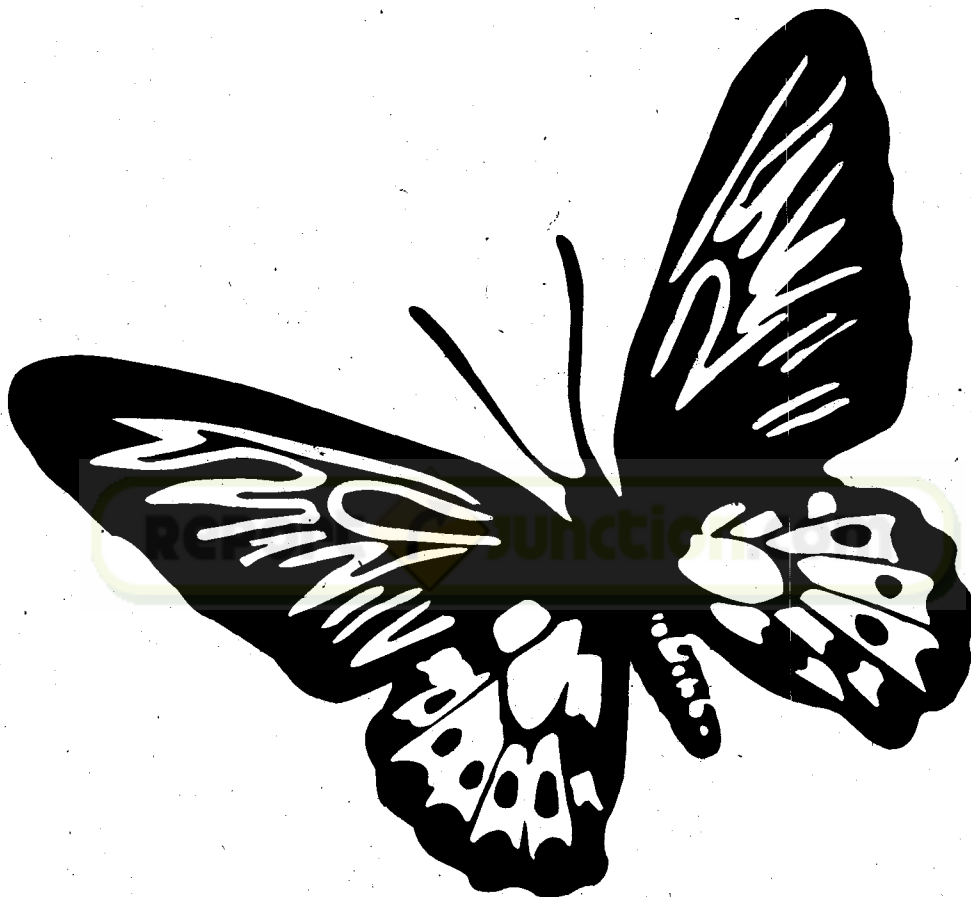


**ANNUAL REPORT
FOR THE FINANCIAL YEAR OF SIX MONTHS
PERIOD ENDED ON 31ST DECEMBER 2008**



Gangadharam Appliances Limited


GANGADHARAM APPLIANCES LIMITED
GANGADHARAM APPLIANCES LIMITED

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

21st ANNUAL REPORT
FACTORY

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

BANKERS

Indian Bank
The South Indian Bank Ltd.

AUDITORS

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

REGISTRARS

GNSA Infotech (P) Ltd.
G.R. Mansion,
11, Srinivasan Road, Pondy Bazaar,
T. Nagar, Chennai - 600 017.

BOARD OF DIRECTORS

Mr. V.M. Lakshminarayanan,
Chairman & Managing Director
Mr. V.M. Seshadri, Executive Director
Mr. V.R. Sivaraman, Director
Mr. M. Padmanabhan, Director
Mr. D. Krishnamurthy, Director

AUDIT COMMITTEE:

Mr. V.R. Sivaraman
Mr. M. Padmanabhan
Mr. D. Krishnamurthy

REMUNERATION COMMITTEE

Mr. V.R. Sivaraman, Chairman
Mr. M. Padmanabhan
Mr. D. Krishnamurthy

Report Junction.com

CONTENTS

	Page No.
Board of Directors	1
Notice to the Shareholders	3 - 8
Directors' Report	9 - 13
Auditors' Report	14 - 19
Balance Sheet	20
Profit & Loss Account	21
Schedules	22 - 32

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.


