deposited tax for the year 2001-02, i.e. Rs. 4.88 Lacs pertaining to the balance of last year and Rs. 6.65 Lacs for year 2002-03.

9. Aluminium sheets imported from Italy were classified under Chapter 7606.11 (6,026 Kilograms – Value EUR 21,633.34). Deputy Commissioner of Customs – IV, New Delhi had issued notice no. SCN. VIII / 12 / ACU / 7 / CRAD / 01 / CH / 76 / 2002 / 141-142 dated January 7, 2002 alleging the classification as Chapter 8418.99 and demanded additional duty of Rs. 1.28 Lacs with interest of 24% p.a. Representation has been made before the department.

10. The Company has received directions from the "Enforcement Directorate" – New Delhi for adjudication proceedings in respect of non - submission of Bill of Entries in respect of imports made by the Company during the years1992, 1993, 1994 and 1999. The Company had made an appearance before the Special Director and clarified its position. In respect of imports made by the Company during 1992, 1993 and 1994, the Company has made its submission that as the authorized dealer – Karnataka Bank did not provide the reference number of the Bill of Entries it was not possible to trace the Bill of

Entries. The Special Director has issued directions for issue of notice to the authorized dealer. Vide its order no.SDE/SKP/III/119/2003 dated 9.9.03 passed by Special Director Enforcement Directorate has levied penalty of Rs. 100 Lacs on the Company. All efforts are being made to trace the Bills of Entry and Proof of Import. Appeal against the order of Special Director has been filed before the Appellate Tribunal for Foreign Exchange, New Delhi.

11. The Company has received notice under section 160 of the Criminal Procedure Code, 1973 from the Central Bureau of Investigation (CBI), New Delhi in respect of two DEPB licenses. The CBI has desired for the proof of purchase of the DEPB licenses.

12. The Company has received a show cause notice from the Government of Karnataka – Department of Labour, Bangalore in respect of alleged violations under the labour laws. The Company has made appropriate representation as advised.

Internal Risk Factor 13

Litigations against the Directors:

A perjury application (Criminal Application No. 3 of 2003 in Company applications No. 685-687 of 2003 in Company Petition No. 218 of 2001) has been filed against Mr. Rajeev Karwal, Managing Director of EKL under Section 340 read with Section 190 of the Code of Criminal Procedure in relation to alleged misstatements in relation to the rounding off of certain figures qua the 1999 rights issue of the Company made in the Counter Affidavit dated July 14, 2003 filed on behalf of EKL in the Company Application No. 686 of 2003 in Company Petition No. 218 of 2001. It has been alleged that Mr. Karwal has intentionally sworne a false affidavit and therefore should be punished for the offence of perjury. The matter has been listed on several occasions before the High Court of Delhi. However no notice has been issued in respect of the application. The perjury application has been filed against Mr. Rajeev Karwal in his personal capacity. The offence of perjury is punishable under Code of Criminal Procedure, 1973 and a person if convicted of the offence may be liable to imprisonment for a term 7 years or upwards. The perjury application has no direct implications on the Company.

Mr. Nalin Patel of Timothy Sales, a dealer of the Company, filed a criminal complaint against the Company and Mr. Harish Kumar (Director) in the Court of Judicial Magistrate Ist class Gurgaon in 2003 u/s 340 of Criminal Procedure Code, 1973 for enquiry under Section 191,192,193 and 196 and section 34 of Indian Penal Code alleging furnishing of false evidence by the Company. The said application is a counterblast to the complaint filed by the Company under section 138 of the Negotiable Instruments Act, 1881 at Gurgaon for dishonour of cheque of Rs. 41.81 Lacs. The matter is sub- judice as case No.53 of 2002-2003 and is coming up for hearing on April 24, 2004 for arguments/evidence.

Internal Risk Factor 14

The Company does not have a clear title in respect of freehold land (net book value as on September 30, 2003-Rs. Nil) and the building thereon (net book value as on September 30, 2003- Rs. Nil) at Nandalur.

Management's proposal to address the risk:

It is anticipated that the cost of transfer of immovable property will be close to the value that can be obtained on its disposal and hence it is considered that holding the immovable property at nil value is the prudent thing to do.

Internal Risk Factor 15

The Company had entered into a contract, without the prior approval of the Central Government, with Asiatic Engineers Private Limited, a private company in which one of the directors is interested. The application made by the Company to the Central Government seeking approval under the provisions of Section 297 of the Companies Act, 1956 has been rejected. The Company has received a show cause notice dated November 20, 2003 from Deputy Registrar of Companies, NCT of Delhi and Haryana, stating that the Company and its officers have contravened the provisions of section 297 of the Act with effect from June 1, 2002 and as to why legal action as provided under section 629A of the Companies Act, 1956 should not be initiated against the Company and its officers. The aforesaid violation under section 297 gives rise to a penalty under Section 629A of the Act which states that the Company and every officer of the Company who is in default or such other person shall be punishable with fine which may extend to Rs. 5000/- and where the contravention is a continuing one, with a further fine which may extend to Rs. 500/- for every day during which the contravention continues.

Management's proposal to address the risk:

On December 26, 2003, the Company has filed an application under section 621A of the Act seeking compounding of offence under section 297(1) of the Act. The Company has submitted that the offence is not of such a nature so as to prejudice the interest of the members or creditors or others dealing with the Company and the Company has requested that offence may kindly be compounded expeditiously.

Internal Risk Factor 16

The Company has closed down operations of its Gurgaon washing machine plant with effect from April 30, 2002, Warora compressor plant with effect from September 2002, Sanathnagar compressor plant with effect from December 31, 2002 and Nandalur refrigerator plant with effect from August 31, 2003. Excepting Warora compressor plant, VRS has been offered to all its workmen and executive employees at these plants subject to all regulatory approvals. For further information, investors are requested to refer to page no. 32.

Management's proposal to address the risk:

The closure of the plants is a part of an overall restructuring exercise undertaken by the Company. As regards the compressor operations, it is non-core to the Company's business and needs heavy investments to convert the plants to non CFC facilities. The Company is already procuring compressors from various vendors and adequate capacity is available in the country from where the Company can procure its requirements.

Internal Risk Factor 17

Ambit Corporate Finance Private Limited, the Lead Managers to the Issue has been shown as a related party in the Annual Report of the Company for the year ended December 2002.

Management's proposal to address the risk:

Ambit Corporate Finance Private Limited was shown as a related party as per Accounting Standard 18 as Mr. Ketan Dalal, one of the directors of Ambit, was on the Board of the Company as an independent director from March 25, 2002 to April 30, 2002.

Internal Risk Factor 18

Interest of promoters / directors / key management personnel: The same are disclosed at notes to risk factors.

