

ANNUAL REPORT 2003



Gangadharam Appliances Limited

GANGADHARAM APPLIANCES LIMITED

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

15th ANNUAL REPORT

FACTORY :

143, Pudupakkam Village,
Kelambakkam Road,
Kelambakkam - 603 103

Kancheepuram District

WEBSITE : www.butterflyindia.com

BANKERS

Indian Bank

State Bank of Hyderabad

Punjab & Sind Bank

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. LAKSHMINARAYANAN,

Chairman & Managing Director

V.M. SESHADRI, Executive Director

V.R. SIVARAMAN, Director

M. PADMANABHAN, Director

D. KRISHNAMURTHY, Director

K. SADAGOPAN,

(Indian Bank Nominee Director)

AUDIT COMMITTEE :

V.R. SIVARAMAN, Chairman

V.M. LAKSHMINARAYANAN

M. PADMANABHAN

D. KRISHNAMURTHY

SHAREHOLDERS/INVESTORS GRIVENCE COMMITTEE :

V.R. SIVARAMAN, Chairman

D. KRISHNAMURTHY

REMUNERATION COMMITTEE :

V.R. SIVARAMAN

M. PADMANABHAN

D. KRISHNAMURTHY

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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.

- 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.

**GANGADHARAM APPLIANCES LIMITED****NOTICE TO THE SHAREHOLDERS**

NOTICE is hereby given that the Fifteenth 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 30th September, 2002 at 12.30 p.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:

"RESOVLED THAT the Audited Balance Sheet as at 31st 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.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".

3. 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.

SPECIAL BUSINESS:

4. 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 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".

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



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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".

6. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary 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, and subject to approval of the Central Government and IFCI Ltd., Mr.V.M.Lakshminarayanan be and is hereby reappointed as Managing Director of the Company for a period of five years with effect from 1st March, 2004 on the following terms and conditions, which may also be deemed as an abstract of the terms of his reappointment pursuant to Section 302 of the Act.

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:

Salary: Rs.7.20 lakhs per annum or Rs.60,000/- per month including dearness and all other allowances.

Perquisites: Perquisites will be allowed to Mr.V.M.Lakshminarayanan, Chairman & Managing Director, in addition to the salary, restricted to an amount equal to his annual salary, viz., Rs.7.20 lakhs. For this purpose perquisites are classified into three categories:- 'A', 'B' and 'C' as follows:

CATEGORY A:

(i) **Housing I:** The expenditure by the Company for hiring furnished accomodation for Mr.Lakshminarayanan will be subject to ceiling of sixty percent of his salary.

Housing II: In case the accomodation is owned by the Company, ten percent of the salary of the Managing Director shall be deducted by the Company.

Housing III: In case no accomodation is provided by the Company, the Chairman & Managing Director shall be entitled to house rent allowance subject to ceiling laid down in Housing I.

Explanation:

The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962. This shall, however, be subject to a ceiling of ten percent of the salary of the Chairman & Managing Director.

(ii) **Medical reimbursement :** Expenses incurred to self and family subject to ceiling of one month's salary in a year or three months' salary over a period of three years.

(iii) **Leave Travel Concession:** For self and his family once in a year incurred in accordance with rules specified by the Company.



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(iv) Club Fees: Fees of clubs subject to a maximum of two clubs. Admission and life membership fee will not be allowed.

(v) Personal Accident Insurance : Premium not exceeding Rs.3,000/- per annum.

Explanation: For the purpose of Category 'A', 'Family' means the spouse, the dependent children and dependent parents of the Chairman & Managing Director.

CATEGORY B:

1. Company's contribution towards Provident Fund, subject to a ceiling of 12% of his salary.
2. Company's contribution towards Superannuation Fund or Annuity Fund. Such contribution together with the contribution towards Provident Fund shall not exceed 25% of the 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 limit of Rs.3,50,000/-
4. Encashment of Leave: Encashment of leave at the end of tenure payable in accordance with the rules of the Company. This will not be included in the computation of the ceiling on perquisites.

CATEGORY C:

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

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 or inadequacy of profits in any financial year, during the currency of tenure of Mr.V.M.Lakshminarayan, 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.Lakshminarayanan with the approval of the Central Government, if so required.



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B. That the Board be and is hereby authorised to enhance, enlarge, alter or vary the scope and quantum of remuneration and perquisites of Mr.V.M.Lakshminarayanan, Managing Director, from time to time without further reference to the Company in General Meeting 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.Lakshminarayanan, without further reference to the Company in General Meeting.

Chennai - 600 018
18th August 2003

For and on behalf of the Board
V.M.LAKSHMINARAYANAN
Chairman & Managing Director

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 30th 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.

**GANGADHARAM 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 22nd July 2003, Mr.V.R.Sivaraman 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.V.R.Sivaraman 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.Sivaraman as Director of the Company.

Mr.Sivaraman 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.R.Sivaraman is Ex.Managing Director of Wheels India Limited. Mr.Sivaraman was on the Board of Directors of the Company from 03.07.1989 until 12.7.2001. Due to the provisions of Section 274(1) by the Companies Act, 1956 concerning disqualification of Directors, he resigned from the Board on 12.7.2001. 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 background, experience and expertise of Mr.Sivaraman, 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 4 of the convening notice.