GANGADHARAM APPLIANCES LIMITED
NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Twenty first 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 Tuesday, 30th June, 2009 at 10.30 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 December 2008, the Profit and Loss Account for the six months financial period ended on that date and the report of the Directors and 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 the retiring Auditors, M/s. Rudhrakumar Associates, Chartered Accountants, Chennai be and are hereby reappointment 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 the Section 314 (1B) of the Companies Act, 1956 read with Rule 10C(i) of the Companies (Central Government's) General Rules and Forms, 1956, and Director's Relatives (Office or Place of Profit) Rules, 2003 subject to approval of Central Government, consent of the Company be and is hereby accorded to Mr.V.M.S.Kumaraguru, a relative of Messrs.V.M. Lakshminarayanan, Chairman & Managing Director and V.M.Seshadri, Executive Director of the Company to hold Office or Place of Profit as General Manager – Marketing on the following remuneration:



GANGADHARAM APPLIANCES LIMITED

1. Salary : Rs.7.80 lakhs per annum or Rs.65,000/- per month, including dearness and all other allowances with annual increment in the scale of Rs.65,000 – 2,500-75,000-3,000- 87,000.

In addition to the salary, Mr.Kumaraguru will be entitled to the following perquisites, monetary value of which shall not exceed 50% of his annual salary.

CATEGORY A:

- (i) 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.
- (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.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 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 50% of his 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 and the dependent children of General Manager-Marketing.

CATEGORY B:

1. The 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.

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.5,00,000/-.



GANGADHARAM APPLIANCES LIMITED

ENCASHMENT OF LEAVE:

Encashment of leave at the time of leaving Company's service, payable in accordance with the rules of the Company not exceeding the ceiling specified under the Income Tax Act.

CATEGORY C:

The Company shall provide a car with driver, cellular phone for official use and telephone at the residence of Mr. Kumaraguru. 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 the Company to Mr. Kumaraguru.

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."

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

Resolved that pursuant to Section 17 of the Companies Act, 1956 ('Act') and other applicable provisions of the Act, if any, sub-clause 25 under clause III (B) – the objects incidental or ancillary to the attainment of the main objects of the Company - be and is hereby altered by inserting the following new sub-clause 25 :

"25. To sell, lease, mortgage, exchange, demerge or split, with respect to a scheme of arrangement or reconstruction or otherwise dispose of the property, assets or undertaking of the company or any part thereof for such consideration as the company may think fit, and in particular for shares, stock, debentures or other securities of any other company whether or not having objects altogether or in part similar to those of the company."

Chennai - 600 018
Date : 02.06.2009

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



GANGADHARAM APPLIANCES LIMITED

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF SPECIAL BUSINESS TO BE TRANSACTED AT THE COMPANY'S ANNUAL GENERAL MEETING ON 30TH JUNE, 2009

Item No. 4:

Pursuant to the provisions of Section 314(1B) of the Companies Act, 1956 read with Rule 10C(i) of the Companies (Central Government's) General Rules and Forms, 1956 and Director's Relatives (Office or Place of Profit) Rules 2003, at the Extraordinary General Meeting of the Company held on 01.03.2007, Members appointed, Mr.V.M.S.Kumaraguru, son and relative of Mr.V.M.Seshadri, Executive Director and a relative of Mr.V.M.Lakshminarayanan, Chairman & Managing Director of the Company to hold an office or place profit as General Manager – Marketing with effect from 01.11.2006. Prior to his elevation as General Manager-Marketing, he was working as Assistant General Manager-Marketing with effect from 01.10.2001 as approved by the Members at the Annual General Meeting of the Company held on 29.09.2001.

At the Extraordinary General Meeting of the Company held on 01.03.2007, Mr.Kumaraguru's salary was revised to Rs.3.60 lakhs per annum or Rs.30,000/- per month including Dearness and all other allowances with annual increment of Rs.1500/- in the scale Rs.30,000 – 1,500 – 37,500. In addition to salary, Mr.Kumaraguru was entitled to other perquisites which are admissible to executives of similar status and grade in the Company.

Mr.Kumaraguru, aged 29 years, is a Commerce graduate. During his service of over seven years with the Company he has exhibited appreciable marketing talent. He arranged export sales in Dubai. He is also instrumental in expanding dealer network in domestic market and is exploring further export opportunities.