Internal Risk Factor 19

On September 30, 2003 the Company had claims not acknowledged as debts of

a) Sales Tax - Rs. 496.03 Lacs;

b) Excise Duty – Rs. 1,858.86 Lacs ; and

c) Others – Rs. 1,872.99 Lacs

Disputed Tax Liabilities: As on September 30, 2003, the Company has 78 excise related matters pending at various stages with Excise Commissioner (Adjudication), Excise Commissioner (Appeals), Additional Commissioner, CEGAT and with excise range and divisions for an aggregate amount of Rs. 1858.86 Lacs as per details given below:

Sr. No.	Particulars /Plant	Amount (Rs. in Lacs)	Remarks / status
1	CEGAT- Shahjahanpur	823.18	5 matters pending
2	Excise Commissioner – Shahjahanpur	3.04	2 matters pending
3	Excise Division /Range-Shahjahanpur	364.76	20 matters pending
4	Excise Division/Range-Warora	588.30	31 matters pending
5	Excise Commissioner – Butibori	26.27	4 matters pending
6	Excise Division/Range-Gurgaon	12.00	12 matters pending
7	Excise Division/Range-Nandalur	24.95	2 matters pending
8	Excise Commissioner-Nandalur	16.36	2 matters pending
	Total	**1858.86**	

The Company also has various sales tax matters pending at various stages with local sales tax authorities and the disputed tax liability is Rs. 496.03 Lacs. Apart from above Company also has Customs related and other disputed tax liabilities aggregating to Rs. 347.90 Lacs.

Management's proposal to address the risk:

The Company has filed appeals before the appropriate authorities for the Sales Tax and Excise Duty cases and the matters are currently sub-judice.

Internal Risk Factor 20

At the time of the previous rights issue (December 1999), there was an outstanding amount of Rs. 6.81 Lacs (excluding interest for delayed payments) due towards the balance interest payable at the rate of 18% on Part "B" of Rs. 10/- each of the Fully Convertible Debentures of face value Rs. 50/- each allotted during September 1993. The main allottees of the Fully Convertible Debentures were the original promoter of the Company and also various other small investors.

Management's proposal to address the risk:

The Company has since paid the amount and remitted the unpaid/ unclaimed amount to the 'Investor Education and Protection Fund'.

Internal Risk Factor 21

EKL had made a rights issue of equity shares aggregating Rs. 3,416.03 Lacs on June 30, 1997 to part finance the cost of the project of expanding manufacturing facilities for refrigerators from 2,50,000 numbers to 4,00,000 numbers per annum. The project was estimated to be completed by December 1997. As such, EKL has not been able to achieve the projections made in the then letter of offer. Further, EKL had made a rights issue of Equity Shares at par aggregating Rs. 6,832.06 Lacs on December 27, 1999 at par to primarily augment the networth of the Company, repay loans and meet the long term working capital requirement of the Company. The Company had made financial forecast for the year 1999-2000. EKL has not been able to achieve the projections made in that letter of offer. Similarly the Company made a rights issue of Fully Convertible Debentures aggregating Rs. 534 Lacs in July – August 1993 to part finance the cost of manufacturing semi-automatic Twin Tub Washing Machines and Compressors for refrigerators. The actual results achieved were different than the projections made in the then letter of offer. For details, investors are requested to refer to Page no. 42.

Management's proposal to address the risk:

Since 1993 rights issue, the Company had discontinued production of washing machines and compressors as the desired quality levels were not achieved and the production lines were proposed to be put to some alternative use which was to be decided. In 1997 rights issue, the Company experienced a time over-run of approximately 1 year towards the final completion of the project. In 1999 rights issue, due to depressed market conditions the Company was not able to meet up its sales projections.

Internal Risk Factor 22

There are outstanding litigations/disputes against group companies in India as detailed below:

Details of Outstanding Litigations

1. **Eureka Forbes Limited:**

- Company entered into an Memorandum of Understanding (MOU) on March 7, 1996 for marketing and distribution arrangement with respect to electronic domestic appliances manufactured by Surya Morphy Richards Ltd (SMRL) under "Morphy Richards" brand. An advance of Rs. 50.00 Lacs plus further advance of Rs. 35.00 Lacs over and above advances against specific orders aggregating to Rs. 40.00 Lacs were given from time to time. Due to non-performance by SMRL in its commitment for return of advances, supplies as per orders and also non-adherence to quality standards, EFL filed suit before the Honourable High Court, Bombay for recovery of its outstanding dues. Due to provision of Arbitration clause in the MOU the matter was referred to the Arbitrators. In the Arbitration proceedings an order was passed in favour of EFL for an amount of Rs. 83.28 Lacs plus interest @ 12% p.a. effective March 16, 1998 till date of payment by SMRL.

  Management's proposal to address the risk:

  Execution proceedings have been initiated for attachment of one of the properties belonging to SMRL under application 254 of 2003 before the Honourable High Court, Bombay.

- 3 cheques aggregating Rs. 5.20 Lacs were drawn on Mr. Mahesh D Shukla – (Sub-broker of M/s B. Champaklal & Devidas dealing in Government Securities) for purchase of 5,07,000 units of 6.75% State Government Securities as part of investments in Government Securities under Superannuation regulations. M/s B. Champaklal & Devidas, have been declared as notified person under Special Court (Trial and Offences relating to Securities) Act, 1992. The stock of the said securities belonging to M/s B. Champaklal & Devidas were lying with Bank of Karad, Mumbai at the time of its liquidation.

  The said suits are before the Honourable High Court, Bombay and were filed on April 26, 1995 under suit nos. 3242/1995, 3469/1995 and 5276/1995. The respondent is Mr. Mahesh D. Shukla. The matter has not been listed for hearing till date. Financial implication in the said suit is Rs. 6.77 Lacs plus interest @ 11% p.a.

- EFL's premises at Kolkata taken on lease was sub-let in the year 1983 for a period of three years to a proprietorship organisation M/s Indo Marketing owned by Mr. Deepak Kumar Chaudhary. M/s Indo Marketing borrowed working capital from Allahabad Bank (the Bank) against their stocks. Indo Marketing closed its operation in 1987 and handed over the premises to EFL alongwith some of its stocks that were hypothecated to the said Bank. Indo Marketing owed Rs. 1.63 Lacs to EFL against the outstanding lease rental and EFL was requested by Indo Marketing to sell the stocks and hand over the realized amount after adjusting the outstanding amount due to EFL. EFL could only sell one of its stock and few spares for Rs. 1.57 Lacs and the amount realized was adjusted against its dues from Indo Marketing. The said Bank initiated recovery proceedings against Indo Marketing making EFL also as one of the respondents to the said suit since the hypothecated stocks were held by EFL. No one appeared and the matter was decided ex-parte in favour of the said Bank holding EFL jointly and severally liable for the amount due to the said Bank from Indo Marketing. Warrant of attachment was issued for decreed amount. Writ Petition was filed by EFL before the Honourable Calcutta High Court bearing No. WP-1804 of 1995 challenging the vires of the Recovery of Debts due to the Banks & Financial Institution Act, 1993 (the Act). The said Writ was disposed off with liberty to raise the issue of jurisdiction before the Honourable Debt Recovery Appellate Tribunal, Calcutta. Necessary applications have been filed before DRAT under appeal no. DRAT/CAL/43/2003 and the matter is sub-judice. The financial implication is Rs. 22.11 Lacs plus interest @ 6% p.a.

