

ANNUAL REPORT 1999



Gangadharam Appliances Limited



GANGADHARAM APPLIANCES LIMITED

BOARD OF DIRECTORS

Mr. V. MURUGESA CHETTIAR (Chairman)
Mr. V. M. LAKSHMINARAYANAN (Managing Director)
Mr. V. M. BALASUBRAMANIAM
Mr. V. R. SIVARAMAN
Mr. S. THIAGARAJAN
Mr. M. PADMANABHAN
Mr. A. S. C. MENON (IFCI NOMINEE)

SECRETARY :

Mrs. S. KALA

AUDITORS :

M/s. RUDHRAKUMAR ASSOCIATES
Chartered Accountants, No. 4, Mangesh Street,
T. Nagar, Chennai - 600 017.

CONTENTS	Page
Board of Directors	1
Notice to Shareholders	2
Directors' Report	7
Auditors' Report	13
Annexure to the Auditors' Report	14
Balance Sheet	16
Profit and Loss Account	17
Schedules	18
Notes forming part of the Accounts	25
Statement of Cash Flow	33

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.

Bankers

Indian Bank
State Bank of Hyderabad
Punjab & Sind Bank

City Office:

JVL Plaza (IV Floor)
501, Anna Salai
Teynampet
CHENNAI - 600 018.

Regd Office & Factory :

Vandalur-Kelambakkam Road,
143, Pudupakkam Village,
Kelambakkam - 603 103
Kancheepuram District
TAMIL NADU

Share Registrars :

M/s. GNSA Investor Services (P) Ltd.,
No.1 (II Floor), 52nd Street, 7th Avenue,
Ashok Nagar, Chennai - 600 083.

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 on 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".


GANGADHARAM APPLIANCES LIMITED
NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Eleventh 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 Thursday, 30th September, 1999 at 12 Noon 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 1999, the Profit and Loss Account for the year ended 31st March 1999 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.M.Balasubramaniam, 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.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."

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 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:

"RESOLVED THAT Mr.M.Padmanabhan be and is hereby appointed a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation."



GANGADHARAM APPLIANCES LIMITED

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

"RESOLVED THAT pursuant to provisions of Section 31 of the Companies Act, 1956 ("the Act") the Articles of Association of the Company be and are hereby altered in the manner and to the extent set out below :

(i) The following new Article be inserted as Article 7A after Article 7:

NOMINATION OF SHARES :

'7A (a) Every holder of shares in, or holder of debentures of, the Company may, at any time, nominate a person to whom his shares in, or debentures of, the Company shall vest in the event of his death in the manner prescribed in the Act.

(b) Where the shares in, or debentures of, the Company are held by more than one person jointly, the joint holders may together nominate a person to whom all the rights in the shares or debentures of the Company shall vest in the event of death of all the jointholders in the manner prescribed in the Act.

(c) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such shares in, or debentures of, the Company, where a nomination made in the manner prescribed in the Act purports to confer on any person the right to vest the shares in, or debentures of, the Company, the nominee shall, on the death of the shareholder or holder of debentures of, the Company or, as the case may be, on the death of the joint holders become entitled to all the rights in the shares or debentures of the Company or, as the case may be, all the joint holders, in relation to such shares in, or debentures of the Company to the exclusion of all other persons, unless the nomination is varied or cancelled in the manner prescribed in the Act.

(d) Where the nominee is a minor, it shall be lawful for the holder of the shares, or holder of debentures, to make the nomination to appoint, in the manner prescribed in the Act, any person to become entitled to shares in, or debentures of, the Company, in the event of his death, during the minority'."

(ii) The following new Article be inserted as Article 7B after Article 7A.

TRANSMISSION OF SHARES :

'7B. (a) Any person who becomes a nominee by virtue of the provisions of Section 109A of the Act, upon the production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either-

(i) To be registered himself as holder of the share or debenture, as the case may be; or

(ii) To make such transfer of the share or debenture, as the case may be, as the deceased shareholder or debentureholder, as the case may be, could have made.

**GANGADHARAM APPLIANCES LIMITED**

(b) If the person being a nominee, so becoming entitled, elects to be registered as holder of the share or debenture, himself, as the case may be, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased shareholder or debentureholder, as the case may be.

(c) All the limitations, restrictions and provisions of the Act relating to the right to transfer and the registration of transfers of shares or debentures shall be applicable to any such notice or transfer as aforesaid as if the death of the member had not occurred and the notice or transfer were a transfer signed by that shareholder or debentureholder, as the case may be.

(d) A person, being a nominee, becoming entitled to a share or debenture by reason of the death of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share or debenture except that he shall not, before being registered a member in respect of his share or debenture, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company;

Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share or debenture, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the share or debenture, until the requirements of the notice have been complied with'."

CHENNAI - 600 018
12th August, 1999

By order of the Board
S. KALA
Secretary

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GANGADHARAM 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 25th to 30th September 1999 (both days inclusive).
3. Members are requested to immediately intimate any change in their address registered with the Company to the Registrars and Share Transfer Agents, M/s.GNSA Investor Services (P) Ltd., No.1 (II Floor), 52nd Street, 7th Avenue, Ashok Nagar, Chennai - 600 083.
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.

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

ITEM NO. 5 :

At a meeting of the Board of Directors of the Company held on 30th January 1999, Mr.M.Padmanabhan, Chartered Accountant was appointed Additional Director of the Company with effect from the said date. Pursuant to the provisions of Article 10(c) of the Company's Articles of Association which is based on Section 260 of the Companies Act, 1956 ("the Act"). Mr.Padmanabhan 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.Padmanabhan as Director of the Company.

