

## **ANNUAL REPORT 2006**



**Gandhimathi Appliances Limited**

## GANDHIMATHI APPLIANCES LIMITED

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

### 20<sup>TH</sup> ANNUAL REPORT

#### FACTORY

143, Pudupakkam Village  
Vandalur - Kelambakkam Road  
Kelambakkam – 603 103  
Kancheepuram District  
Website : www.butterflyindia.com

#### BANKERS

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

#### AUDITORS

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

#### RESISTRARS

GNSA Investor Services Pvt.Ltd.  
G.R. Mansion, 11, Srinivasan Road  
Pondy Bazaar, T.Nagar,  
Chennai - 600 017.

#### BOARD OF DIRECTORS

Mr. V.M. Lakshminarayanan  
Chairman  
Mr. V.M. Balasubramaniam  
Managing Director  
Mr. V.M. Gangadharam, 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

#### SHAREHOLDERS/INVESTORS GRIVENCE COMMITTEE :

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

#### REMUNERATION COMMITTEE

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

#### CONTENTS

	Page No.
Board of Directors	1
Notice to the Shareholders	2
Directors' Report	7
Management Discussion & Analysis	12
Corporate Governance	14
Auditors' Report	25
Balance Sheet	31
Profit & Loss Account	32
Schedules	33
Cash Flow Statement	49

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"**

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 Twentieth 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, 29th September, 2006, 10.15 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, 2006, 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.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”.

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 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 a Special Resolution:



## GANDHIMATHI APPLIANCES LIMITED

- (i) That pursuant to the provisions of Section 81(1A) and other applicable provisions if any, of the Companies Act, 1956 (including any amendments and/or re-enactment thereon) and subject to the approvals, consents, permissions, directions and/or sanctions, if any, and to the extent necessary of the Board for Industrial & Financial Reconstruction (BIFR), 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, directions 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 excise the powers of the Board including the powers conferred by these resolution(s),) 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 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, if any, 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 at its discretion be and is hereby authorized 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".

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

Chennai – 600 018  
 24<sup>th</sup> August, 2006


**GANDHIMATHI APPLIANCES LIMITED**
**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**
**Item No.5:**

With a view to enlarge the capital base of the Company which would improve its network and thereby expedite the process of the network becoming positive, the concerned Promoters have agreed that the sum aggregating to Rs.1,45,00,000/- lying to their credit in the books of the Company be converted into 14,50,000 equity shares of Rs.10/- each at par. 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 shares of the Company are presently quoted below par, around Rs. 8.17 to Rs. 8.87 per equity share.

The proposed resolution is for the approval of issue of shares to Promoters as defined in the Resolution. 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, may require other approvals, directions and/or sanctions as stated in the resolution and are subject to such approvals, directions and/or sanctions as may be required which the Board at its sole discretion agree to. The Company proposes to seek directions of the Board for Industrial and Finance Reconstructin (BIFR) under Regulation 3 (j) (i) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 for exempting the Company from Regulations 10, 11 and 12 of the said Regulations pursuant to the rehabilitation scheme framed under Section 18 of the Sick Industrial Companies (Special Provisions) Act, 1985.

Having regard to the urgent necessity for restructuring the Company's capital base and taking into account the willingness of the Promoters for conversion of their credit balance in the books of the Company to share aggregating Rs.1,45,00,000/- to equity shares at par, the resolution is commended for approval of the members.

Messrs.V.M.Lakshminarayanan, V.M.Balasubramaniam and V.M.Gangadharam, 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 resolution.

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

Chennai – 600 018

24<sup>th</sup> August, 2006



## 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 26th to 29th September, 2006 (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., G.R.Mansion, No.11, Srinivasa Road, Pondy Bazar, Chennai – 600 017.
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 their 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**
**(In Pursuance to Clause 49 of the Listing Agreement)**

Name of the Director(s)	K.Ganesan	Shri.V.R.Lakshminarayanan
Date of Birth	01.10.1931	15.03.1928
Date of Appointment	30.01.1999	11.01.1993
Expertise in specific Functional Areas	Mr.K.Ganesan retired as Sr.Partner of M/s.Lovelock & Lewes, well-known firm of Chartered Accountants having vast experience and expertise in auditing, accounts and finance.	Mr.Lakshminarayanan retired as Director General of Police with vast experience in public administration
Qualification	B.Com., F.C.A.	IPS (Retd).
List of Outside Directorship held	Nil	Alwarpet Benefit Fund Ltd.
Chairman/Member of the Committee of the Board of Directors of the Company.	Chairman: Audit Committee. Remuneration Committee.	Nil
Chairman/Member of the Committes of Directors of other Companies in which he is a Director.		
a) Audit Committee	Nil	Nil
b) Remuneration Committee.	Nil	Nil


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

Your Directors have pleasure in presenting this Twentieth Annual Report together with the Audited Statement of Accounts of the Company for the financial year ended 31<sup>st</sup> March, 2006.

**FINANCIAL RESULTS :**

(Rs. in lakhs)

	Year ended 31.03.2006	Year ended 31.03.2005
Sales	3474.10	2117.75
Operating Expenditure	3330.38	2166.34
Operating Profit /(Loss)	143.72	(48.59)
Other Income	99.74	54.43
Profit/(Loss) before Depreciation and interest	243.46	5.84
Interest	289.46	274.76
Depreciation	102.58	107.77
Profit/(loss) before Tax	(148.59)	(379.24)
Refund of Income Tax	33.34	-
Fringe Benefit Tax	2.28	-
IT related to earlier years	1.05	2.55
Waiver of Financial charges	-	505.99
Deferred Tax Assets (Liability)	8.31	43.52
Profit/(Loss) after Tax	(110.26)	170.27

**DIVIDEND :**

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

**REVIEW OF OPERATIONS :**

During the year under review, despite constraints in bank finance for working capital, sales turnover improved by 64% and profit before interest and depreciation also improved considerably as compared to the previous year. However, after providing for interest and depreciation the Company suffered a loss of Rs.148.59 lakhs.



**GANDHIMATHI APPLIANCES LIMITED**

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**CURRENT YEAR'S OPERATIONS :**

For the quarter ended on 30.06.2006, the Company achieved a turnover of Rs.919.11 lakhs as compared to Rs.545.05 lakhs for the corresponding quarter in the previous year. However, there was net loss of Rs.47.70 lakhs for the first quarter. Taking into account the seasonal sales variations of the Company, your Directors are hopeful that there will be improvement in the turnover for the current year with marginal profit.

**DIRECTORS :**

Messrs.V.R.Lakshminarayanan and K.Ganesan, 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' REPORT:**

Regarding Auditors observations about the default in payment of dues to Industrial Investment Bank of India Ltd., the Company had requested IIBI for restructuring / reschedulement of their dues, which was not approved by IIBI. It is, therefore proposed to submit a one time settlement offer (OTS) to IIBI. With regard to the company's dues to Bank of Baroda, Bank of Baroda has since sanctioned a restructuring / reschedulement scheme.

**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.



## GANDHIMATHI APPLIANCES LIMITED

### 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.

### 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 the results of the Company for the year.
- 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 to the Accounts.

### 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 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 Ltd., 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.

For and on behalf of the Board

**V.M.LAKSHMINARAYANAN**

Chairman

Chennai – 600 018.

Date: 24<sup>th</sup> August, 2006