- Contingent liabilities not provided for as on March 31, 2003 (a) Claims not acknowledged as debts Rs. 42.37 Lacs (b) Disputed I.T. demands Rs. 26.76 Lacs (c) Disputed sales tax demands Rs. 412.58 Lacs (d) Bank guarantees issued on behalf of the company Rs. 76.88 Lacs (e) Disputed Central Excise demands Rs. 147.88 Lacs
- There are 56 complaints before Consumer Dispute Redressal Forum / State Commission alleging deficiency in service of EFL's products by the customers and thereby claiming replacement, refund, interest, compensation. The total financial implication is Rs. 0.73 Lacs. EFL has filed its reply cum affidavits in all these cases and the hearing is awaited.
- Trademark dispute: EFL are the registered proprietors in India of the trade mark "Aquaguard" vide original Registration Certificate No. 571897B dated September 13, 2002 issued by the Trade Mark Registry, Mumbai. AB Electrolux also claims to be the Registered Proprietor in India of the trade mark "AQUA GUARD", which claim is contested by EFL. In this regard both AB Electrolux and EFL have filed their rectification applications before the Hon'ble Trade Mark Registry at Mumbai and Kolkata respectively, seeking removal of other's registered trade mark from the Register of Trade Marks. The Hon'ble Asst. Registrar of Trade Marks, Mumbai passed an order on December 5, 2003 dismissing the Rectification application No. BOM 81532 filed by AB Electrolux and thereby allowing the entry relating to the registered trade mark no. 571897B in the name of EFL to continue to remain in the Register. EFL has filed Rectification application No. KOL-106482 for removal from Register of the Registered Trade mark "AQUA GUARD" bearing No. 371464B in class 11 in the name of AB Electrolux. No order has been passed in this regard.
- Guarantees given as on March 31, 2003 aggregates Rs. 76.88 Lacs.

2. Aquamall Water Solutions Limited:

- Contingent Liabilities not provided for as on March 31, 2003 (i) Disputed Central Excise demand Rs. 577.61 Lacs (ii) Disputed sales tax demand Rs. 4697.77 Lacs (iii) Disputed income tax demand Rs. 9.76 Lacs.
- The company paid excise duty as per new valuation rules, effective July 1, 2000. The Department issued show cause notices aggregating to Rs. 721 Lacs on the three manufacturing units of the company disputing the new method of valuation adopted by the company. Based on the order received from the Excise Department for one unit, an amount of Rs. 366 Lacs is provided in the accounts for Excise Duty liability for all the three units of the company. Out of the above a sum of Rs. 123 Lacs has been paid under protest complying with the order of CEGAT in the case of Bangalore factory.

Internal Risk Factor 23

Litigations involving ABE for its operations in India: Investors are requested to refer to page no. 76 for the details.

External to the Company

External Risk Factor 1

The Government's import policy as well the exchange rate variation will have a direct bearing on the operations and profitability to the extent of imports by the Company.

Management's proposal to address the risk:

The Company does not have significant imports and has a policy of hedging majority of its exposure against exchange risk fluctuations.

External Risk Factor 2

The profitability of the Company is subject to competition from existing and new players. The profitability is also subject to competition from cheaper imports of consumer durables in the liberalised environment.

Management's proposal to address the risk:

Although competition is increasing, the Company is making concerted efforts to increase its market share.

External Risk Factor 3

General economic conditions and the political climate may affect the buying behaviour in the white goods industry.

Management's proposal to address the risk:

The Company is working towards restructuring its operations so as to reduce its fixed costs and therefore the impact of temporary dips in demand.

External Risk Factor 4

The business activities of the Company have an element of seasonality - April to June and October till December are peak months for refrigerators. The other months usually show a declining trend of sales of refrigerators. Similarly, July-December is normally considered peak season for washing machines where humid weather conditions prevail.

Management's proposal to address the risk:

This risk is applicable to the industry in which the Company operates.

NOTES:

- Please read this LoF and the instructions contained herein carefully before taking any action. The instructions contained in the accompanying Composite Application Form (CAF) are an integral part of the conditions of this LoF and must be carefully followed, failing which, the application is liable to be rejected.
- The Company has appointed Intime Spectrum Registry Limited as Registrars to the Issue. All enquiries in connection with this LoF or the accompanying CAF should be addressed to the Registrars to the Issue, Intime Spectrum Registry Limited, A-31, Naraina Industrial Area, Phase- I, New Delhi 110 028, quoting the name of the first/sole applicant, Ledger Folio Number, Application serial number and the CAF number as mentioned in the CAF.
- The Rights Issue will be kept open for not less than 30 days and may be extended at the discretion of the Board. However, the Issue will not be kept open for more than 60 days.
- If the Company does not receive the minimum subscription amount of 90% of the Issue size or if the subscription level falls below 90% after the closure of the Issue on account of cheques having been returned unpaid or withdrawals of applications, the Company shall forthwith refund the entire subscription amount received within 42 days from the date of

closure of the Issue. If there is delay in the refund of application money by more than 8 days after the Company becomes liable to pay the amount (i.e. forty two days after closure of the Issue), the Company will pay the amount for the delayed period, at rates prescribed in sub- sections (2) and (2A) of Section 73 of the Companies Act, 1956.

