

ANNUAL REPORT 2002



Gandhimathi Appliances Limited


GANDHIMATHI APPLIANCES LIMITED
GANDHIMATHI APPLIANCES LIMITED
BOARD OF DIRECTORS
Mr. V. MURUGESA CHETTIAR (Chairman)
Mr. V.M. LAKSHMINARAYANAN
Mr. V.M. BALASUBRAMANIAM (Managing Director)
Mr. V.M. GANGADHARAM (Wholtime Executive Director)
Mr. V.M. KUMARESAN (Wholtime Director - Technical)
Mr. V.R. SIVARAMAN
Mr. V.R. LAKSHMINARAYANAN
Mr. K. GANESAN
Mr. C. RAMACHANDRAN
Mr. M. PADMANBHAN
Mr. C. RAMESAN (IIBI Nominee)

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Members are requested to bring their copy of the Annual Report along with them to the Annual General Meeting since the same will not be distributed at the meeting as a measure of economy. No sweets or compliments will be distributed to the Members at the Meeting Hall, in keeping with the Government of India guidelines.

SECRETARY :
Mr. D. KRISHNAMURTHY
Auditors :
M/s. Rudhrakumar Associates
Chartered Accountants,
No.11, Mangesh Street, T.Nagar, Chennai - 17
Bankers :
State Bank of Travancore
The South Indian Bank Limited
Bank of Baroda
Registered Office :
143, Pudupakkam Village,
Vandalur - Kelambakkam Road, Kelambakkam - 603 103
Kancheepuram District., Tamil Nadu
Share Registrars :
M/s. GNSA Investor Services (P) Ltd.,
18/1, Balaiah Avenue, Mylapore,
Chennai - 600 004.

A Customer is the most important visitor on our premises.
He is not an interruption on our work.
He is the purpose of it.
He is not an outsider in our business.
We are not doing him a favour by servicing him. He is doing us a favour by giving us an opportunity to do so.

— Mahatma Gandhi

"WE AT BUTTERFLY SHALL CONTINUE
TO CEASELESSLY WORK TOWARDS THIS OBJECTIVE".



GANDHIMATHI APPLIANCES LIMITED

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Sixteenth Annual General Meeting of the Company will be held at its Registered Office at Vandalur-Kelambakkam Road, 143, Pudupakkam Village, Kelambakkam – 603 103, Kancheepuram District, Tamil Nadu on Monday 30th September, 2002 at 11.30 a.m. to transact the following business:

ORDINARY BUSINESS :

1. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT the Audited Balance Sheet as at 31st March, 2002, the Profit and Loss Account for the year ended on that date and the Report of the Directors and the Auditors of the Company, be and are hereby approved and adopted".

2. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr.V.Murugesu Chettiar, a Director of the Company, who retires by rotation at this meeting, being eligible for reappointment be and is hereby appointed as Director of the Company, whose period of office shall be liable to determination by retirement of Directors by rotation".

3. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr.V.R.Lakshminarayanan, a Director of the Company, who retires by rotation at this meeting, being eligible for reappointment be and is hereby appointed as Director of the Company, whose period of office shall be liable to determination by retirement of Directors by rotation".

4. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr.M.Padmanabhan, a Director of the Company, who retires by rotation at this meeting, being eligible for reappointment be and is hereby appointed as Director of the Company, whose period of office shall be liable to determination by retirement of Directors by rotation".

5. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT the retiring Auditors M/s.Rudhrakumar Associates, Chartered Accountants, Chennai be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company on such remuneration as may be determined by the Board of Directors of the Company in addition to travelling and other out of pocket expenses actually incurred by them in connection with audit and fees, if any, for the professional services rendered by them in any other capacity from time to time.

SPECIAL BUSINESS :

6. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:



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- (A) "That pursuant to the provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII of the Companies Act, 1956 ("the Act") and other applicable provisions, if any, of the Act, Mr.V.M.Balasubramaniam be and is hereby reappointed as Managing Director of the Company for a period of five years with effect from 1st January, 2003 on the following terms and conditions, which may also be deemed as an abstract of the terms of his reappointment pursuant to Section 302 of the Act.

