

ANNUAL REPORT 2005



Gangadharam Appliances Limited

GANGADHARAM APPLIANCES LIMITED

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

BOARD OF DIRECTORS

V.M.LAKSHMINARAYANAN
CHAIRMAN & MANAGING DIRECTOR
V.M.SESHADRI, EXECUTIVE DIRECTOR
V.R.SIVARAMAN, DIRECTOR
M.PADMANABHAN, DIRECTOR
D.KRISHNAMURTHY, 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
N.U.NAMPOOTHIRI

17TH 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.

RESISTRARS

GNSA Investor Services Pvt.Ltd.
18/1, Balaiah Avenue, Mylapore
Chennai – 600 004.

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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 seventeenth 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 19th August, 2005 at 10.00 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, 2005, 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 a Special Resolution:

"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., Mr.V.M.Seshadri be and is hereby reappointed as Executive Director of the Company for a period of three years with effect from 16th July, 2006 whose period of office shall not be subject to retirement by rotation during his tenure of office as Whole-time Executive Director 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, namely:

Salary : Rs.6 lakhs per annum or Rs.50,000/- per month including dearness and all other allowances.



GANGADHARAM APPLIANCES LIMITED

Perquisites: Perquisites will be allowed to Mr.V.M.Seshadri, Whole-time Executive Director in addition to salary, restricted to an amount equal to his annual salary, viz., Rs.6 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.Seshadri 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 Whole-time Executive Director shall be deducted by the Company.

Housing III : In case no accommodation is provided by the Company, the Whole-time Executive Director shall be entitled to house rent allowance subject to the ceiling laid down in Housing I.

Explanation :

- (i) 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 Whole-time Executive 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.4000/- 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 or to allow any other perquisite as may be permitted by the Government of India so as not to exceed the limit of annual salary.

Explanation: For the purpose of category 'A', Family means the spouse, the dependent children and dependent parents of the Whole-time Executive 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.Seshadri. 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.Seshadri.

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.Seshadri, 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.Seshadri with the approval of the Central Government.

By Order of the Board
V.M.LAKSHMINARAYANAN
CHAIRMAN & MANAGING DIRECTOR

Chennai - 600 018

Date : 30.06.2005



GANGADHARAM APPLIANCES LIMITED

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

1. Item No. 4 :

The Remuneration Committee/Board of Directors of the Company at their meetings held respectively on 28.06.2005 and 30.06.2005 (a) subject to approval of the members by Special Resolution in general meeting and (b) IFCI Ltd., approved reappointment of Mr.V.M.Seshadri as Executive Director for a further period of three years from 16.07.2006 to 15.07.2009, on his existing remuneration, which will be the minimum remuneration payable to him in the absence or inadequacy of profits in any financial year, not withstanding 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, 1956 ("the Act") and the over all limits of 11% of the net profits as laid down in Sub-Section (1) of Section 198 of the Act.

The Company has defaulted interest payment on term loans availed from IFCI Ltd., Industrial Development Bank of India and its consortium banks for a continuous period exceeding 30 days in the preceding financial year before the date of appointment of Mr.V.M.Seshadri as Executive Director.

The Company has submitted a revised rehabilitation package which was considered by the Financial Institutions, members of the consortium banks and representatives from concerned statutory authorities at a Joint meeting arranged by IFCI Ltd., as the Monitoring Agency, on 20th May 2005. At the said meeting the leader of the consortium banks, viz., Indian Bank agreed to convey the consensus of the banks to IFCI Ltd., after holding a consortium meeting. It is expected that the Institutions and Banks will support the Company's rehabilitation package before the BIFR and the package will have BIFR's approval. Taking into account the Herculean task ahead in turning around the company, the Remuneration Committee the Board of Directors unanimously agree that Mr.V.M.Seshadri is ideally suited to continue as the Executive Director of the Company and accordingly recommend the proposed special resolution being passed by the members.

Mr.V.M.Seshadri, Executive Director is concerned or interested in the resolution. Apart from him, Mr.V.M.Lakshminarayanan, Managing Director may also be deemed to be concerned or interested in the resolution, by virtue of the Executive Director being his relative. No other Directors are interested or concerned in the resolution.

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 16th to 19th August, 2005 (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.



GANGADHARAM APPLIANCES LIMITED

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

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 | Export performance of the Company for the past ten years is given below. The Company is not having any foreign exchange collaborations. | | | | | | | | | | | | | | | | | | | | | | |
| | (Rs. in lakhs) | | | | | | | | | | | | | | | | | | | | | | |
| | <table> <tr> <th>Financial Year</th><th>FOB Value of Exports</th></tr> <tr> <td>2004-05</td><td>32.90</td></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>1999-00</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> </table> | Financial Year | FOB Value of Exports | 2004-05 | 32.90 | 2003-04 | 24.00 | 2002-03 | 248.77 | 2001-02 | 288.50 | 2000-01 | 261.32 | 1999-00 | 257.08 | 1998-99 | 203.17 | 1997-98 | 478.92 | 1996-97 | 347.66 | 1995-96 (15 months) | 643.33 |
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| 2004-05 | 32.90 | | | | | | | | | | | | | | | | | | | | | | |
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| 1996-97 | 347.66 | | | | | | | | | | | | | | | | | | | | | | |
| 1995-96 (15 months) | 643.33 | | | | | | | | | | | | | | | | | | | | | | |
| 6. Foreign Investments or collaborators, 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. 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 :