- The Issuer accepts no responsibility for the statements made otherwise than in the LoF or in the advertisement or any other material issued by or at the instance of the Issuer and that anyone placing reliance on any other source of information, would be doing so at their own risk.
- Investors are advised to read this LoF thoroughly, especially the paragraph on Basis for Issue Price on page no. 69 before making an investment in this Issue.
- Investors may note that in the event of over-subscription, allotment shall be made within the overall size of the Issue and in consultation with the Stock Exchange, Mumbai (BSE).
- Net worth before the Issue as on September 30, 2003 is Rs. (10,919) Lacs (as per audited results) and as on January 31, 2004 is Rs. (24,052) Lacs (as per unaudited results) thereby, resulting in complete erosion of the net worth of the Company. The necessary filings/reportings and/or other procedures, in relation to the erosion of the networth, will be made/followed by the Company with the relevant authorities in accordance with law. As per the legal opinion received by the Company, the requirement of filings/reporting with the relevant regulatory authorities should be applicable on the finalization of duly audited accounts for the full financial year. Considering this proposed Rights Issue and AB Electrolux's commitment to support the Rights Issue by subscribing to the unsubscribed portion of the Rights Offer, beyond their entitlement, in the event the other shareholders of the Company do not subscribe to their entitlement, an amount of approximately Rs. 20,000 Lacs would be infused in the Company which will augment the networth of the Company to that extent. The Company may also require further infusion of capital within six months of opening of this Rights Issue to make its networth positive. The Issue size is Rs. 19,977.47 Lacs. Net Asset Value per Equity Share is negative Rs. (17.73) as on September 30, 2003 and Rs. (25.27) as on January 31, 2004.
- The Company has 58,272 shareholders as on December 31, 2003
- The average cost per equity share to the promoter is as follows:

	Number of Shares	Average Price Pre Merger (Rs / share)	Average Price Post Merger (Rs / share)
Allotment for Cash	5,07,14,218 (equivalent to 7,60,71,329 shares pre capital reduction)	12.93	19.40
Merger of IL and EIL	8,17,31,790	NA	14.51
Average acquisition price	**13,24,46,008**		**16.38**

The swap ratio for merger was 4 equity shares of EKL (Face Value Rs. 10) for 5 fully paid-up equity shares (Face Value Rs. 10) of Electrolux India Limited ("EIL") and 1 equity share of EKL for 4 fully paid-up equity shares (Face Value Rs. 10) of Intron Limited ("IL"). Since ABE was holding 9,49,99,787 fully paid-up equity shares of EIL (Average acquisition price Rs. 10.07) and 2,29,27,846 fully paid-up equity shares of IL (Average acquisition price Rs. 10), the average acquisition price of 8,17,31,790 fully paid-up equity shares pursuant to merger was Rs. 14.51 (Rs. 12.59 for 7,59,99,829 fully paid-up equity shares issued in exchange of 9,49,99,787 fully paid-up equity shares of EIL and Rs. 40 for 57,31,961 fully paid-up equity shares issued in exchange of 2,29,27,846 fully paid-up equity shares of IL).

Further, in 2001 pursuant to the Scheme of Amalgamation of EIL and IL into EKL 50,00,000 10% cumulative redeemable non-convertible preference shares of face value Rs. 100/- each were allotted to the shareholders of erstwhile EIL. ABE was also allotted 150,00,000 6% cumulative redeemable non-convertible preference shares of Rs. 100/- each aggregating Rs. 15,000 Lacs in 2002.

- ABE may also be deemed to be interested in the Company to the extent of the royalty payable for use of trade name and trademark Kelvinator to Electrolux Home Products Inc, by the Company, in terms of the Technical Collaboration and Trademark Registered User Agreements and to the extent as disclosed in related parties transactions as appearing later in this LoF. Please refer to pages no. 40, 49 for further details. The promoters of EKL or any of the members of the promoter group or any of the group companies of the promoter / promoter group or any ventures promoted by the promoters/promoter group are interested in EKL to the extent of shares held by them in EKL and to the extent of the benefits arising out of their shareholding and to the extent as disclosed in the related parties transactions' as appearing later in this LoF. The directors of the Company are interested to the extent of their remuneration, fees, if any, payable to them for attending meetings of the Company and reimbursement of expenses and to the extent of shares of EKL held by them or their relatives and associates or held by the companies, firms and trust in which they are interested as directors, members, partners, and / or trustees, to the extent of benefits arising out of such shareholding and payments made for professional services rendered by them to the Company. The details of the payments made for the professional services are shown below in the table of related party transactions. The key management personnel have no interest in the Company other than dividends received from the Company, if any, in respect of their shareholding (if any), reimbursement of expenses incurred or normal remuneration or benefits and bonus or profit sharing plan and commission on profits received from the Company, if any. The details of the bonus or profit sharing plans are given on page no. 27.
- The name of the Company was changed from Maharaja International Limited to Electrolux Kelvinator Limited on February 8, 1999 in order to identify the name of the Company with its products' brand name(s) and with a view to promote the market awareness in respect of the products and the manufacturer.
- Break-up of advances receivable from Related Parties:

(Rs. in Lacs)

Particulars	Sept - 03	Dec - 02
E.H.P. International	10.26	
Electrolux Cash Management Services	1.01	
Electrolux Floor Care Light Appliances A.B.	0.59	
Electrolux Lehel-kft	3.69	1.65
Electrolux Distripart AB	1.59	1.59
Electrolux Home Products Corporation N.V. BEE-Belgium	38.06	94.67

(Rs. in Lacs)

Particulars	Sept - 03	Dec - 02
Eureka Forbes Ltd	0.02	
Electrolux AB		5.01
Electrolux Far East Ltd		0.38
Maharaja Appliances Limited		11.06
Mr. Ram S. Ramsunder		44.71
Mr. Inder Khosla		110.00
Total	**55.21**	**269.07**

- Break-up of Sundry Debtors balances recoverable from Related and Unrelated Parties:

(Rs. in Lacs)

Particulars	Sept - 03	Dec - 02
Appliance City Limited	10.11	53.94
Total	**10.11**	**53.94**
Unrelated parties	1,110.58	8,597.87
Total	**1,120.69**	**8,651.81**

- Material transactions with related parties during the last 3 years and nine months ending on September 2003, are listed below:

Rupees in Lacs

Sl. No.	Company name	Nature	Dec-00	Dec-01	Dec –02	Sept-03 (9 Months)
1	Eureka Forbes Ltd.	AMC Service Charges	0.01	0.07	0.02	
		Purchases - Water purifier		0.16		0.26
		Sharing of office expenses	1.41			
2	Whiteline Telecom Ltd.	Consultancy - Telecom Network Study			15.00	
3	Maharaja Appliances Ltd.	Purchase of promotional items	585.91	345.51	320.75	13.14
4	Far East Marketing Pvt. Ltd.	Purchase of promotional items	102.50			
5	AB Electrolux	Royalty (net of taxes)	883.66	782.76		
		Service/Consultancy Charges	10.08	0.33		
		Purchases – Machinery and Spares	4.64	7.47		
		Revenue Grant			(5,000.00)	(6,500.00)
		6% Preference Share Capital			(15,000.00)	
		Reimbursement of Exp to EKL			(5.00)	
		Repayment of Loan	874.60			
		Interest on Loan	34.01			
		Equity Share Capital	(3,800.36)			
6	Electrolux Cash Management Services	Consultancy Charges – Cash Management Services	3.68			
		Shared services				50.30
7	Electrolux Shenzhen Jens-China	Purchases – Machinery and Spares	7.14			
8	Electrolux Distripart AB	Purchase of Spares		1.18	8.64	
		Advance Given			1.60	
9	Electrolux Far East Limited	Purchase of Power cord		0.64		
10	Electrolux Home Products Corporation N.V. BEE-Belgium	Purchase of Traded Goods		195.36	164.47	13.15
		IT infrastructure consultancy			20.82	
		Reimbursement of Exp to EKL			(63.05)	
11	Electrolux IT Solution A.B.	Service/Consultancy charges towards IT facility	0.01		132.91	86.98
12	Electrolux Lehel- kft	Purchase of Spares		0.52		
		Purchase of Traded Goods	21.35	107.49	1.74	(2.03)
13	Electrolux Romaina S.A.	Purchase of Spares	0.79		0.51	
		Purchase of Traded Goods		39.32		
14	Electrolux Spenny More	Purchase of Machinery and Spares	15.19	2.47		

