

ANNUAL REPORT 2010



Gandhimathi Appliances Limited



GANDHIMATHI APPLIANCES LIMITED

GANDHIMATHI APPLIANCES LIMITED

Registered Office: 143, Pudupakkam Village, Vandalur - Kelambakkam Road,
Kelambakkam - 603 103, Kancheepuram District, Tamil Nadu

23rd ANNUAL REPORT

FACTORY

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

BANKERS

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

AUDITORS

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

REGISTRARS

GNSA Infotech 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.M. Kumaresan, Executive Director - Technical
Mr. V.R. Sivaraman, Director
Mr. K. Ganesan, Director
Mr. M. Padmanabhan, Director
Mr. V.R. Lakshminarayanan, Director
Mr. D. Krishnamurthy, Executive Director cum Company Secretary

AUDIT COMMITTEE

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

SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE:

Mr. K. Ganesan
Mr. V.M. Balasubramaniam

REMUNERATION COMMITTEE

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

CONTENTS

	Page No.
Board of Directors	1
Notice to the Shareholders	2 - 24
Directors Report	25 - 29
Management Discussion & Analysis	30 - 31
Corporate Governance	32 - 46
Auditors' Report	47 - 51
Balance Sheet	52
Profit & Loss Account	53
Schedules	54 - 69
Cash Flow Statement	70

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 BUTTERLY 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.



NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Twenty Third 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 Wednesday, 3rd November, 2010 at 11.00 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 on 30th June, 2010, the Profit and Loss Account for the financial year of eighteen months 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.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”.

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

“RESOLVED THAT Mr.D.Krishnamurthy, 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

SPECIAL BUSINESS:

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

- (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 three years with effect from 1st January, 2011 whose period of office shall not be subject to retirement by rotation during his tenure of office as Managing Director, on the following terms and conditions.

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, viz.,:

Salary: Rs.24,00,000/- per annum or Rs.2,00,000/- per month, including dearness and all other allowances.

Perquisites: Perquisites will be allowed to Mr.V.M.Balasubramaniam in addition to salary, restricted to an amount equal to 50% of his annual salary, viz., Rs.12 lakhs. For this purpose perquisites are classified into three categories - 'A', 'B' and 'C' as follows:-

CATEGORY A:

- (I) Medical reimbursement : Expenses incurred for self and family, including premium payable for Medical Insurance, subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
- (ii) 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.
- (iii) Club Fees: Fees of club subject to a maximum of two clubs. Admission and life membership fee will not be allowed.
- (iv) Personal Accident Insurance: Personal Accident Insurance of an amount, the annual premium of which does not exceed Rs.5,000/- 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 actual.

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

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



GANDHIMATHI APPLIANCES LIMITED

CATEGORY B:

1. Company's contribution towards Provident Fund, subject to a ceiling of 12 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 percent of his 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.10,00,000/-.

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.

Note: The aforesaid perquisites shall not be included in the computation of the ceiling on remuneration specified in Part II, Section II paragraph 1 of Schedule XIII of the Companies Act, 1956.

CATEGORY C:

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

MINIMUM REMUNERATION:

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



GANDHIMATHI APPLIANCES LIMITED

B.That the Board is 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 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 and/or the Central Government.

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

- (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.Gangadharam be and is hereby reappointed as Whole time Executive Director of the Company for a period of three years with effect from 1st October, 2010 whose period of office shall not be subject to retirement by rotation during his tenure of office as Wholetime Executive Director, on the following terms and conditions.

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,viz.,:

Salary: Rs.24,00,000/- per annum or Rs.2,00,000/- per month, including dearness and all other allowances.

Perquisites: Perquisites will be allowed to Mr. V.M.Gangadharam in addition to salary, restricted to an amount equal to 50% of his annual salary, viz., Rs.12,00,000/-. For this purpose perquisites are classified into three categories - 'A', 'B' and 'C' as follows:-

CATEGORY A:

- (i). Medical reimbursement : Expenses incurred for self and family, including premium payable for Medical Insurance, subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
- (ii). 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.
- (iii). Club Fees: Fees of club subject to a maximum of two clubs. Admission and life membership fee will not be allowed.
- (iv). Personal Accident Insurance: Personal Accident Insurance of an amount, the annual premium of which does not exceed Rs.5,000/- 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 actual.



