

## **ANNUAL REPORT 2005**



Gandhimathi Appliances Limited

## GANDHIMATHI APPLIANCES LIMITED

Registered Office: 143, Pudupakkam Village, Vandalur - Kelambakkam Road,  
Kelambakkam – 603 103

### 19th ANNUAL REPORT

#### FACTORY :

143, Pudupakkam Village  
Vandalur - Kelambakkam Road  
Kelambakkam – 603 103  
Kancheepuram District  
Website : [www.butterflyindia.com](http://www.butterflyindia.com)

#### BANKERS:

State Bank of Travancore  
Bank of Baroda  
The South Indian Bank Ltd.

#### AUDITORS:

Rudhrakumar Associates  
Chartered Accountants  
11, Magesh Street, T.Nagar  
Chennai – 600 017.

#### REGISTRARS:

GNSA Investor Services Pvt. Ltd.  
18/1, Balaiah Avenue, Mylapore  
Chennai – 600 004

### BOARD OF DIRECTORS

V.M.Lashminarayanan  
Chairman  
Mr. V.M.Balasubramaniam,  
Managing Director  
Mr. V.M.Gangadhram, Executive Director  
Mr. V.R.Sivaraman, Director  
Mr. K.Ganesan, Director  
Mr. M.Padmanabhan, Director  
Mr. V.R.Lakshminarayanan, Director  
Mr. C.Ramesan, (IIBI Ltd Nominee Director)

#### AUDIT COMMITTEE:

Mr. K.Ganesan, Chairman  
Mr. V.R.Sivaraman  
Mr. M.Padmanabhan  
Mr. V.M.Lakshminarayanan

#### SHARHOLDERS/INVESTORS GRIVENCE COMMITTEE:

Mr. V.R.Sivaraman, Chairman  
Mr. V.M.Balasubramaniam

#### REMUNERATION COMMITTEE

Mr. K.Ganesan  
Mr. V.R.Sivaraman  
Mr. M.Padmanabhan  
Mr. C.Ramesan

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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.

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

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.



## GANDHIMATHI APPLIANCES LIMITED

### NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Nineteenth Annual General Meeting of the Company will be held at its Registered Office at 143, Pudupakkam Village, Vandalur-Kelambakkam Road, Kelambakkam – 603 103, Kancheepuram District, Tamil Nadu on Friday, 30<sup>th</sup> September, 2005 at 10.30 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 31<sup>st</sup> March, 2005, 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.Sivaraman, 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.M.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 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 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”.

#### SPECIAL BUSINESS:

5. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:
  - i). “That the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to:
- A. Mortgaging and/or charging by the Board of Directors of the Company of all the immovable and movable properties of the company wheresoever situate, present and future, and the whole of the undertaking of the company and/or conferring power to enter upon and take possession of the assets of the company in certain events to or in favour of all or any of the following, namely:



## GANDHIMATHI APPLIANCES LIMITED

### ON FIRST CHARGE BASIS TO :

- a) IDBI of its Term Loans of Rs.250 lakhs, Rs.60 lakhs and Rs.300 lakhs respectively;
- b) IIBI of its Rupee Term Loan of Rs.200 lakhs ;

### ON SECOND CHARGE BASIS TO:

- a) SBT of its Fund based Working Capital Term Loan/Working Capital facilities aggregating Rs.500 lakhs;
- b) BOB of its Fund based Working Capital Term Loan/Working Capital facilities aggregating Rs.150 lakhs;
- c) SIB of its Fund based Working Capital facilities aggregating Rs.250 lakhs.

together with interest, compound interest, additional interest, liquidated damages, premium on prepayment or on redemption, costs, charges, expenses and all other monies payable under their respective Loan Agreement/Letters of Sanction/Memorandum of Terms and conditions.

- B. To the Board of Directors of the Company agreeing with all or any of the said first/second charge holders in terms of their respective loan agreements/letters of sanction/memorandum of terms and conditions, to reserve a right to take over the management of the business and concern of the company in certain events.
  - ii) THAT the Board of Directors of the Company be and is hereby authorised to finalise with the said first/second charge holders the documents for creating aforesaid mortgage and/or charge and for reserving the aforesaid right and to do all such acts and things as may be necessary for giving effect to the above resolution.

- 6. 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 127 therefrom and by substitution of the following new article in place thereof.

- '127. The fee payable to Directors for attending each meeting of the Board or Committee thereof shall be such sum as the Directors may consider from time to time not exceeding Rs.5000/- (Rupees Five thousand only) or such other ceiling as may be prescribed under the Companies Act, 1956 or by the Central Government in that behalf. In addition to the said fee, the Company may allow and pay to a Director attending a meeting of the Board or Committee thereof such sum as the Directors may consider fair and reasonable compensation for his expenses in connection with his attending the meeting'."