Rupees in Lacs

Sl. No.	Company name	Nature	Dec-00	Dec-01	Dec –02	Sept-03 (9 Months)
15	Electrolux Thailand Co. Ltd.	Reimbursement of expenses	0.58			
16	Electrolux Zanussi SPA	Purchase of Machinery and Spares	149.87	63.48		
		Purchase of Traded Goods	114.52	45.06	0.27	
		Reimbursement of Exp. to EKL				(1.14)
17	L.S.Davar & Co.	Consultancy/Service charges-Trade Marks etc	0.11	0.69	1.56	0.95
18	Goswami Associates	Consultancy/Service charges	12.44	3.49	30.92	21.11
19	Saudi Refrigerators Ltd.	Purchase of Traded Goods	-	109.93	9.16	
20	RSM & Co.	Consultancy Charges			3.60	
21	Ambit Corporate Finance Private Ltd.	Consultancy Charges			13.70	
22	Asiatic Engineers (P) Ltd.	Consultancy Charges			32.25	
23	Husqvarna A.B.	Loan		(9,604.00)		
		Payment of Interest		202.67	986.33	737.72
24	White Consolidated Industries	Royalty (Net of Taxes)			251.44	152.78
25	Electrolux Floor Care Light Appliances A.B.	Purchase				0.97
		Reimbursement of exp to EKL				(0.59)
26	Appliance City Ltd.	Sales		(5.34)	(112.10)	(46.96)
27	Directors	Remuneration (with sitting fee)	16.75	17.22	46.30	108.03
	Mr. Ram S. Ramsunder	Loan received back				(35.45)
		Travel Advance			9.26	
	Mr. Inder Khosla	Loan Given		110.00		
		Loan Received back				(110.00)
28	Electrolux S.A.R.L.	NACO Service Income	(30.09)	(23.91)	(23.91)	(18.00)
29	Kelvinator Int’l Pitsbeurg	Sales (with freight recovery)			(32.99)	
30	EHP International	Re-Export				(41.32)
		Reimbursement of exp to EKL			(94.89)	(65.47)
31	Kelvinator Int’l Sierra Lone	Sales (with freight recovery)			(8.75)	
32	Electrolux S.E.A. Pte. Ltd. – Singapore	Sales			(0.12)	
33	Electrolux Voltas Ltd.	Loan taken	(1,300.00)	(2,500.00)		
		Loan repaid	1,300.00			
		Interest	6.58			

Note: Figures in brackets indicate receipts.

XIV. INVESTOR GRIEVANCES

The Company has an Investors' Service Centre located at the Corporate Office of the Company at Global Business Park, 3rd Floor, Tower 'A', Mehrauli – Gurgaon Road, Gurgaon – 122 002, Haryana, which handles investor complaints and is headed by the Company Secretary who is supported by a Manager. The Company's share transfer agent, Intime Spectrum Registry Limited has a separate department headed by a Deputy Head Share Registry and is assisted by dealing assistants to attend to investors queries on issue of share certificates, share transfers and related matters. The investors' complaints are generally attended to within 7-8 days from the date of receipt of the letter.

Number of times the Company's name has appeared in Press Releases issued by SEBI regarding maximum number of complaints received from investors.

To the best of our knowledge, the name of the Company has not appeared in the Press Release issued by SEBI relating to maximum number of investors complaints received during the last three months.

Further, as on March 07, 2004, all the grievances received have been suitably responded and none of the complaints were pending to be responded for a period of more than one month from the date of their receipt. The Registrars have confirmed that as on February 21, 2004, there were 14 complaints outstanding due to non-receipt of requisite information/documents sought from the investors.

XV. OTHER GENERAL INFORMATION

Information as required by Government of India, Ministry of Finance, Circular Number: F2\5\SE\76 Dated February 5, 1977 as amended vide their circular of even number dated March 8, 1977 is given below:

The unaudited financial results for the year ended December 31, 2003 and for one month ended January 31, 2004

(Rs. in Lacs)

		Year Ended December 31, 2003	One Month Ended January 31, 2004
1	Net Sales / Income from Operations	32,296.12	2,057.59
2	Other Income	798.39	52.07
3	Total Expenditure	43,549.10	2,701.94
	(A) (Increase)/ Decrease In Stock-in-trade	5,159.33	(851.51)
	(B) Consumption of Raw Materials	15,867.32	1,686.10
	(C) Staff Cost	4,889.75	371.37
	(D) Excise Duty	3,532.40	426.24
	(E) Other Expenditure	14,100.30	1,069.74
4	Interest	1,809.09	188.54
5	Depreciation/Amortisation	2,687.64	191.05
6	Profit / (Loss) Tax before exceptional items	(14,951.32)	(971.87)
7	Exceptional Items (Net)- Debit/(Credit)	9,058.25	0.00
8	Profit / (Loss) Before Tax (1+2-3-4-5-7)	(24,009.57)	(971.87)
9	Provision for Taxation	0.00	0.00
10	Net Profit / (Loss) (7-8)	(24,009.57)	(971.87)
11	Paid Up Equity Capital (Face Value Rs. 10 per share)	17,435.29	17,435.29
12	Preference Share Capital (Face Value Rs. 100 per share)	20,000.00	20,000.00

2) Material changes and commitments affecting the financial position of the Company

There are no material changes and commitments affecting the financial position of the Company except as stated in paragraph of Management Discussion and Analysis on page no. 65.

Week-end Prices of the Equity Shares for the last four weeks on the Stock Exchange at Mumbai

Week ending on	**Closing Price (Rs.)**
13-Feb-2004	11.93
20-Feb-2004	11.78
27-Feb-2004	11.14
05-Mar-2004	9.91

b) Closing Market Price of the Equity Shares on the Stock Exchange at Mumbai (ex-rights) on March 5, 2004 was Rs. 9.91/-

XVI. STATUTORY AND OTHER INFORMATION

(A) Option to Subscribe

Except as otherwise stated in this Letter of Offer, the Company has not entered into nor does it, at present, proposes to enter into any contract or arrangement whereby any option or preferential right of any kind has been or is proposed to be given to any person to subscribe for any shares in or debentures of the Company.

