

## **ANNUAL REPORT 2003**



**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** (Wholetime Executive Director)

**Mr. V.M. KUMARESAN** (Wholetime Director - Technical)

**Mr. V.R. SIVARAMAN**

**Mr. V.R. LAKSHMINARAYANAN**

**Mr. K. GANESAN**

**Mr. C. RAMACHANDRAN**

**Mr. M. PADMANBHAN**

**Mr. C. RAMESAN** (IIBI Nominee)

#### AUDIT COMMITTEE :

Mr. K. Ganesan, Chairman

Mr. V.R. Sivaraman

Mr. M. Padmanabhan

Mr. V.M. Lakshmi Narayanan

#### SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

Mr. V.R. Sivaraman, Chairman

Mr. V.M. Balasubramaniam

#### REMUNERATION COMMITTEE

Mr. C. Ramachandran, Chairman

Mr. M. Padmanabhan

Mr. C. Ramesan

#### 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.

| CONTENTS                         | Page No. |
|----------------------------------|----------|
| Notice to Shareholders           | 2        |
| Explanatory Statements           | 4        |
| Directors' Report                | 7        |
| Corporate Governance             | 15       |
| Auditors' Report                 | 24       |
| Annexure to the Auditors' Report | 25       |
| Balance Sheet                    | 27       |
| Profit and Loss Account          | 28       |
| Schedules                        | 29       |
| Statement of Cash Flow           | 47       |

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.

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 Seventeenth 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 Tuesday 30<sup>th</sup> September, 2003 at 10 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 31<sup>st</sup> March, 2003, 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.R.Sivareman, 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.K.Ganesan, 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.C.Ramachandran, 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 reappointed 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 service tax, 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".



## **GANDHIMATHI APPLIANCES LIMITED**

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### **SPECIAL BUSINESS :**

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

**"RESOLVED THAT Mr.V.M.Lakshminarayanan 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".**

Chennai – 600 018  
22nd August, 2003

By Order of the Board  
**D. KRISHNAMURTHY**  
Secretary

### **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 26<sup>th</sup> to 30<sup>th</sup> September, 2004 (both days inclusive).
3. Members are requested to immediately intimate any change in their address registered with the Company to the Registrar and Share Transfer Agents, M/s.GNSA Investor Services Pvt.Ltd., 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.

**GANDHIMATHI APPLIANCES LIMITED****EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****Item No. 4:**

At the meeting of the Board of Directors of the Company ("the Board") held on 30<sup>th</sup> April 2003, Mr. V.M. Lakshminarayanan was appointed Additional Director of the Company with effect from the said date, pursuant to the provisions of Article 111 of the Company's Articles of Association which is based on Section 260 of the Companies Act, 1956 ("the Act") Mr. V.M. Lakshminarayanan will hold Office upto the date of the forthcoming Annual General Meeting of the Company.

The Company has received from a member notice in writing along with a deposit of five hundred rupees under Section 257 of the Act signifying his intention to propose the appointment of Mr. Lakshminarayanan as Director of the Company.

Mr. V.M. Lakshminarayanan is also willing to act as Director, if so appointed, and has filed with the Company his consent pursuant to Section 264(1) of the Act.

Mr. V.M. Lakshminarayanan was on the Board of Directors of the Company from its inception until 16.08.2002. Due to insertion of clause (g) under Section 274(1) by the Companies (Amendment) Act, 2000 concerning disqualification of Directors, he resigned from the Board. In the light of the clarification now issued by the Ministry of Finance and Company Affairs, Department of Company Affairs, vide F.No.2/5/2001-CL.V dated 14.1.2003 clarifying that a Company's default in servicing interest of privately placed debentures by public financial institutions will not be considered as default to disqualify Directors under Section 274(1)(g) of the Companies Act, 1956, the provisions of the said Section will not be attracted for the proposed appointment.