Chennai – 600 018  
Date - 30.06.2005

By Order of the Board  
D.Krishnamurthy  
Secretary



## **GANDHIMATHI APPLIANCES LIMITED**

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

#### **Item No.5:**

As a part of the restructuring of the Company's dues, Industrial Development Bank of India Limited (IDBI) sanctioned vide their letter dated 7<sup>th</sup> June, 2005, the Company is required to create a mortgage by deposit of title deeds (by way of constructive delivery) in respect of its immovable properties situate at Pudupakkam Village, Thiruporur Taluk, Kancheepuram District, Tamil Nadu in favour of IDBI and Industrial Investment Bank of India Limited on pari-passu basis and the consortium banks on second charge basis to secure the Term Loans/Working Capital Term Loans/Working Capital Loans sanctioned by them to the company as indicated in the resolution being item No.5 of the notice convening the meeting.

The proposed creation of mortgage as set out in the said Resolution may attract the provisions of Section 293(1) (a) of the Companies Act, 1956 requiring the consent of the Company in general meeting. The approval of the members is therefore sought for the proposed resolution.

None of the Directors of the Company is in any way concerned or interested in the Resolution.

#### **Item No.6:**

Consequent to amendments in clause 49 of the Listing Agreement with the Stock Exchanges, payment of all fees/compensation to the non-executive Directors, requires prior approval of all members. The existing clause 127 of the Articles does not specifically provide for any fee/reimbursement of expenses for Directors attending the meeting. It is thought desirable that the Articles be amended in the manner stated in the said Resolution.

All the non-executive Directors of the Company may be deemed or concerned or interested in the Special Resolution.



## **GANDHIMATHI APPLIANCES LIMITED**

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### **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 30<sup>th</sup> September, 2005 (both days inclusive).
3. Members are requested to immediately intimate any change in their address registered with the Company to our Registrars 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 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

## BRIEF DETAILS OF DIRECTORS SEEKING REAPPOINTMENT IN ANNUAL GENERAL MEETING SCHEDULED TO BE HELD ON 30.09.2005

(In Pursuance to Clause 49 of the Listing Agreement)

Name of the Director(s)	Shri.V.R.Sivaraman	Shri.V.M.Lakshminarayanan
Date of Birth	02.03.1914	05.08.1948
Date of Appointment	09.12.1992	30.04.2003
Expertise in specific Functional Areas	All the key areas of Corporate Management. Specialization in starting new manufacturing industries.	Industrialist. Expertise in home appliances.
Qualification	B.A.	Matriculation
List of Outside Directorship held	Gangadharam Appliances Ltd.	(1) Gangadharam Appliances Ltd, (Chairman & Managing Director) (2) LLM Appliances Ltd, (3) Butterfly Marketing Pvt. Ltd.(Managing Director) (4)Butterfly Constructions Ltd, (4) Viswanath Metals & Alloys Ltd, (5) Butterfly Toys & Games Ltd, (6) Butterfly Finance & Investments Pvt.Ltd.
Chairman/Member of the Committee of the Board of Directors of the Company.	Chairman: 1. Shareholders/ Investor Grievances Committee. 2. Remuneration Committee 1.Member - Audit Committee.	Member - Audit Committee
Chairman/Member of the Committees of Directors of other Companies in which he is a Director.		
a) Audit Committee	Chairman:Gangadharam Appliances Ltd.	Nil
b) Remuneration Committee.	Chairman:Gangadharam Appliances Ltd.	Nil
c) Share Transfer cum InvestorGrievances Committee	Chairman :Gangadharam Appliances Ltd.	Nil


**GANDHIMATHI APPLIANCES LIMITED**
**DIRECTORS' REPORT TO SHAREHOLDERS**

Your Directors have pleasure in presenting this nineteenth Annual Report together with the Audited Statement of Account of the Company for the financial year ended 31<sup>st</sup> March, 2005.