Investors shall have an option either to receive the security certificates or to hold the securities with a depository. Other than the present Rights Issue, the Company has not given any option to subscribe for any shares of the Company.

Expert Opinion

Consent for the inclusion of expert opinion on Tax Benefits as mentioned elsewhere in this Letter of Offer has been taken from Messrs Price Waterhouse, the Statutory Auditors of the Company. Except as otherwise stated elsewhere in this LoF, the Company has not obtained any expert opinions.

(B) Changes in Directors and Auditors, if any, for the last three years and reasons thereof:

Name of Director	Date of Appointment	Date of Cessation	Reason
Mr. Andrew Bentley	21/1/2000	30/03/2003	Appointed as an Additional Director and subsequently appointed as Director at the AGM held on March 16, 2000.Resigned
Mr. Gautam Singh Davar	1/6/2001	30/03/2003	Vacated office as an Alternate Director to Mr. Andrew Bentley
Mr. Fredrik Jan Olof Ramen	28/2/1995	25/3/2002	Resigned
Mr. Dinkar Goswami	28/2/1995	25/3/2002	Vacated office as Alternate Director to Mr. Ramen
Mr. Dinkar Goswami	25/3/2002	—	Appointed as an Additional Director and subsequently appointed as Director at the AGM held on June 25, 2002.
Mr. Ketan Dalal	25/3/2002	30/4/2002	Resigned
Mr. Rohan Pradeep Shah	30/4/2002	22/10/2003	Appointed as an Additional Director and subsequently appointed as Director at the AGM held on June 25, 2002. Resigned on October 22, 2003.
Mr. Mikael Norman	30/7/2002	25/04/2003	Resigned as an Additional Director
Ms. Marie-Louise Wingard	17/9/2002	31/10/2002	Alternate Director to Mr. Mikael Norman .Resigned
Mr. Ram S. Ramasundar	12/1/1998	31/12/2002	Resigned
Mr. Lars Bertil Ohlson	24/12/2002	28/08/2003	Appointed as an Additional Director and subsequently appointed as Director at the AGM held on June 25, 2003. Resigned on August 28, 2003
Mr. Peter Silfwerbrand	29/1/2003	29/1/2003	Vacated as Alternate Director to Mr. Mikael Norman
Mr. Rajeev Karwal	1/2/2003	—	Appointed as Additional Director and Managing Director Subsequently appointed as Director and Managing Director at the AGM held on June 25, 2003.
Mr. Gautam Singh Davar	31/03/2003	25/04/2003	Vacated as Alternate Director to Mr. Mikael Norman
Mr. Johan Bygge	31/03/2003	25/04/2003	Resigned as Director and Chairman on the Board of Directors of EKL
Mr. Sujjain Talwar	31/03/2003	28/08/2003	Appointed as Alternate Director to Mr. Rohan Shah. Vacated office on June 25, 2003. Reappointed as Alternate Director to Mr.Rohan Shah on August 01, 2003 and vacated office on August 28, 2003.
Mr. Carl Fredrik Stenson Rystedt	25/04/2003	—	Appointed as an Additional Director. Subsequently appointed as Director at the AGM held on June 25, 2003.
Mr. Johan Gunnar Michael Fant	25/04/2003	—	Appointed as an Additional Director. Subsequently appointed as Director at the AGM held on June 25, 2003.
Mr. Gautam Singh Davar	25/04/2003	25/06/2003	Appointed as Alternate Director to Mr. Johan Fant Ceased to be an Alternate Director on June 25, 2003.
Mr. Gautam Singh Davar	25/06/2003	28/08/2003	Appointed as Alternate Director to Mr. Johan Fant. Ceased to be an Alternate Director on August 28, 2003
Mrs. Anita Kumar	28/02/1995	25/06/2003	Ceased to be a Director on retirement by rotation and non-appointment at the AGM held on June 25, 2003.
Mr. Gautam Singh Davar	28/08/2003	22/10/2003	Appointed as Alternate Director to Mr. Johan Fant. Ceased to be an Alternate Director on October 22, 2003

Name of Director	Date of Appointment	Date of Cessation	Reason
Mr. Peter Magnus Silfwerbrand	28/08/2003		Appointed as an Additional Director.
Mr. Nicholas John Sowden	28/08/2003	17/11/2003	Appointed as an Alternate Director to Mr. Peter Magnus Silfwerbrand. Ceased to be an alternate director due to return of the original director Mr. Peter Silfwerbrand
Name of Director	**Date of Appointment**	**Date of Cessation**	**Reason**
Mr. Hans Mikael Ostman	28/08/2003	17/11/2003	Appointed as an Alternate Director to Mr. Carl Fredrik Stenson Rystedt. Ceased to be an Alternate Director on withdrawal of his nomination by ABE
Mr. Ravi Bishnoi	22/10/2003	17/11/2003	Appointed as an Alternate Director to Mr. Dinkar Goswami. Ceased to be an alternate director due to return of the original director Mr. Dinkar Goswami
Mr. Gautam Singh Davar	22/10/2003		Appointed as an Additional Director.
Mr. Ravi Bishnoi	17/11/2003		Reappointed as alternate director to Mr. Dinkar Goswami
Mr. Nicholas John Sowden	17/11/2003	17/12/2003	Reappointed as alternate director to Mr. Peter Silfwerbrand. Ceased to be an alternate director due to return of the original director Mr. Peter Silfwerbrand
Mr. David Alexander Porter	17/11/2003	17/12/2003	Appointed as an Alternate Director to Mr. Carl Fredrik Stenson Rystedt. Ceased to be an Alternate Director on withdrawal of his nomination by ABE
Mr. Nicholas John Sowden	17/12/2003		Reappointed as alternate director to Mr. Peter Silfwerbrand.
Mr. Hans Mikael Ostman	17/12/2003		Appointed as an Alternate Director to Mr. Carl Fredrik Stenson Rystedt.
Ms. Rani Nalwa	17/12/2003		Appointed as Alternate Director to Mr. Gautam Singh Davar

Changes in Auditors during the last three years

There have been no changes in the auditors of the Company during the last three years.