Remuneration: Subject to the ceiling limits laid down in Sections 198 and 309 of the Act, remuneration by way of salary or perquisites or both shall not exceed the following limits, namely:

Salary: Rs.9 lakhs per annum or Rs.75,000/- per month including dearness and all other allowances.

Perquisites: Perquisites will be allowed to Mr.V.M.Balasubramaniam, Managing Director in addition to salary, restricted to an amount equal to his annual salary, viz., Rs.9 lakhs. For this purpose perquisites are classified into three categories - 'A', 'B' and 'C' as follows:-

CATEGORY A:

- (i) Housing I: The expenditure by the Company for hiring furnished accommodation for Mr.V.M.Balasubramaniam will be subject to ceiling of sixty percent of the salary.

Housing II : In case the accommodation is owned by the Company, ten percent of the salary of the Managing Director shall be deducted by the Company.

Housing III : In case no accommodation is provided by the Company, the Managing Director shall be entitled to house rent allowance subject to the ceiling laid down in Housing I.

Explanation:

The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per the Income Tax Rules, 1962. This shall, however, be subject to a ceiling of ten percent of the salary of the Managing Director.

- (ii) Medical reimbursement: Expenses incurred for self and family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
- (iii) Leave and Leave Travel Concession: Leave as per rules of the Company including encashment of leave. Leave travel concession for self and family once in a year incurred in accordance with rules specified by the Company.
- (iv) Club Fees: Fees of clubs subject to a maximum of two clubs. Admission and life membership fee will not be allowed.
- (v) Personal Accident Insurance : Personal Accident Insurance of an amount, the annual premium of which does not exceed Rs.4000/- per annum.

For the purpose of calculating the above ceiling, perquisites will be evaluated as per Income Tax Rules, wherever applicable. In the absence of any such rule, perquisites shall be evaluated at actuals.

However, the Board of Directors will have the liberty to fix individual ceilings under each of the above heads so as not to exceed the limit of annual salary or to allow any other perquisite as may be permitted by the Government of India.

Explanation: For the purpose of category 'A', Family means the spouse, the dependent children and dependent parents of the Managing Director.



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CATEGORY B :

1. Company's contribution towards Provident Fund, subject to a ceiling of 12.5 percent of the salary.
2. Company's contribution towards Superannuation Fund or Annuity Fund. Such contribution together with the contribution towards Provident Fund shall not exceed 27.5 percent of the salary.

Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act.

3. **GRATUITY :**

Payable in accordance with the rules of the Company not exceeding half a month's salary for each completed year of service, subject to a limit of Rs.3,50,000.

4. **ENCASHMENT OF LEAVE :**

Encashment of leave at the end of the tenure, payable in accordance with the rules of the Company. This will not be included in the computation of the ceiling on perquisites.

CATEGORY C :

The Company shall provide a car with driver, cellular phone for official use and telephone at the residence of Mr.Balasubramaniam. Provision of a car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by Company to Mr.Balasubramaniam.

REIMBURSEMENT OF EXPENSES :

- (i) Entertainment expenses : Reimbursement of entertainment expenses wholly and exclusively incurred for the business of the Company subject to a reasonable ceiling as may be fixed from time to time by the Board.
- (ii) Travelling expenses : Reimbursement of travelling expenses actually and properly incurred for the business of the Company, subject to a reasonable ceiling as may be fixed from time to time by the Board.

COMMISSION :

Subject to the overall ceilings laid down in Sections 198 and 309 of the Act, Mr.Balasubramaniam, Managing Director will be paid a commission not exceeding 1% of the net profits of the Company, restricted to an amount equal to his annual salary.

MINIMUM REMUNERATION :

In the event of loss, absence or inadequacy of profits in any financial year during the currency of tenure of Mr.Balasubramaniam, the remuneration aforesaid shall be the minimum remuneration payable to him. However, any excess over the minimum remuneration prescribed under the Companies Act, 1956 read with Schedule XIII to the said Act shall be payable to Mr.Balasubramaniam with the approval of the Central Government, if so required.