Having regard to the industrialist background, experience and expertise of Mr. V.M. Lakshminarayanan, the Board considers that his continuance on the Board will be beneficial to the Company and accordingly recommends the acceptance of the resolution set out in Item No.6 of the convening notice.

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

The Board recommends that the resolution be passed.

## Details of Directors seeking appointment / reappointment in Annual General Meeting scheduled to be held on 30.09.2003

| Name of the Director(s)  | Shri V.M. Lakshminarayanan   | Shri V.R. Sivaraman  | Shri K. Ganesan             | Shri C. Ramachandran  |
|--|--|--|-----------------------------|---|
| Date of Birth  | 05.08.1948   | 02.03.1914   | 01.10.1931                  | 15.05.1938  |
| Date of Appointment  | 30.04.2003   | 09.12.1992   | 30.01.1999                  | 30.01.1999  |
| Expertise in specific Functional Areas   | Industrialist expertise in Home Appliances   | Corporate Management Specialisation in starting new manufacturing industries             | Audit, Finance & Accounts   | Retired Secretary to the Government of Tamil Nadu. Specialised in Corporate Administration and Finance. |
| Qualification  | Matriculation  | B.A.   | B.Com, FCA.                 | I.A.S.  |
| List of Outside Directorship held  | (1) Gangadharam Appliances Ltd (2) LLM Appliances Ltd (3) Butterfly Contructions Ltd (4) Viswanath Metals & Alloys Ltd (5) Butterfly Toys & Games Ltd (6) Butterfly Finance & Investments Pvt. Ltd | Gangadharam Appliances Limited   |                             | (1) Tamil Nadu Petroproducts Ltd. (2) Elnet Technologies Ltd.   |
| Chairman / Member of the Committee of the Board of Directors of the Company                  | Member : Audit Committee   | Chairman : Share Transfer- cum- Investor Grievances Committee. Member : Audit Committee. | Chairman : Audit Committee. | Chairman : Remuneration committee   |
| Chairman/ Member of the Committees of Directors of other Companies in which he is a Director |  |  |                             |   |
| a. Audit Committee   | Member: Gangadharam Appliances Ltd.  | Chairman - Gangadharam Appliances Limited.   | Nil                         | Member :<br>1. Tamilnadu Petro Products Ltd.<br>2. Elnet Technologies Ltd.                              |
| b. Remuneration Committee  | Nil  | Member : Gangadharam Appliances Ltd.   | Nil                         | Nil   |
| c. Share Transfer cum Investor Grievances Committee  | Member - Gangadharam Appliances Ltd.   | Chairman - Gangadharam Appliances Limited  | Nil                         | Member :<br>1. Tamil Nadu Petroproducts Ltd.<br>2. Elnet Technologies Ltd.                              |





## **GANDHIMATHI APPLIANCES LIMITED**

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### **ADEQUATE INTERNAL CONTROLS**

The Company has an adequate system of internal controls to ensure that all assets are safeguarded and are productive. Checks and balances exist to ensure that transactions are adequately authorised and reported correctly.

### **ENVIRONMENT REPORT**

Environment protection, pollution control measures and social welfare activities form an integral part of the Company's operation.

We lay strong emphasis on green belt development. The entire factory complex of our Company has been covered with greenery.

### **CAUTIONERY STATEMENT**

Statements in the 'Management Discussion and Analysis Section' describing the Company's objectives, projections, estimates, expectations and predictions may be 'forward looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include Global and Indian demand-supply conditions, finished goods prices, raw material availability and prices, cyclical demand and pricing in the Company's principle markets, changes in Government regulations, tax regimes, economic developments within India and other factors such as litigations, labour negotiations.

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## GANDHIMATHI APPLIANCES LIMITED

### DIRECTORS' REPORT TO SHAREHOLDERS

Your Directors are presenting this seventeenth Annual Report together with the Audited Statements of Account of the Company for the year ended 31<sup>st</sup> March 2003.