Being a member of Promoters' family, a family of technocrats, he takes keen interest in the area of marketing.

Mr.Kumaraguru is in the exclusive employment of the Company and will not hold a place of profit in any other Company.

A salary of Rs.7.80 lakhs per annum (Rs.65,000/- per month) is proposed to be paid to him in addition to the perquisites detailed in the resolution being Item No.4 of the Notice. The monetary value of such perquisites shall not exceed 50% of the proposed salary, i.e., Rs.3.90 lakhs per annum. A Selection Committee comprising Messrs.R.V.Iyer, Independent Director, D.Krishnamurthy, Non-Executive Director of the Company and Mr.P.Subramanian, an expert in the Marketing field interviewed Mr.Kumaraguru on 11.3.2009 and have endorsed the proposed increase in the remuneration payable to him. Subject to approval of the Members and Central Government, the same has also been approved by the Board of Directors of the Company at its meeting held on 02.06.2009.

The proposed remuneration of Mr.Kumaraguru is considered as minimum remuneration as compared with the remuneration package for similar position in the industry, as this is a challenging position. Similarly placed employees of the Associate of the Company, viz., Gandhimathi Appliances Ltd., are getting the comparable salary.

Approval of the Central Government is not required for the remuneration now being drawn by Mr.Kumaraguru. Since the proposed remuneration is in excess of the provisions contained in Section 314 (1)(b) of the Companies Act read with Rule 10C (1) of the Companies (Central Government's) General Rules and Forms, 1956 approval of the Central Government will be required.



GANGADHARAM APPLIANCES LIMITED

The Promoter-Directors together with their relatives and Associates hold more than 99% of the paid-up equity share capital of the Company.

Having regard to his rich contribution towards substantial improvement in the sales performance of the Company's products through its Associate, M/s.Gandhimathi Appliances Ltd., who are presently marketing the Company's products, and considering the future sales targets set for these products and the inflation, your Directors recommend the proposed remuneration payable to Mr.Kumaraguru.

Messrs.V.M.Lakshminarayanan and V.M.Seshadri being relatives of Mr.Kumaraguru, shall be deemed to be interested or concerned in the resolution. No other Director is interested or concerned in the resolution.

Item No.5:

In terms of the Rehabilitation Scheme sanctioned by Hon'ble BIFR at its Review Hearing held on 27.12.2007, the Promoter-Directors of the Company with their relatives and Associates settled/paid all the dues of the Company to FIs/Banks on OTS basis. After such settlement, none of the nationalized/Private banks are considering fresh financial assistance towards need-based working capital of the Company. Therefore, independent production and marketing operations of the Company have been severely hampered due to working capital constraints. With a view to avoid loss of production, loss of employment, loss of revenue to the Central and State Governments, your Directors are considering the available options. One of such options being considered is through the process of demerger of its undertaking engaged in the manufacture and marketing of Pressure Cookers and Unbreakable Stainless Steel Vacuum Flasks together with the infrastructure like land, building and machinery attributable thereto and merging the demerged undertaking with one of the Associates of the Company, subject to approval of Hon'ble BIFR.

To enable submission of a suitable draft fresh modified rehabilitation scheme to Hon'ble BIFR for its approval of the proposed scheme of arrangement through demerger, sub-clause 25 under clause III (B) – Other objects of the Company – needs to be altered incorporating the provision for demerger under a scheme of arrangement.

Pursuant to Section 17(1) of the Act, the above alteration requires only the consent of members by way of a Special Resolution. Accordingly, your Directors recommend passing of the resolution as a Special Resolution.

None of the Directors of your Company is concerned or interested in this resolution.

Chennai - 600 018
Date : 02.06.2009

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

**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. 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 Infotech (P) Ltd., G.R. Mansion, No.11, Srinivasan Road, Pondy Bazaar, T. Nagar, Chennai – 600 017.
3. 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.
4. Members/Proxies are requested to bring their copies of Annual Report to the meeting.
5. Members are requested to quote their folio number in all their correspondence.
6. The Company's equity shares were listed with Madras, Bombay and Ahmedabad Stock Exchanges. However, in terms of the directions issued by BIFR at its Review Hearing held on 27.12.2007, the Promoter-Directors, their relatives and Associates of the Company have acquired a major portion of the public equity shareholding of the Company. Their present shareholding is 99.1% of the issued, subscribed and paid-up equity share capital of the company. Hence, as approved by the Members at the Extraordinary General Meeting of the Company held on 29.8.2007 and as per BIFR directions, the Company stands automatically delisted with the above stock exchanges.