- B. THAT the Board be and is hereby authorised to enhance, enlarge, alter or vary the scope and quantum of remuneration and perquisites of Mr.V.M.Balasubramaniam, Managing Director, from time to time so



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as not to exceed the limits prescribed under Schedule XIII to the Companies Act, 1956 or any amendment(s) thereto and agreed to between the Board and Mr. Balasubramaniam, without further reference to the Company in General Meeting, or the Central Government.

7. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

"That in partial modification of the Ordinary Resolution passed at the Extraordinary General Meeting of the Company held on 22nd January, 1998, consent of the Company be and is hereby accorded under the provisions of the Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors to borrow from time to time all such sums of money as it may deem requisite for the purpose of the business of the Company, notwithstanding that moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from bankers in the ordinary course of business) will exceed in the aggregate the paid up capital and free reserves, i.e., to say reserves not set apart for any specific purpose provided however, that the total amount upto which moneys may be borrowed by the Board of Directors shall not exceed a sum of Rs.50 crores (Rupees Fifty crores only)".

8. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution :

"That the Share Capital of the Company be and is hereby increased to Rs.8,00,00,000/- (Rupees Eight crores) divided into 80,00,000 (eighty lakhs) Equity Shares of Rs.10/- each from Rs.6,00,00,000/- (Rupees Six crores) divided into 60,00,000 (Sixty lakhs) Equity Shares of Rs.10/- each, by the creation of 20,00,000 (Twenty lakhs) Equity Shares of Rs.10/- each".

9. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution :

"That pursuant to Section 16 and other applicable provisions, if any, of the Companies Act, 1956 the existing clause IV of the Memorandum of Association of the Company relating to the Share Capital be and is hereby altered by deleting the same and substituting the following new clause IV :

'The Authorised Share Capital of the Company is Rs.8,00,00,000 (Rupees Eight crores only) divided into 80,00,000 equity shares of Rs.10/- each with the power to increase or reduce the capital of the company and to alter, convert, classify into several classes of stock or shares, divide or sub-divide and consolidate the same with power to attach thereto respectively such preferential, deferred or special rights, privileges or conditions or restrictions as may be determined by or in accordance with the Articles of Association of the Company from time to time subject to the provisions of the Companies Act, 1956'."

10. To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution:

"That the Articles of Association of the Company be and they are hereby altered by deletion of Article 3 therefrom and by substitution of the following new article in place thereof:

'The Authorised Share Capital of the Company is Rs.8,00,00,000/- (Rupees Eight crores) divided into 80,00,000 (eighty lakhs) equity shares of Rs.10/- each with power to increase or reduce the capital subject to the provisions of the Act'."



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11. To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution:

RESOLVED :

- (i) "That pursuant to provisions of Section 81(A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendments and/or reenactment thereon) and subject to the approvals, consents, permissions and/or sanctions, if any, and to the extent necessary of the Government of India, SEBI and any other appropriate authorities, institutions or bodies (hereinafter collectively called appropriate authorities) and also subject to such conditions as may be specified, prescribed, imposed or suggested by any of them while granting such approvals, consents, permissions and/or sanctions which may at its sole discretion be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall include any committee(s) which the Board may constitute to exercise the powers of the Board including the powers conferred by these resolutions), consent of the Company be and is hereby accorded to the Board to issue, offer and allot to the Promoters [which term shall mean and include the Company's Promoter Directors, their relatives and associate Companies managed/controlled by them or in which they are Directors (be such persons and entities the existing shareholders of the Company or not)], as the Board may in its absolute discretion deem fit in the following manner:-

'14,50,000 equity shares of Rs.10/- each at par aggregating Rs.1,45,00,000/- to the Promoter Directors of the Company, their relatives and/or associate Companies managed/controlled by them, payment thereof to be made by conversion of the said amount out of the amount standing to their credit in the unsecured loans account in the books of the Company.'