(Rs. in Lakhs)

|   | For the Year<br>Ended 31 <sup>st</sup><br>March 2003 | For the Year<br>Ended 31 <sup>st</sup><br>March 2002 |
|---|--|--|
| Sales   | 3687.11  | 4504.76  |
| Other Income  | 34.05  | 63.08  |
| Total Income  | 3721.16  | 4567.84  |
| Profit / (Loss) before Depreciation                                 | (1358.21)  | 171.01   |
| Depreciation  | 108.37   | 96.55  |
| Profit / (Loss) after Depreciation                                  | (1466.58)  | 74.46  |
| Provision for Income Tax  | -  | 5.70   |
| Provision for Deferred Tax Assets/(Liability)                       | 238.30   | (45.41)  |
| Profit / (Loss) after Tax   | (1228.28)  | 23.35  |
| Prior period adjustments – Net debits                               | 1.64   | 14.10  |
| Transferred to deferred tax liability                               | -  | 70.32  |
| Balance as per last balance sheet Brought forward                   | 437.51   | 498.58   |
| Carry forward of balance in Profit/ (Loss) account to Balance Sheet | (792.41)   | 437.51   |

Due to mainly provisioning/write off on account of inventories, debtors, advances, VRS settlement of employees and additional write off of market development expenses aggregating to Rs.901.15 lakhs, as can be seen from the attached financial statements, the Company suffered a loss of Rs.1358.21 lakhs before depreciation. The economic stagnation of the previous year became more vigorous during the year under review, aggravated by severe monsoon deficiency in the Country, which resulted in lower sales turnover for almost all the Industries in the Household Appliances sector. The paucity of working capital for uninterrupted production in view of delayed realisation from trade debtors and working capital limits with consortium banks having been drawn upto available limits affected production thereby sales.

### INSTITUTIONAL AND BANK OVERDUES

The Company has overdues with Industrial Development Bank of India (IDBI) and Industrial Investment Bank of India Ltd., (IIBI) towards principal, interest, further interest and liquidated damages aggregating Rs.951 lakhs and Rs.41.21 lakhs respectively as on 31.3.2003. With regard to the overdue payments to IDBI, the Company has represented to the institution to consider a compromise settlement of its dues by effecting one time payment of Rs.536.43 lakhs in consonance with the Reserve Bank of India's guidelines dated 29.01.2003 for compromise settlement of Chronic Non-Performing Assets (NPAs) of Public Sector Banks and Institutions, and their final decision in the matter is awaited. Company has also represented to IIBI for reschedulement / restructuring of the Company's dues on one time settlement of the entire dues. Here again, decision of the Institution is awaited.





## **GANDHIMATHI APPLIANCES LIMITED**

In respect of the working capital from consortium banks, due to lower level of production, especially in the third and fourth quarter of the year under review, due to depletion of stocks, the drawing limits have come down, rendering the account irregular.

### **DIVIDEND**

In view of the set back in the Company's financial performance and losses suffered by the Company, your Directors regret their inability to recommend any dividend for the year under review.

### **ALLOTMENT OF SHARES ON PREFERENTIAL BASIS:**

At the Company's Annual General Meeting held on 30.09.2002, members passed a special resolution for allotment of 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 in the books of the Company. However, the Company could not go ahead with the said allotment in view of the amended provisions of SEBI (Substantial Acquisition of Shares and Take Over) Regulation, which required Public Announcement of such preferential issue. As per regulation 10 of the said regulations, such preferential allotment of 15% or more of the voting rights in the Company could be made only if the Company makes a Public Announcement to acquire Shares in accordance with the Regulations. In view of this, the Company has not been able to go ahead with the allotment of 14,50,000 equity shares as proposed.