GANGADHARAM APPLIANCES LIMITED
DIRECTORS' REPORT TO SHAREHOLDERS

Your Directors are presenting this twenty first Annual Report together with the Audited Statement of Accounts of the Company for the financial year of six months period ended on 31st December, 2008.

FINANCIAL RESULTS:
(Rs. in lakhs)

	For the six months period ended 31.12.2008	For the year ended 30th June, 2008
Sales	81.06	224.41
Job work/Labour charges	271.50	421.12
Other Income	2.09	10.11
Operating Expenses	219.56	484.56
Increase/Decrease in stock of finished goods and work in process	4.22	14.93
Profit/(loss) before Depreciation and interest and extraordinary items	124.45	156.15
Interest	3.60	8.28
Depreciation	42.41	83.58
Investment written off *	265.40	-
Profit/(loss) before Tax	(186.96)	64.29
Profit/(Loss) after Tax	(187.49)	62.99

* Investment in East Butterfly, Tashkent, Uzbekistan.

DIVIDEND:

In view of the accumulated losses your Directors regret their inability to recommend a dividend for the financial period under review.

DIRECTORS

Board for Industrial and Financial Reconstruction, Special Director and Co-Ordination Cell, vide its letter F.No.36/2005/SD/BIFR directed that Mr.R.V.Iyer, nominated by the Cell would cease to be Special Director on the Board of the Company with effect from 12.5.2009, consequent upon his attaining the age of 65 years. Your Board places on record its sincere appreciation of the valuable guidance given by Mr.Iyer during his tenure on the Board.



GANGADHARAM APPLIANCES LIMITED

Mr.V.R.Sivaraman, Director retires from the Board by rotation under the Companies Articles of Association and, being eligible, offers himself for reappointment.

REVIEW OF OPERATIONS:

Due to non-availability of working capital, the Company could carry out only limited operations, mainly job work of pressure cookers and vacuum flasks, to Gandhimathi Appliances Ltd., an Associate of the Company.

INVESTMENT IN EAST BUTTERFLY

Fee for technical know-how provided by the Company to East Butterfly, Tashkent, Uzbekistan, aggregating Rs.2,65,40,256/-, was converted into investment in the joint venture during the financial years ended 30.06.1993 and 31.12.1994. This investment did not bring any return all these years. Due to continuous losses suffered by the joint venture from its inception, its net worth has completely eroded and its future is uncertain. In order to reflect the true and fair position in this regard, your Directors have decided to write off the entire amount of Rs.2,65,40,256/- during the financial period under review.

PROSPECTS FOR THE CURRENT YEAR:

The Company's performance during the first quarter of the current year continued to be lower than projections made in the Modified Rehabilitation Scheme.

STATUS REGARDING REHABILITATION:

Despite best efforts, the Company has not been able to tie up its working capital requirements with any Bank. Since the Promoter-Directors have exhausted all their resources for arranging working capital finance, the company continues to do 'job work' of Pressure Cookers and Vacuum Flasks to its associate Company, M/s. Gandhimathi Appliances Ltd. Hence, these products are now marketed through regular trading channels of Gandhimathi Appliances Ltd. as their own products. Resorting to job work has resulted in lower capacity utilization and consequently lower production/profitability, as compared to the projections made in the Modified Rehabilitation Scheme sanctioned by BIFR. Hence the Company is considering a suitable Scheme of Arrangement by way of Demerger of its undertaking engaged in the manufacture and marketing of Pressure Cookers and Vacuum Flasks together with the infrastructure like land, building and machinery attributable thereto and merging the demerged undertaking with one of the Associates of the Company, subject to approval of Hon'ble BIFR, to avoid loss of production, loss of employment, loss of revenue to the Central and State Governments.

CORPORATE GOVERNANCE:

In terms of the directions of the Hon'ble BIFR, after acquisition of public shareholding the stake of the Promoters' Group in the Company now exceeds 99 percent. Therefore, as approved by the members at the Extraordinary General Meeting of the company held on 29.8.2007 and as per directions of Hon'ble BIFR at its Review Hearing on 27.12.2007, the Company now stands automatically delisted with the Stock Exchanges. Therefore, clause 41 of the Listing Agreement with regard to Corporate Governance is not applicable to the Company.