- (ii) That the said equity shares so issued will be listed on all the Stock Exchanges where the existing equity shares are listed and the equity shares so allotted shall rank pari passu in all respects with the existing shares of the Company except that such equity shares shall qualify for dividend that may be declared by the company relating to the financial year in which the said shares are allotted, in proportion to the amount paid on the equity shares and on pro-rata basis
- (iii) That for the purpose of giving effect to this resolution, the Board be and is hereby authorised to agree to and make and accept all such conditions, modifications and alterations as may be stipulated by the relevant authorities while according approval or consents to the issue as may be considered necessary, proper or expedient and to take all actions as may be necessary, desirable or expedient to effect such modifications and to resolve and settle all questions and difficulties that may arise in the proposed issue and allotment(s) of the new shares and to do all acts, deeds and things in connection therewith and incidental thereto as the Board in its absolute discretion deems fit without having regard to seek any further consent or approval of the Company or otherwise to that end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution".

Chennai – 600 018
16th August, 2002

By Order of the Board
D. KRISHNAMURTHY
Secretary



GANDHIMATHI APPLIANCES LIMITED

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No.6 :

At the Extraordinary General Meeting of the Company held on 22.1.1998, members approved the reappointment of Mr.V.M.Balasubramaniam as Managing Director of the Company as also the remuneration payable to him for a period of five years with effect from 1.1.1998. His salary and perquisites during his existing term of office till 31.12.2000 are as approved subsequently at the Annual General Meeting of the Company held on 17.11.1999 and the meeting of the Board of Directors of the Company held on 31.7.2000.

The Remuneration Committee of the Board of Directors at its meeting held on 13.8.2002 and the Board of Directors of the Company at its meeting held on 16.8.2002 approved, subject to approval of the members in General Meeting, the renewal of his appointment as Managing Director for a further period of five years from 1st January 2003 to 31st December 2007. Having regard to his rich experience and high and rare administrative capacity and also taking into account the prevailing economic conditions the Remuneration Committee of the Board and the Board of Directors, subject to the approval of the members, approved revision of his salary from the existing Rs.7.80 lakhs per annum to Rs.9 lakhs per annum, with the perquisites as indicated in item No.6 of the notice convening this meeting, not exceeding the limits prescribed in Schedule XIII to the Companies Act (as amended).

In the event of absence or inadequacy of profits during any financial year, the remuneration payable to Mr.Balasubramaniam will be governed by the provisions of Section II of para II of Schedule XIII.

Further, the Board seeks authority to enhance, enlarge, alter or vary the scope and quantum of remuneration and perquisites of Mr.Balasubramaniam from time to time within the limits prescribed under Schedule XIII to the Companies Act, 1956 or any amendment(s) thereto without further reference to the Company in General Meeting or the Central Government.

Mr.V.M.Balasubramaniam, Managing Director is concerned or interested in the resolution. Apart from him, Messrs.V.Murugesu Chettiar, Chairman, V.M. Lakshminarayanan, Director, V.M. Gangadharam, Executive Director and V.M. Kumaresan, Director - Technical, may also be deemed to be concerned or interested in the resolution by virtue of the Managing Director being their relative. No other Directors are concerned or interested in the resolution.

The Board recommends that the resolution be passed.

Item No. 7

At the Extraordinary General Meeting of the Company held on 22.1.1998, the members authorised the Board of Directors of the Company to borrow any sum upto Rs.40 crores for the purpose of business of the Company notwithstanding the fact that the said amount of Rs.40 crores was in excess of the aggregate of the paid up capital and free reserves.

In the scenario of globalization of business, in addition to enlarging the volume of business of its existing products, it may also become necessary for the company to embark upon modernisation and expansion of its infrastructure for broad-basing the product range. When the new product range is introduced, the Company may have spent substantial amounts by way of capital expenditure and market development expenditure, in the nature of capital expenditure. In order to meet such need based requirements the Company may have to resort to borrowings from financial institutions or banks or others in excess of Rs.40 crores for which the Board of Directors have already been authorised.

The provisions of Section 293(1)(d) of the Companies Act, 1956 stipulates that the Board of Directors can borrow an amount in excess of the aggregate of the paid up capital and free reserves of the Company only on the authority of an Ordinary Resolution passed by the members of the Company in General Meeting. It is further stipulated that such authorisation should specify the exact amount upto which the Board of Directors are empowered to borrow. Keeping in view the necessity for funds, the proposed resolution has fixed the maximum amount that could be borrowed by the Board of Directors at Rs.50 crores.