**FINANCIAL RESULTS:**

(Rs. in lakhs)

	For the year ended 31 <sup>st</sup> March, 2005	For the year ended 31 <sup>st</sup> March, 2004
Sales	2117.75	1593.21
Other Income	54.86	21.69
Total Income	2172.61	1614.90
Profit/(Loss) before depreciation	(271.47)	(1078.37)
Depreciation	107.76	109.53
Profit/(Loss) after depreciation	(379.23)	(1187.90)
Provision for Income Tax	-	-
Provision for doubtful debts no longer required	-	110.79
Provision for Deferred Tax Assets/(Liability)	43.52	573.68
Profit/(Loss) after tax	(335.71)	(503.43)
Prior period adjustments - Net debits	505.99	-
Balance as per last balance sheet		
Brought forward	(1295.84)	(792.41)
Carry forward of balance in Profit/(Loss)		
account to Balance Sheet	(1125.56)	(1295.84)

**DIVIDEND:**

In view of the loss suffered by the Company your Directors regret their inability to recommend any dividend for the year.





## **GANDHIMATHI APPLIANCES LIMITED**

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### **REVIEW OF OPERATIONS:**

During the year under review despite constraints in bank finance for working capital, sales turnover improved by 32.9% and Loss after depreciation also reduced by 68% as compared to the previous year. The reduction in loss was mainly due to write back of an amount of Rs.505.99 lakhs being provision for interest, etc., made in earlier years on IDBI loan no longer required in view of the restructuring of dues agreed to by them.

### **CURRENT YEAR'S PROSPECTS:**

Improvement in current year performance will largely depend upon the response from IIBI Ltd and the consortium banks for early restructuring of the Company's dues to them, in line with IDBI.

### **DIRECTORS:**

Vide letter No.1/36/2005-CL.VII dated 25.4.2005, Ministry of Company Affairs, New Delhi conveyed Central Government's approval under section 269 of the Companies Act, 1956 for the appointment of Mr.V.M.Gangadharam as Executive Director of the Company for a period of three years with effect from 1.10.2004.

Messrs.V.R.Sivaraman and V.M.Lakshminarayanan, Directors retire from the Board by rotation under Company's Articles of Association and being eligible offer themselves for reappointment.

### **MANAGEMENT DISCUSSION AND ANALYSIS:**

The Directors' comments on Management Discussion and Analysis are restricted to the areas which are relevant to the current scenario of the Company and outlook.

### **CORPORATE GOVERNANCE:**

Your Company conforms to the norms of Corporate Governance. In accordance with the Listing Agreement with the Stock Exchanges, a compliance report on Corporate Governance along with a certificate from the Auditors forms part of this report.

### **AUDITORS:**

Messrs.Rudhrakumar Associates, Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and being eligible have expressed their willingness to continue in office, if reappointed.

### **FIXED DEPOSITS:**

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

### **PARTICULARS OF EMPLOYEES (SECTION 217 (2A)):**

There was no employee covered by the provisions of Section 217 (2A) of the Companies Act, 1956.

### **REPORT ON ENERGY CONSERVATION AND R&D ACTIVITIES:**

Information relating to energy conservation, foreign exchange earned and spent and research and development activities undertaken by the Company in accordance with the provisions of 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 are given in Annexure "A" of the Directors' Report.



## **GANDHIMATHI APPLIANCES LIMITED**

### **DIRECTORS' RESPONSIBILITY STATEMENT:**

Statement under sub-section (2AA) of Section 217 of the Companies Act, 1956 ("The Act").

In the preparation of the Annual Accounts:

- i. the applicable accounting standards have been followed.
- ii. the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.
- iii. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. "Going concern" basis has been followed.

The financial statements have been audited by Messrs. Rudhrakumar Associates, Chartered Accountants, the Statutory Auditors and their report is appended hereto.

### **PERSONNEL**

The spirit of trust, transparency and team work has enabled the Company to build a tradition of partnership and harmonious industrial relations. Your Directors record their sincere appreciation of the dedication and commitment of the employees to achieve excellence in all areas of the business.

### **ACKNOWLEDGEMENTS:**

Your Directors take this opportunity to place on record their sincere appreciation of the gesture of Industrial Development Bank of India Ltd., to the restructuring of Company's outstanding liabilities. They look forward to similar restructuring by Industrial Investment Bank of India Ltd., State Bank of Travancore, Bank of Baroda and the South Indian Bank Ltd., enabling early revival of the Company. The Company's endeavor would be to be worthy of the confidence reposed by the lending institutions and Consortium Banks.

Your Directors thank in particular Industrial Development Bank of India Ltd., Industrial Investment Bank of India Ltd., State Bank of Travancore, Bank of Baroda, The South Indian Bank Ltd., and PEC Limited for the co-operation extended by them. Our thanks are also due to the suppliers, distributors, dealers and customers for their continued support.

Your Directors also thank the shareholders for their continued confidence and trust placed by them with the Company.

Chennai - 600 018  
Date - 30.06.2005

For and on behalf of the Board  
**V.M.BALASUBRAMANIAM**  
**MANAGING DIRECTOR**