(C) Interest of Directors/ Promoters

ABE may also be deemed to be interested in the Company to the extent of the royalty payable for use of trade name and trademark Kelvinator to Electrolux Home Products Inc, by the Company, in terms of the Technical Collaboration and Trademark Registered User Agreements and to the extent as disclosed in related parties transactions as appearing later in this LoF. Please refer below for further details. The promoters of EKL or any of the members of the promoter group or any of the group companies of the promoter / promoter group or any ventures promoted by the promoters/promoter group are interested in EKL to the extent of shares held by them in EKL and to the extent of the benefits arising out of their shareholding and to the extent as disclosed in the related parties transactions' as appearing later in this LoF. The directors of the Company are interested to the extent of their remuneration, fees, if any, payable to them for attending meetings of the Company and reimbursement of expenses and to the extent of shares of EKL held by them or their relatives and associates or held by the companies, firms and trust in which they are interested as directors, members, partners and / or trustees, to the extent of benefits arising out of such shareholding and payments made for professional services rendered by them to the Company. The details of the payments made for the professional services are shown below in the table of related party transactions.

- Material transactions with related parties during the last 3 years and nine months ending on September 2003, are listed below:

Rupees in Lacs

Sl. No.	Company name	Nature	Dec-00	Dec-01	Dec –02	Sept-03 (9 Months)
1	Eureka Forbes Ltd.	AMC Service Charges	0.01	0.07	0.02	
		Purchases - Water purifier		0.16		0.26
		Sharing of office expenses	1.41			
2	Whiteline Telecom Ltd.	Consultancy - Telecom Network Study			15.00	
3	Maharaja Appliances Ltd.	Purchase of promotional items	585.91	345.51	320.75	13.14
4	Far East Marketing Pvt. Ltd.	Purchase of promotional items	102.50			
5	AB Electrolux	Royalty (net of taxes)	883.66	782.76		
		Service/Consultancy Charges	10.08	0.33		
		Purchases – Machinery and Spares	4.64	7.47		
		Revenue Grant			(5,000.00)	(6,500.00)
		6% Preference Share Capital			(15,000.00)	
		Reimbursement of Exp to EKL			(5.00)	
		Repayment of Loan	874.60			

Rupees in Lacs

Sl. No.	Company name	Nature	Dec-00	Dec-01	Dec –02	Sept-03 (9 Months)
		Interest on Loan	34.01			
		Equity Share Capital	(3,800.36)			
6	Electrolux Cash Management Services	Consultancy Charges – Cash Management Services	3.68			
		Shared services				50.30
7	Electrolux Shenzhen Jens-China	Purchases – Machinery and Spares	7.14			
8	Electrolux Distripart AB	Purchase of Spares		1.18	8.64	
		Advance Given			1.60	
9	Electrolux Far East Limited	Purchase of Power cord		0.64		
10	Electrolux Home Products Corporation N.V. BEE-Belgium	Purchase of Traded Goods		195.36	164.47	13.15
		IT infrastructure consultancy			20.82	
		Reimbursement of Exp to EKL			(63.05)	
11	Electrolux IT Solution A.B.	Service/Consultancy charges towards IT facility	0.01		132.91	86.98
12	Electrolux Lehel- kft	Purchase of Spares		0.52		
		Purchase of Traded Goods	21.35	107.49	1.74	(2.03)
13	Electrolux Romaina S.A.	Purchase of Spares	0.79		0.51	
		Purchase of Traded Goods		39.32		
14	Electrolux Spenny More	Purchase of Machinery and Spares	15.19	2.47		
15	Electrolux Thailand Co. Ltd.	Reimbursement of expenses	0.58			
16	Electrolux Zanussi SPA	Purchase of Machinery and Spares	149.87	63.48		
		Purchase of Traded Goods	114.52	45.06	0.27	
		Reimbursement of Exp. to EKL				(1.14)
17	L.S.Davar & Co.	Consultancy/Service charges-Trade Marks etc	0.11	0.69	1.56	0.95
18	Goswami Associates	Consultancy/Service charges	12.44	3.49	30.92	21.11
19	Saudi Refrigerators Ltd.	Purchase of Traded Goods	-	109.93	9.16	
20	RSM & Co.	Consultancy Charges			3.60	
21	Ambit Corporate Finance Private Ltd.	Consultancy Charges			13.70	
22	Asiatic Engineers (P) Ltd.	Consultancy Charges			32.25	
23	Husqvarna A.B.	Loan		(9,604.00)		
		Payment of Interest		202.67	986.33	737.72
24	White Consolidated Industries	Royalty (Net of Taxes)			251.44	152.78
25	Electrolux Floor Care Light Appliances A.B.	Purchase				0.97
		Reimbursement of exp to EKL				(0.59)
26	Appliance City Ltd.	Sales		(5.34)	(112.10)	(46.96)
27	Directors	Remuneration (with sitting fee)	16.75	17.22	46.30	108.03
	Mr. Ram S. Ramsunder	Loan received back				(35.45)
		Travel Advance			9.26	
	Mr. Inder Khosla	Loan Given		110.00		
		Loan Received back				(110.00)
28	Electrolux S.A.R.L.	NACO Service Income	(30.09)	(23.91)	(23.91)	(18.00)
29	Kelvinator Int'l Pitsbeurg	Sales (with freight recovery)			(32.99)	
30	EHP International	Re-Export				(41.32)
		Reimbursement of exp to EKL			(94.89)	(65.47)
31	Kelvinator Int'l Sierra Lone	Sales (with freight recovery)			(8.75)	
32	Electrolux S.E.A. Pte. Ltd. – Singapore	Sales			(0.12)	
33	Electrolux Voltas Ltd.	Loan taken	(1,300.00)	(2,500.00)		
		Loan repaid	1,300.00			
		Interest	6.58			

Note: Figures in brackets indicate receipts

XVII. MATERIAL CONTRACTS AND INSPECTION OF DOCUMENTS

The contracts mentioned below (not being contracts entered into in the ordinary course of business carried on by the Company) are or may be deemed to be material contracts. Copies of these contracts alongwith documents referred to below may be inspected at the Corporate Office of the Company between 10.00 AM and 1.00 PM on any working day of the Company till the closing of the subscription list.

Material Contracts

1. Letter from the Lead Managers offering their services for the proposed Issue and the Company's acceptance thereof.
2. Memorandum of Understanding dated April 8, 2003 signed between the Company and Ambit Corporate Finance Private Limited, acting as Lead Managers to this Issue.
3. Letter from the Registrars to the Issue dated April 1, 2003 offering their services as Registrars for the proposed Issue and the Company's acceptance thereof.
4. Memorandum of Understanding dated April 1, 2003 signed between the Company and Intime Spectrum Registry Limited for acting as Registrars to the Issue.
5. Technical Collaboration Agreement dated December 14, 1996 between the Company and ABE, Sweden and letter dated July 31, 2002 from ABE in this regard.
6. Agreement with ABE dated December 12, 1996 for use of the trademark 'Electrolux' for refrigerators and renewal thereof.
7. Agreement with ABE dated June 8, 1998 for use of the trademark 'Electrolux' for washing machines and renewal thereof.
8. Agreement with ABE dated October 30, 2002 for use of the trademark 'Electrolux' for microwave ovens and dishwashers etc.
9. Amended agreement dated September 27, 2002 with Electrolux Home Products Inc for trademark 'Kelvinator'.
10. Agreement with Electrolux Home Products Inc. dated January 1, 1998 for use of the device 'Penguins' and renewal thereof.
11. Deed of assignment dated March 31, 1999 regarding the trademark 'Allwyn'.