GANDHIMATHI APPLIANCES LIMITED

None of the Directors of the Company is in any way concerned or interested in the resolution.
The Board recommends that the resolution be passed.

Item Nos. 8, 9 & 10 :

The authorised share capital of the Company at present stands at Rs.8,00,00,000/- divided into 80,00,000 equity shares of Rs.10/- each (out of which 57,19,177 equity shares have been issued and subscribed). With the proposed issue of equity shares in terms of resolution No.11 hereinafter explained, the Issued and Subscribed Capital of the Company will amount to Rs.7,16,91,770/-. It is, therefore, considered appropriate to increase the Share Capital of the Company to Rs.8,00,00,000/- by the creation of 20,00,000 new equity shares of Rs.10/- each of the Company. The ordinary resolution being item no. 8 set out in the Notice convening the meeting is intended for this purpose.

The Ordinary Resolution being item no.9 is for alteration of the Share Capital Clause of the Memorandum of Association of the Company, to reflect the proposed increase in the Share Capital of the Company.

Resolution being item no.10 (which will be proposed as a Special Resolution) set out in the notice convening the meeting is designed to alter Article 3 of the Company's Articles of Association, so as to reflect therein the proposed increase in the Share Capital of the Company.

None of the Directors of the Company is in any way concerned or interested in these resolutions.
The Board recommends that these resolutions be passed.

Item No. 11

With a view to enlarge the capital base of the Company which would improve its net worth and thereby make it eligible for additional term loan/working capital facilities, the unsecured loan aggregating Rs.1,45,00,000/- lying to the credit of Butterfly Constructions Limited, an associate Company, has been agreed to be converted into 14,50,000 equity shares of Rs.10/- each at par by the Promoters. Taking into account the sluggish capital market and the prevailing low prices quoted for the Company's equity shares, issue of fresh share capital on rights basis would not be a feasible proposition. The last transaction which took place on 13.1.2000 on the equity shares of the company was for Rs.4.90 per equity share, as advised by the Madras Stock Exchange Ltd.

The proposed resolution is for the approval of issue of shares to Promoters of the Company, their relatives and/or associate companies on preferential basis. Since the Promoters will continue to be the majority shareholders, the proposed issue will not result in any change in the management and control of the Company or in the composition of the Board.

The issue of the shares on preferential basis to the Promoters, their relatives and / or associate companies may require other approvals as stated in the resolution and are subject to such approvals, as may be, required.

Having regard to the necessity for restructuring the Company's capital base and taking into account the willingness of the associate Company of the Promoters for conversion of their unsecured loan of Rs. 1,45,00,000 to equity shares at par, the resolution is commended for approval of the members.

Messrs.V.Murugesu Chettiar, V.M. Lakshminarayanan, V.M. Balasubramaniam, V.M. Gangadharam and V.M. Kumaresan, Promoter Directors of the Company may be deemed to be concerned or interested in the resolution to the extent of the equity shares to be allotted to them, their relatives and / or associate companies.

No other Director is concerned or interested in the said resolution.

Chennai – 600 018
16th August, 2002

By Order of the Board
D. KRISHNAMURTHY
Secretary

**GANDHIMATHI APPLIANCES LIMITED**

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member of the Company. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 27th to 30th September, 2002 (both days inclusive).
3. Member are requested to immediately intimate any change in their address registered with the Company to the Company's Registrars and Share Transfer Agents, M/s. GNSA Investor Services Pvt. Ltd., No. 18/1, Balaiah Avenue, Mylapore, Chennai - 600 004.
4. Members / Proxies should bring the attendance slip sent herewith duly filled in and signed and hand over the same at the entrance of the meeting hall.
5. Members / Proxies are requested to bring their copies of the Annual Report to the meeting.
6. Members are requested to quote their folio number in all their correspondence.
7. The Company's equity shares are listed with Madras, Mumbai and Ahmedabad Stock Exchanges. The Company has paid the Annual Listing Fees to each of these Exchanges.

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