

ANNUAL REPORT 2004



Gangadharam Appliances Limited

GANGADHARAM APPLIANCES LIMITED

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

16th ANNUAL REPORT

FACTORY :

143, Pudupakkam Village,
Vandalur,
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, Mangesh 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)
N.U. NAMPOOTHIRI (IFCI LTD. NOMINEE DIRECTOR)

AUDIT COMMITTEE :

V.R. SIVARAMAN, CHAIRMAN
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 sixteenth 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 Thursday 30th September, 2004 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 at 31st March, 2004, 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.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 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 :

5. 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 and subject to approval of Central Government and IFCI Ltd., and Indian Bank Mr. V.M.Lakshminarayanan be and is hereby reappointed as Managing Director of the Company for a period of three years with effect from 1st October, 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.



GANGADHARAM APPLIANCES LIMITED

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, namely:

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, Managing Director in addition to 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 accommodation for Mr.V.M.Lakshminarayanan will be subject to ceiling of sixty percent of his salary.

Housing II : In case the accommodation 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 accommodation is provided by the Company, the Managing Director shall be entitled to house rent allowance subject to the ceiling laid down in Housing I.

Explanation:

The expenditure incurred by the Company on gas, electricity, water and furnishing 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 Managing Director.

- (ii) **Medical reimbursement:** Expenses incurred for self and family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
- (iii) **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.
- (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:** Personal Accident Insurance of an amount, the annual premium of which does not exceed Rs.3000/- 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 actuals.

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 annual salary or to allow any other perquisite as may be permitted by the Government of India.

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

CATEGORY B :

- (i) Company's contribution towards Provident Fund, subject to a ceiling of 12 percent of his salary.
- (ii) Company's contribution towards Superannuation Fund or Annuity Fund. Such contribution together with the contribution towards Provident Fund shall not exceed 27 percent 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.



GANGADHARAM APPLIANCES LIMITED

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.3,50,000.

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.

CATEGORY C :

The Company shall provide a car with driver, cellular phone for official use and telephone at the residence of Mr.Lakshminarayanan. Provision of a car, cellular phone for use on Company's business, and telephone at residence 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.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.Lakshminarayanan, the remuneration aforesaid shall be the minimum remuneration payable to him, with the approval of the Central Government, if so required.

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.

For and on behalf of the Board
V.M. LAKSHMINARAYANAN
CHAIRMAN & MANAGING DIRECTOR

Chennai - 600 018
Date : 31.08.2004



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 27th 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 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.

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GANGADHARAM APPLIANCES LIMITED

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

1. Item No. 5 :

At the Annual General Meeting of the Company held on 30.09.2003, subject to approval of the Central Government, IFCI Ltd., / Indian Bank, Members approved the reappointment of Mr.V.M.Lakshminarayanan as the Managing Director of the Company for a further period of five years from 1.3.2004 to 28.02.2009 and the remuneration including minimum remuneration payable to him, in the absence or inadequacy of profits. Accordingly, an application was submitted by the Company to the Central Government seeking their approval for the said reappointment and the remuneration payable to the Managing Director. Ministry of Company Affairs, New Delhi vide their letter No.1/15/2004-CL.VII dated 17.06.2004 have approved under section 269 of the Companies Act, 1956 the reappointment of Mr.V.M.Lakshminarayanan as Managing Director of the Company with effect from 1.3.2004 till the ensuing General Meeting. The said letter further stated that approval for his continuance for further period will be given on submission of Special Resolution passed by Members of the Company. In the same letter, Ministry of Company Affairs also approved payment of a remuneration of Rs.75,000/- (Rupees Seventy five thousand only) per month (all inclusive) to Mr.Lakshminarayanan from 1.3.2004, notwithstanding the limits of 5% and 10% of the net profits as the case may be as laid down in sub-section (3) of Section 309 of the Companies Act and the overall limits of 11% of the net profits as laid down in sub-section (1) of Section 198 ibid and having regard to the facts and circumstances of the case including the working results of the Company, the remuneration drawn earlier, the present policy being followed and the provision of section 637A and section 637 AA of the Companies Act, the Central Government in terms of Section 198(4) of the Companies Act. Ministry of Company Affairs vide the abovesaid letter have advised that the approval for the remaining amount will be granted on submission of "No Objection Certificate" from the concerned Financial Institutions / Banks to whom the Company has defaulted or from lead Financial Institution / Bank.