No Directors of the Company other than Mr.V.R.Sivaraman is interested or concerned in the Resolution.

Item No.5:

At the meeting of the Board of Directors of the Company ("the Board") held on 22nd July 2003, Mr.M.Padmanabhan 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.M.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 was on the Board of Directors of the Company from 30.01.1999 until 12.7.2001. Due to the provisions of Section 274(1)(g) of the Companies Act, 1956 concerning



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disqualification of Directors, he resigned from the Board on 12.7.2001. 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.

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 5 of the convening notice.

No Directors of the Company other than Mr.M.Padmanabhan is interested or concerned in the Resolution.

Item No.6:

At the Annual General Meeting of the Company held on 26.09.1998, Members approved the appointment of Mr.V.M.Lakshminarayanan as the Managing Director of the company as also the remuneration, including minimum remuneration payable to him, not exceeding the limits prescribed under Schedule XIII of the Companies Act, 1956 for a period of five years with effect from 01.03.1999. Accordingly, Mr.Lakshminarayanan will continue as Managing Director upto 29.2.2004.

The Remuneration Committee of the Board of Directors at its meeting held on 16.08.2003 and the Board of Directors of the Company at its meeting held on 18.08.2003 approved, subject to approval of (a) the members in general meeting, (b) Central Government and (c) IFCI Ltd., the renewal of his appointment as Managing Director for a further period of five years from 01.03.2004 to 28.02.2009. Having regard to his rich experience and high and rare administrative capacity and also taking into account the prevailing economic conditions, the Remuneration Committee of the Board and the Board of Directors, subject to the aforesaid approvals, approved revision of his salary from the existing Rs.3.60 lakhs per annum to Rs.7.20 lakhs per annum, with the perquisites as indicated in item No.6 of the Notice convening this meeting, not exceeding the limits prescribed in schedule XIII to the Companies Act (as amended).

In the event of absence or inadequacy of profits during any financial year, the remuneration payable to Mr.Lakshminarayanan will be governed by the provisions of Section II of para of Schedule XIII.

Further, the Board seeks authority to enhance, enlarge, alter or vary the quantum of remuneration and perquisites of Mr.Lakshminarayanan from time to time within the limits prescribed under Schedule XIII to the Companies Act, 1956 or any amendment(s) thereto without further reference to the Company in General Meeting.

Mr.V.M.Lakshminarayanan, Managing Director is interested in the Resolution. Apart from him, Mr.V.M.Seshadri, Executive Director may also be deemed to be interested in the Resolution by virtue of the Managing Director being his 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 M.Padmanabhan	Shri D.Krishnamurthy
Date of Birth	05.08.1948	02.03.1914	20.11.1949	13.09.1940
Date of Appointment	24.07.1987	22.07.2003	22.07.2003	16.07.2001
Expertise in specific Functional Areas	Industrialist expertise in Home Appliances	Corporate Management Specilisation in starting new manufacturing industries	Finance & Accounts	Corporate Finance & Secretarial
Qualification	Matriculation	B.A.	B.Com, F.C.A.	B.A., LLB, FCS, PGDFM
List of Outside Directorship held	(1) Gandhimathi 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,	Gandhimathi Appliances Limited	Gandhimathi Appliances Limited	Nil
Chairman / Member of the Committee of the Board of Directors of the Company	Member of : 1. Audit Committee	Chairman of :- 1. Share Transfer- cum- Investor Grievances Committee. 2. Audit Committee. 3 Remuneration Committee.	Member of 1. Audit Committee. 2. Remuneration Committee.	Member of :- 1. Share Transfer- cum- Investor Grievances Committee 2. Audit Committee. 3 Remuneration Committee.
Chairman/ Member of the Committees of Directors of other Companies in which he is a Director				
a. Audit Committee	Member - Gandhimathi Appliances Limited	Member - Gandhimathi Appliances Limited.	Member - Gandhimathi Appliances Limited	Nil
b. Remuneration Committee	Nil	Nil	Member - Gandhimathi Appliances Limited	Nil
c. Share Transfer cum Investor Grievances Committee	Nil	Chairman - Gandhimathi Appliances Limited	Nil	Nil

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

Your Directors have pleasure in presenting this fifteenth Annual Report together with the Audited Statements of Account of the Company for the year ended 31st March 2003.

(Rs. in Lakhs)

	For the Year Ended 31st March 2003	For the Year Ended 31st March 2002
Sales	941.56	1662.45
Other Income	15.15	31.54
Total Income	956.71	1693.99
Profit / (Loss) before Depreciation	(725.45)	(1148.72)
Depreciation	(80.04)	(88.55)
Profit / (Loss) after Depreciation	(805.49)	(1237.27)
Provision for Income Tax	Nil	Nil
Provision for Deferred Tax	-	296.34
Profit / (Loss) after Tax	(805.49)	(940.93)
Balance as per last balance sheet Brought forward	(6209.28)	(5268.35)
Carry forward of balance in Profit/ (Loss) account to Balance Sheet	(7014.77)	(6209.28)

DIVIDEND

In view of the accumulated losses, your Directors regretted their inability to recommend a dividend for the year under review.

SOCIO ECONOMIC ENVIRONMENT

The economic stagnation of the previous year become 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.