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

Explanation: For the purpose of category 'A' family means the spouse, the dependent children and dependent parents of the Executive Director

CATEGORY B:

1. Company's contribution towards Provident Fund, subject to a ceiling of 12 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 percent of his 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.10,00,000/-.

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.

Note: The aforesaid perquisites shall not be included in the computation of the ceiling on remuneration specified in Part II, Section II paragraph 1 of Schedule XIII of the Companies Act, 1956.

CATEGORY C:

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

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.



GANDHIMATHI APPLIANCES LIMITED

MINIMUM REMUNERATION:

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

(B.) That the Board is authorised to enhance, enlarge, alter or vary the scope and quantum of remuneration and perquisites of Mr.V.M.Gangadharam, Executive Director, from time to time so 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.Gangadharam, without further reference to the Company in General Meeting and/or the Central Government.

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

- 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.Kumaresan be and is hereby reappointed as Wholetime Executive Director-Technical of the Company for a period of three years with effect from 1st June, 2010 whose period of office shall not be subject to retirement by rotation during his tenure of office as Wholetime Executive Director-Technical, on the following terms and conditions.

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, viz.,:

Salary: Rs.24,00,000/- per annum or Rs.2,00,000/- per month, including dearness and all other allowances.

Perquisites: Perquisites will be allowed to Mr.V.M.Kumaresan, Whole-time Executive Director –Technical in addition to salary, restricted to an amount equal to 50% of his annual salary, viz., Rs.12,00,000/-. For this purpose perquisites are classified into three categories - 'A', 'B' and 'C' as follows:-

CATEGORY A:

- (i). Medical reimbursement : Expenses incurred for self and family, including premium payable for Medical Insurance, subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
- (ii). 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.
- (iii). Club Fees: Fees of club subject to a maximum of two clubs. Admission and life membership fee will not be allowed.



GANDHIMATHI APPLIANCES LIMITED

- (iv). Personal Accident Insurance: Personal Accident Insurance of an amount, the annual premium of which does not exceed Rs.5,000/- 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 actual. However, the Board of Directors will have the liberty to refix individual ceilings under each of the above heads so as not to exceed the limit of fifty percent of the annual salary or to allow any other perquisites as may be permitted by the Central Government.

Explanation: For the purpose of category 'A' family means the spouse, the dependent children and dependent parents of the Executive Director-Technical

CATEGORY B:

1. Company's contribution towards Provident Fund, subject to a ceiling of 12 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 percent of his 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.10,00,000/-.

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.

Note: The aforesaid perquisites shall not be included in the computation of the ceiling on remuneration specified in Part II, Section II paragraph 1 of Schedule XIII of the Companies Act, 1956.

CATEGORY C:

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

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.



GANDHIMATHI APPLIANCES LIMITED

- (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.

MINIMUM REMUNERATION:

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

B. That the Board is authorised to enhance, enlarge, alter or vary the scope and quantum of remuneration and perquisites of Mr.V.M.Kumaresan, Executive Director-Technical, from time to time so 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.Kumaresan, without further reference to the Company in General Meeting and/or the Central Government.

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

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.D.Krishnamurthy be and is hereby reappointed as Wholetime Executive Director-cum-Company Secretary of the Company for a period of three years with effect from 1st November, 2010 whose period of office shall be subject to retirement by rotation during his tenure of office as Wholetime Executive Director-cum-Company Secretary on the following terms and conditions.

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, viz.,:

Salary: Rs.12.00 lakhs per annum or Rs.1,00,000/- per month, including dearness and all other allowances.

Perquisites: Perquisites will be allowed to Mr.D.Krishnamurthy in addition to salary, restricted to an amount equal to 50% of his annual salary, viz., Rs.6.00 lakhs. For this purpose perquisites are classified into three categories - 'A', 'B' and 'C' as follows:-

CATEGORY A:

- (i). Medical reimbursement : Expenses incurred for self and family, including premium payable for Medical Insurance, subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
- (ii). 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.