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| <p>1. Background details</p> | <p>Mr.V.M.SESHADRI (EXECUTIVE DIRECTOR APPOINTEE):Mr.V.M.Seshadri is the third son of Late Mr.V.Murugesu Chettiar, Ex-Chairman of the Company, Being a member of industrialist family, from his childhood he was trained by his father in business activities. He grew up under the strict control of his father and took keen interest in making press tools, moulds, etc, for utensils and appliances.</p> <p>During his school days, in addition to his studies, he worked in his father's workshop to get practical "hands-on" experience in financial/costing matters and specialised in financial and marketing management.</p> <p>Mr.V.M.Seshadri has widely travelled. He has immaculate ability in the vital area of personnel management. With his long experience in the business, he has developed a team of potential distributors/dealers for marketing the Company's products.</p> |
| <p>2. Past remuneration</p> | <p>Remuneration paid/payable to Mr.V.M.Seshadri as Executive Director of the Company with effect from 16.7.2001 to 15.7.2006 is salary of Rs.6,00,000/- per annum, with perquisites restricted to an amount equal to the said annual salary, which is also the minimum remuneration payable to him in the absence or inadequacy of profits.</p> |
| <p>3. Recognition or awards</p> | <p>The turnover of the Company improved from Rs.685 lakhs for the financial period (15 months) ended on 30.06.1990 to a peak of Rs.3500 lakhs for the financial period (15 months) ended on 31.3.1996 i.e., over a period of six years while Mr.Seshadri was Executive Vice-President (Finance & Marketing) of the Company.</p> |
| <p>4. Job profile and his suitability</p> | <p>Mr.V.M.Seshadri as the Executive Director of the Company is the functional head for the production, marketing and finance activities of the Company, under the superintendence of the Managing Director. In view of his rich experience of over three decades in the home appliances industry, Mr.Seshadri is ideally suited to hold the position of Executive Director. During his tenure, he has exhibited high</p> |



GANGADHARAM APPLIANCES LIMITED

| | |
|---|---|
| <p>7. Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any.</p> | <p>Mr.Seshadri has got no direct or indirect pecuniary relationship with the Company excepting for his remuneration and reimbursement of out of pocket expenses incurred wholly and exclusively for the Company's business. Mr.V.M.Seshadri is related to Mr.V.M.Lakshminarayanan, Managing Director.</p> |
|---|---|

III. OTHER INFORMATION:

1. Reason for loss or inadequate profits:

The Company after erosion of its entire net worth became a sick industrial unit as on 31.3.1998 and was registered as such a unit with the BIFR. A rehabilitation package was sanctioned under section 16(1) of the Sick Industrial Companies Special Provisions Act (SICA) which was implemented with effect from 1.4.1999.

Vide its order dated 29.7.1999, BIFR took on record the rehabilitation package agreed amongst the lending Financial Institutions/Banks and the Company and appointed IFCI as Monitoring Agency for supervising the implementation of the agreed package.

Due to undue delay on the part of the Banks in disbursing the sanctioned additional working capital funds under the rehabilitation package and also such disbursements having been made at irregular intervals, the projections given in the package could not be achieved by the Company.

Subsequently GAL submitted several revised rehabilitation proposals to the Monitoring Agency, which were inconclusive in view of amendments/modifications required by the Financial Institutions/Banks. The case was reviewed at a joint meeting held on 27.12.2002 organised by the Monitoring Agency. At the said meeting, it was noted that an attempt for change of management of the Company did not evoke adequate response, since in response to advertisement for change of management only the present Promoters of the Company responded with their rehabilitation proposal. The consensus at the meeting was that a Techno-Economic Viability Study (TEV) was required to be carried out. This consensus was reported to BIFR and at the BIFR hearing held on 7.1.2003, the Monitoring Agency was directed to commission a TEV study along with the secured creditors, which was complied with. Pursuant to the TEV study the Company had forwarded its revised rehabilitation proposal. As per the revised rehabilitation proposal submitted by the Company, the working capital requirement and the liability on account of Voluntary Separation Scheme for the workers/staff had been proposed to be met entirely from out of the additional Promoters' contribution, Suppliers' credit, Cash generation from operations and no additional finance from banks had been sought for the purpose. Subsequently, another joint meeting was held on 28.8.2003 to consider the rehabilitation proposal submitted by the Company. The broad consensus at the joint meeting was that Financial Institutions and Banks take up the proposal for reliefs and concessions to their respective competent authorities and revert in the matter. Thereafter, a modified rehabilitation package was submitted to the Consortium Banks and IFCI Ltd., in August 2004 for their consideration.