Subject to approval of (a) the members in General Meeting and (b) IFCI Ltd., the Remuneration Committee of the Board of Directors at its meeting held on 31.8.2004, and the Board of Directors of the Company at its meeting held on the same day approved his reappointment as Managing Director for a further period of three years from 1.10.2004 to 30.09.2007. At the same meeting, taking into account the present financial position of the Company, subject to the aforesaid approvals, the Remuneration Committee/Board of Directors of the Company approved the same salary, perquisites and reimbursement of expenses, including the minimum remuneration in the absence or inadequacy of profits to the Managing Director, as was earlier approved by the shareholders by an Ordinary Resolution at the Annual General Meeting of the Company held on 30th September, 2003.

Further, the Board of Directors seeks authority from the shareholders to enhance, enlarge, alter or vary the scope and 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 concerned or interested in the resolution. Apart from him, Mr.V.M.Seshadri, Executive Director may also be deemed to be concerned or 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.

The General Information to be given to the shareholders in connection with the aforesaid reappointment of the Managing Director and the remuneration payable to him are as follows:



GANGADHARAM APPLIANCES LIMITED

1. GENERAL INFORMATION :

1. Nature of Industry	Manufacturing and marketing of home appliances like Pressure Cookers, Pressure Pans and Unbreakable Stainless Steel Vacuum Flasks.																														
2. Date or expected date of commencement of commercial production	The Company started its Commercial production in October 1989.																														
3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.	Not applicable																														
4. Financial performance based on given indicators	Not applicable																														
5. Export performance and net foreign exchange collaborations	<p>Export performance of the Company for the past ten years is given below. The Company is not having any foreign exchange collaborations.</p> <p style="text-align: right;">(Rs. in lakhs)</p> <table> <tr> <th>Financial Year</th><th>FOB Value of Exports</th></tr> <tr> <td>2003-04</td><td>24.00</td></tr> <tr> <td>2002-03</td><td>248.77</td></tr> <tr> <td>2001-02</td><td>288.50</td></tr> <tr> <td>2000-01</td><td>261.32</td></tr> <tr> <td>1999-2000</td><td>257.08</td></tr> <tr> <td>1998-99</td><td>203.17</td></tr> <tr> <td>1997-98</td><td>478.92</td></tr> <tr> <td>1996-97</td><td>347.66</td></tr> <tr> <td>1995-96 (15 months)</td><td>643.33</td></tr> <tr> <td>1993-94(18 months)</td><td>1493.01</td></tr> <tr> <td>1992-93</td><td>98.35</td></tr> <tr> <td>1991-92</td><td>145.27</td></tr> <tr> <td>1990-91</td><td>12.69</td></tr> <tr> <td>1989-90</td><td>2.98</td></tr> </table>	Financial Year	FOB Value of Exports	2003-04	24.00	2002-03	248.77	2001-02	288.50	2000-01	261.32	1999-2000	257.08	1998-99	203.17	1997-98	478.92	1996-97	347.66	1995-96 (15 months)	643.33	1993-94(18 months)	1493.01	1992-93	98.35	1991-92	145.27	1990-91	12.69	1989-90	2.98
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6. Foreign Investments or collaborations, if any.	The Company provided technical know-how for establishing a home appliances manufacturing unit, viz., "East Butterfly", for the manufacture of cookware sets and vacuum flasks in Tashkent, Uzbekistan. With the approval of the Reserve Bank of India / Central Government the technical know-how fee aggregating Rs.2,65,40,256/- payable to the Company was adjusted during years 1992-93, 1993-94 & 1994-95 as the Company's investment in East Butterfly, Tashkent. Apart from this, the Company has no foreign investment/collaboration.																														