Mr.Padmanabhan 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.Padmanabhan is a Chartered Accountant and the Board considers that his continuance on the Board will be useful in restructuring the future growth of the Company. Having regard to the background, experience and expertise of Mr. Padmanabhan, the Board recommends the acceptance of the resolution set out in item No. 5 of the convening Notice.

No other Director of your Company other than Mr.Padmanabhan is interested in the resolution.



GANGADHARAM APPLIANCES LIMITED

ITEM NO. 6 :

In terms of Section 109A and 109B inserted by the Companies (Amendment) Act, 1999, with effect from 31.10.1998, the holders of securities of the Company have been given an option to nominate a person to whom rights of security holders of the Company will vest in the event of their death. To ensure that the facility of nomination is available to the shareholders, and with a view to bring the Articles of the Company in line with the Companies Act, 1956, the nomination clauses is proposed to be included in the Articles of Association of the Company.

In view of the above it is necessary to amend the Articles of Association of the Company in the manner stated in the resolution set out in Item No. 6.

In terms of section 31 of the Companies Act, 1956, alteration of the Articles of Association can be done only by passing a Special Resolution and accordingly, the resolution set out in item No. 6 has been proposed as a Special Resolution.

None of the Directors are interested in this resolution.

CHENNAI - 600 018
12th August, 1999

By order of the Board
S. KALA
Secretary

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GANGADHARAM APPLIANCES LIMITED**DIRECTORS' REPORT**

The Directors wish to present their Eleventh Annual Report together with the Audited Accounts of the Company for the financial year ended on 31st March, 1999.

FINANCIAL RESULTS :

The results for the period under review are given below:

		(Rs. in lakhs)
	1998 - 99	1997 - 98
Sales and other income	1176.49	1919.73
Loss before interest and financial charges and depreciation	(57.54)	(1076.18)
Interest and financial charges	756.78	757.87
Depreciation	86.85	86.98
Net Loss for the year	(901.17)	(1921.03)

PRODUCTION AND SALES :

Due to severe working capital constraints, the production actually achieved by the Company was much lower than the set target which, in turn, adversely affected the sales turnover for the year.

OPERATIONS :

Lower production and sales resulted in a sales turnover, much below the break-even levels. Against the net loss of Rs.1921.03 lakhs for the previous year, the net loss for the year under review is Rs. 901.17 lakhs.

Delay in sanction of need based working capital by Government of Uzbekistan has paralysed production activities in the Company's Joint Venture, East Butterfly. The Government of Uzbekistan has recently identified a financially sound company, UZAVTOPROM, who are agreeable to extend financial assistance to the Company for its rehabilitation. The modalities for their induction, such as continuation or discontinuation of VOSTOK and AGROPLUS as partners and the inter-se shareholding pattern amongst the continuing partners are yet to be finalised.

REFERENCE TO BIFR :

The Board for Industrial and Financial Reconstruction (BIFR), after hearing the reference made as per Provisions of Section 15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA), declared the Company as a Sick Industrial Company in terms of Section 3(1)(o) of the Act. BIFR observed that the Company had not become sick due to any inherent infirmities and had the potential



GANGADHARAM APPLIANCES LIMITED

to be revived. The representatives of the Financial Institutions and Banks stated at the hearing held by BIFR on 18.3.99 that they had no objection to the Company claiming sickness and expressed the view that a rehabilitation package under Section 17(2) of SICA would be feasible in our case. BIFR, therefore, directed the Company to submit an agreed package along with the appraisal notes from the involved Banks and Institutions, which has since been complied with.

On consideration of the facts of our case and the rehabilitation package, BIFR vide its Order dated 29.7.1999 has held the view that it is practicable for the Company to make its networth exceed the accumulated losses within a reasonable time. BIFR has nominated the Industrial Finance Corporation of India Ltd (IFCI) as Monitoring Agency (MA) for supervising the implementation of the agreed package under the overall directions of BIFR. The Company shall submit half-yearly progress reports to the MA with a copy to BIFR within a period of one month from the close of each half-year. The IFCI shall review the half-yearly reports and submit the same with its comments to BIFR until the networth of the Company becomes positive.

PROSPECTS FOR 1999-2000 :

Due to acute cash crunch, which paralysed the normal operations of the Company, the Company could hardly achieve a turnover of approximately Rs.1.65 crores only till end of July 1999. Although the Institutions and Banks have funded the arrears of loan and interest, the additional working capital facilities sanctioned by the Consortium Banks as part of the rehabilitation package is yet to be disbursed. Considering that the production for the first half of the current financial year has been severely affected for want of working capital, the projections submitted by the Company to the BIFR as part of the rehabilitation package for the current financial year could not be fulfilled. Subject to early disbursement of additional working capital facilities by the Consortium Banks as agreed to, your management will leave no stone unturned to bring the Company back to the recovery path.

DIRECTORS :

Mr. A. Sarat Chandran Menon has been nominated by the Industrial Finance Corporation of India Limited as their Nominee Director on our Board with effect from 30.1.99, in place of Mr. C.V. Kamalaker.

Your Directors place on record their sincere appreciation of the valuable guidance rendered by Mr. Kamalaker during his tenure on the Board as Director.

Mr. M. Padmanabhan, Chartered Accountant, was appointed as Additional Director of the Company with effect from 30.1.1999. He will hold office upto the date of this Annual General Meeting. The Company has received from a member a notice in writing signifying his intention to propose his appointment as Director of the Company. Your Board also considers that his continuance will be useful in restructuring the future growth of the Company. Having regard to the background, experience and expertise of Mr. Padmanabhan, your Board recommends his appointment.

Messrs. V.M. Balasubramaniam and V.Murugesu Chettiar retire from the Board by rotation under the Company's Articles of Association and, being eligible, offer themselves for reappointment.