### **ECONOMY MEASURES**

In view of lower production and realisations due to the reasons stated above, the Company curtailed its expenses at all levels. In terms section 18 (1) of the Industrial Disputes Act 1947, about 307 Workmen (including Staff) entered into a settlement with the management for exit during January 2003. Similarly, the number of executives were curtailed. Rate of interest in respect all unsecured creditors was drastically brought down through mutual consent. All the available stock of raw materials and components were sorted out and used for production, which brought down the inventory carrying cost as well as cost of raw materials and components which, in the normal course, would have been procured. All supplies to the distributors are now generally being made on 'cash and carry' basis, which has helped ease the cash flow position, which is very vital at this crucial juncture when the credit limits with working capital consortium banks are over-drawn and also there is depletion in stocks.

### **CURRENT YEAR'S OPERATIONS**

The Company's performance for the first quarter ended on 30.06.2003 deteriorated further due to paucity of funds for production purposes, since its cash credit account with working capital consortium banks became inoperative due to depletion of stock and lack of drawing power. The Company could make a sales turnover of Rs.235.57 lakhs only for the first quarter of the current year, compared to the turnover of Rs.844.09 lakhs for the corresponding quarter in the previous year. The Company's performance for the first quarter resulted in net loss of Rs.216.17 lakhs. Your Directors have initiated certain steps to improve production level and some improvement is expected in the second half of the current financial year. However, attaining full production would greatly depend on availability of working capital.

**GANDHIMATHI APPLIANCES LIMITED**

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**DIRECTORS**

Mr.V.M.Lakshminarayanan, who was appointed as Additional Director at the meeting of the Board of Directors of the Company held on 30.04.2003, with effect from the said date will hold office up to the date of the ensuing Annual General Meeting. Your Company has received a Notice under section 257 of the Companies Act 1956 from a Member of the Company, proposing Mr.Lakhminarayanan's appointment as Director in the forth coming Annual General Meeting.

Messrs. V.R.Sivaraman, K.Ganesan and C.Ramachandran retire from the Board by rotation under the Company's Articles of Association and being eligible offer themselves for reappointment.

**CORPORATE GOVERNANCE**

The Company has put in place the SEBI guidelines pertaining to Corporate Governance and the Corporate Governance Report is given separately. The Board of Directors consists of six Non-Executive Independent Directors (including one Nominee Director from IIBI), two Non-Executive Directors, two Whole time Directors and the Managing Director, all of whom are Technocrat Industrialists from the Promoters' family. An Audit Committee was constituted on 18.04.2001; a Share Transfer - cum - Investor Grievances Committee on 23.03.1994 and a Remuneration Committee was constituted on 31.07.2002.

**AUDITORS' REPORT:**

With regard to Auditors' observations on the delay in payment of outstanding amounts as on 31.3.2003 in respect of PF, ESI and Income Tax, the Directors regret that such delays have occurred in view of severe cash crunch and lack of working capital facilities. However, the arrears are now being cleared either in instalments or the concerned authorities are being approached for granting time to make payments.

**REFERENCE TO BIFR/NATIONAL COMPANY LAW TRIBUNAL:**

The net worth of the Company as on 31.3.2003 has been completely eroded and is showing a negative balance of Rs.23.09 lakhs. As per the provisions of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 reference will be made to the Board for Industrial and Financial Reconstruction for determination of the measures which should be adopted with respect to the revival of the Company.

Further, in terms of section 2(46AA) of the Companies Act, 1956, the Company has become a Sick Industrial Company. Accordingly, in terms of section 424A of the said Act, the Board of Directors have to make a reference to the National Company Law Tribunal as soon as the same is constituted under section 10FB of the said Act.

**AUDITORS:**

M/s. Rudhrakumar Associates, Chartered Accountants, hold office till the conclusion of the forthcoming Annual General Meeting and, being eligible, offer themselves for reappointment.

**FIXED DEPOSITS**

The company has not accepted any deposits from the public and, as such, there are no outstanding deposits in terms of the Companies (Acceptance of Deposits) Rules 1975.