Documents for Inspection

1. Memorandum and Articles of Association of the Company.
2. Certificate of Incorporation issued pursuant to change of name of the Company to Electrolux Kelvinator Limited dated February 8, 1999.
3. Order of the Hon'ble High Court of Delhi dated September 14, 2001 for merger of IL and EIL with the Company.
4. Resolution u/s 81(1) of the Companies Act, 1956 passed by the Board of Directors in their meetings held on May 24, 2002, September 17, 2002 and January 29, 2003.
5. Copy of the notice for the Annual General Meeting of the Company held on June 25, 2002 to increase the authorised capital of the Company.
6. Consents from the Auditors, Lead Managers to the Issue, Registrars to the Issue, Bankers to the Issue, Directors, Compliance Officer (Company Secretary) to act in their respective capacities.
7. Auditors' Report for the period ended September 30, 2003.
8. Auditors Certificate dated May 20, 2003 certifying the tax benefits available to the Company.
9. Annual Reports of the Company for the last five years.
10. Tri-partite agreement dated March 26, 2002 with NSDL and tri-partite agreement dated December 14, 2001 (and letter dated April 25, 2002) with CDSL admitting the Equity Shares of the Company in dematerialised form under ISIN INE820A01021.
11. Annual Reports of AB Electrolux, Sweden for 2002, 2001 and 2000.
12. Foreign Investment Promotion Board approval vide letter No. FC.II.105 (95)/ 50 (95) - Amend dated April 16, 2003 for foreign Equity participation by ABE in the present Issue.
13. Letter of Offer dated November 29, 1999 for the previous rights issue.
14. Copies of letters addressed to stock exchanges requesting for 'in-principle' approval for listing of the equity shares being offered under this Rights Issue.
15. Letter dated December 24, 2002 from SEBI advising that the Company may allot the undersubscribed portion, if any, of the proposed Rights Issue to the promoters, subject to conditions mentioned therein
16. Letter dated February 4, 2004 from ABE confirming their intention to subscribe to their entitlement and undersubscribed portion, if any and to comply with SEBI's Delisting Guidelines in this matter.
17. Letter dated April 1, 2003 from Mr Harish Kumar to the Company Secretary of the Company and subsequent letter from Mr. Harish Kumar addressed to the Company Secretary and placed before the Board on April 25, 2003.
18. Letter dated NIL from Mr Harish Kumar giving his consent to include his name in the Letter of Offer as director of EKL.
19. Shareholding of Harish Kumar & Associates.
20. Mr.Harish Kumar's Letter dated November 12, 2003 in relation to the notice of board meeting on November 17, 2003 and Letter dated November 15, 2003 by Company in response to the same.
21. Mr. Harish Kumar's Letter dated October 21, 2003 with respect to the Notice of Board meeting held on October 22, 2003 and Company's Letter dated November 14, 2003 in response to the same.
22. Mr. Harish Kumar's Letter dated October 21, 2003 with respect to the agenda of audit committees meeting held on October 22, 2003 and Company's Letter dated November 14, 2003 in response to the same.
23. Letters dated November 15, 2003 and November 22, 2003 of the Company addressed to Mr. Harish Kumar, Director forwarding draft LoF for signature as director.
24. Mr. Harish Kumar's letter dated December 17, 2003 with respect to the matters to be discussed at the Board meeting to be held on December 17, 2003 and to express his disagreement, with the confirmation of the minutes of the Board meetings held on October 22, 2003 and November 17, 2003, on some of the agenda items and the Company's letter dated December 26, 2003 in response to the same.
25. Material documents pertaining to litigations filed by Mr. Harish Kumar and his associates.
26. Letter dated February 27, 2004 from the legal advisors of Mr.Harish Kumar regarding fixing the record date of March 12, 2004 and the Company's reply dated March 2, 2004 thereto.
27. Observation letter no. CFD/DIL/SNB/24133/2003 dated December 19, 2003 received from SEBI.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the issued amount on the date of closure of the Issue, or if the subscription level falls below 90% after the closure of the Issue on account of cheques having been returned unpaid or withdrawal of applications, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to pay the amount, the Company shall pay interest as per section 73 of the Companies Act 1956.

DECLARATIONS

To the best of the Company's knowledge, no statement made in this LoF contravenes any of the provisions of the Companies Act, 1956 and the rules made thereunder, and all legal requirements connected with the said Issue as also the guidelines, instructions etc. issued by SEBI, Government and any other competent authority in this behalf have been duly complied with.

Since the date of the last financial statement disclosed in the Letter of Offer, there have been no circumstances that materially and adversely affect or are likely to affect the trading or profitability of the Company or the value of its assets or its ability to pay its liabilities within the next 12 months except as stated under the paragraph Management Discussion and Analysis on page no. 65.

The Company accepts no responsibility for statements made otherwise than in this Letter of Offer or in the advertisement or any other material issued by or at the instance of the Company and that anyone placing reliance on any other source of information would be doing so at their own risk.

We hereby certify that all the disclosures made in this Letter of Offer are true and correct.

Yours faithfully,

For Electrolux Kelvinator Limited

Mr. Johan Gunnar Michael Fant - Chairman
Place : Stockholm, Sweden
Date : March 07, 2004

Mr. Rajeev Karwal – Managing Director & CEO
Place : Gurgaon, India
Date : March 05, 2004

Mr. Harish Kumar - Director #
Place :
Date :

Mr. Inder Kumar Khosla - Director
Place : Mumbai, India
Date : March 03, 2004

Mr. Dinkar Goswami – Director
Place : Delhi, India
Date : March 05, 2004

Mr. Carl Fredrik Stenson Rystedt – Director
Place : Stockholm, Sweden
Date : March 07, 2004

Mr. G. S. Davar – Director
Place : Kolkata, India
Date : March 02, 2004

Mr. Peter Magnus Silfwerbrand – Director
Place : Stockholm, Sweden
Date : March 07, 2004

Mr. Paul Gelardi –Chief Financial Officer
Place : Gurgaon, India
Date : March 08, 2004

Encl. : Composite Application Form

SEBI has exempted from the requirement of the signature of Mr. Harish Kumar, Director vide their letter no. CFD/DIL/UR/20377/2003 dated October 28, 2003.