GANGADHARAM APPLIANCES LIMITED

II INFORMATION ABOUT THE APPOINTEE :

<p>1. Background details</p>	<p>The Appointee, Mr.V.M. Lakshminarayanan, with his father, Mr.V. Murugesu Chettiar and younger brother, Mr.V.M. Balasubramaniam, promoted the Company. Mr.Lakshminarayanan is a Matriculate. From his childhood, Mr. Lakshminarayanan was trained by his father in metal business activities. During his school days, in addition to his studies, he went to the markets and manufacturing units to gain practical "hands-on" experience in metal trade.</p> <p>Being the eldest son of Mr.V.Murugesu Chettiar and the family head, he actively involved in the family business and over a period of years gained rich experience in tool making, production of home appliances, finance, marketing and corporate management and administration.</p> <p>Mr.Lakshminarayanan has travelled widely and has developed international business contacts. He is the Chairman of Indo-Russian Chamber of Commerce & Industries and also Chairman of the Company's Joint Venture, East Butterfly, Tashkent, Uzbekistan.</p>
<p>2. Past remuneration</p>	<p>For his tenure upto 29.2.2004, the following remuneration was approved by the shareholders:</p> <p>(a) Salary of Rs.3,60,000/- per annum.</p> <p>(b) Perquisites: aggregate value not exceeding Rs.3,60,000/- per annum.</p> <p>(c) Commission: Subject to overall ceilings laid down in Sections 198 and 309 of the Act, Mr. V.M. Lakshminarayanan, Managing Director was entitled for commission not exceeding half percent of the net profits of the Company, subject to a ceiling of an amount equal to his annual salary, in addition to the salary and other perquisites as aforesaid.</p>
<p>3. Recognition or awards</p>	<p>Under the stewardship of Mr.V.M. Lakshminarayanan as Managing Director, the Company received Quality Award (First Prize) from the Hon'ble Chief Minister of Tamil Nadu on 23.06.1993, in recognition of the Company achieving excellence in quality and production for Medium Industries Sector during the year 1991-1992. The turnover of the Company also improved from Rs.685 lakhs for the financial period (15 months) ended on 30.06.1990 to a peak of Rs.3499.94 lakhs for the financial period (15 months) ended on 31.3.1996.</p>



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4. Job profile and his suitability	<p>Mr.Lakshminarayanan has been the Managing Director of the Company since 1.03.1989. As the Company's Functional Head, under the superintendence of the Board of Directors Mr.Lakshminarayanan has been vested with powers in relation to the business or trade of the Company.</p> <p>Taking into account his high and rare experience of about four decades in the home appliances industry, his international business connections, dedication and diligence, it is considered that Mr.Lakshminarayanan is ideally suited to hold the position of Managing Director of the Company. His continuance as the Managing Director is also essential for implementation of the proposed rehabilitation plan for turning around the Company.</p>
5. Remuneration proposed	<p>Vide Item No.5 of the Notice convening the ensuing Annual General Meeting, the following remuneration has been proposed for Mr.V.M.Lakshminarayanan, which is the same as per the resolution passed by the shareholders at the Annual General Meeting of the Company held on 30th September, 2003:-</p> <p>a) Salary of Rs.7.20 lakhs per annum.</p> <p>b) Perquisites :- Value not exceeding Rs.7.20 lakhs per annum.</p> <p>Mr.Lakshminarayanan will further be entitled to :</p> <p>(a) Reimbursement of entertainment expenses incurred wholly and exclusively for the business of the Company subject to a reasonable ceiling as may be fixed from time to time by the Board.</p> <p>(b) Reimbursement of travelling expenses actually incurred for the business of the Company, subject to a reasonable ceiling as may be fixed from time to time by the Board.</p> <p>In the event of loss or inadequacy of profits in any financial year during the tenure of Mr.Lakshminarayanan, the aforesaid salary and perquisites are proposed to be the minimum remuneration payable to him, with the approval of the Central Government.</p>
6. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin)	<p>In the Organised Sector of home appliances industry who are manufacturing similar products, there are only a few companies with similar synergies. In companies like TTK Prestige Ltd. and Pressure Cookers & Appliances Ltd., who are manufacturing similar products, the</p>