

ANNUAL REPORT 2010



Gangadharam Appliances Limited



GANGADHARAM APPLIANCES LIMITED

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

22nd 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 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, Chairman
Mr. M. Padmanabhan
Mr. D. Krishnamurthy

REMUNERATION COMMITTEE

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

CONTENTS

	Page No.
Board of Directors	1
Notice to the Shareholders	2 - 4
Directors Report	5 - 8
Auditors' Report	9 - 13
Balance Sheet	14
Profit & Loss Account	15
Schedules	16 - 26
Scheme of Merger	27 - 38

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 BUTTERLY 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.



NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Twenty second 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, 9th September, 2010 at 12.00 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, 2010, the Profit and Loss Account for the period of fifteen months 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.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".

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:

- (i) "THAT subject to approval of the Hon'ble Board for Industrial and Financial Reconstruction (BIFR) and subject to the Scheme of Merger between the Company ('Transferor Company') and Gandhimathi Appliances Ltd (GMAL - 'Transferee Company') being sanctioned by Hon'ble BIFR, as per draft Scheme of Merger ('Scheme') laid on the table and initialled by the Chairman for the purpose of identification, with such modifications and conditions as may be stipulated by the Hon'ble BIFR while sanctioning the Scheme, approval be and is hereby accorded to the Scheme for the purpose of merger of the Company with GMAL and the Transferee Company to acquire the rights, obligations, assets, liabilities and the entire undertaking of the Company from the effective date of merger as per the sanctioned Scheme.



- (ii) Resolved further that the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things as it may consider in the interest of the Company and as may be required to give effect to the said Scheme of Merger, with such modifications and conditions, as may be stipulated by the Hon'ble BIFR in granting approval to the said Scheme of Merger."

Chennai - 600 018
Date : 04.08.2010

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

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 9TH SEPTEMBER, 2010

Item No.4:

At the review hearing of the company's case before Hon'ble Bench I of the Board for Industrial and Financial Reconstruction (BIFR) held on 15.7.2009, the Company represented that it was planning to revive the unit with the help of a Venture Capital Company from abroad which was willing to infuse around Rs.23 crores for settlement/payment of the dues of the Company to Financial Institutions/Banks and other concerned agencies and also meet a part of the working capital requirements. However, due to the said Venture Capital Company not getting the required approval from the Government authorities, the proposal for infusion of funds did not materialize. Therefore, the promoters from their own sources released the funds and settled/paid all the dues to the Financial Institutions/Banks. The Company at present does not have adequate working capital, and is therefore doing the job work of the group Company, M/s.Gandhimathi Appliances Ltd (GMAL). The reliefs and concessions from the Government authorities sanctioned by Hon'ble BIFR are still awaited. In view of these hardships the Company could not achieve the projections of the scheme sanctioned at the review hearing of Hon'ble BIFR held on 27.12.2007. Therefore, it was prayed that the Hon'ble Bench may allow the Company to submit a demerger/merger proposal with its associate company GMAL. The Hon'ble Bench approved in principle the said proposal and directed the Company to submit another Modified Draft Rehabilitation Scheme through its Monitoring Agency for consideration. Accordingly, the Company has submitted a Modified Draft Rehabilitation cum Merger Scheme (MDRMS) to Hon'ble BIFR, a copy of which has been circulated to all the members with this Notice.

Hon'ble Bench I of BIFR at the aforesaid review hearing held on 27.12.2007 had inter-alia permitted the promoters, their relatives and associates of the Company to make offer to acquire its public equity shareholding at Re.1/- each per equity share. After the said acquisition of the public equity shareholding, the promoters, their relatives and associates of the Company presently hold 99.1% of its paid up equity capital.

Due to working capital constraints, the Company is unable to stand alone for its production and marketing. GMAL, which is in similar line of business, has agreed to participate in the Company's revival. Therefore, to avoid loss of production, loss of employment and loss of revenue to the Central/State Governments, it is proposed that the Company will be merged with GMAL, an associate of the Company, engaged in similar industry. Since the proposed merger will facilitate revival and the turnover and profitability of GMAL as a merged entity will also improve, your Directors recommend passing of the resolution as a Special Resolution.



GANGADHARAM APPLIANCES LIMITED

Messrs.V.M.Lakshminarayanan, Chairman & Managing Director and V.M.Seshadri, Executive Director of the Company shall be deemed to be interested or concerned in the resolution. No other Directors are interested or concerned in the resolution.

Chennai - 600 018
Date : 04.08.2010

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 Registrar of Members and the Share Transfer Books of the Company will remain closed from 6th to 9th September, 2010 (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 Infotech Ltd., G.R.Mansion, No.11, Srinivasan Road, Pondy Bazaar, T.Nagar, Chennai – 600 017.
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.



DIRECTORS' REPORT TO SHAREHOLDERS

Your Directors are presenting this twenty second Annual Report together with the Audited Statement of Accounts for the fifteen months financial period ended on 31st March, 2010

	For the fifteen months period ended 31.03.2010	For the six months period ended 31.12.2008
Sales	73.14	81.06
Job work/Labour charges	739.44	271.50
Other Income	13.55	2.09
Operating Expenses	825.63	219.56
Increase/Decrease in stock of finished goods and work in process	12.77	4.22
Profit/(loss) before Depreciation and interest and extraordinary items	208.19	124.45
Interest	2.64	3.60
Depreciation	102.37	42.41
Investment written off *	—	265.40
Profit/(loss) before Tax	103.18	(186.96)
Profit/(Loss) after Tax	102.73	(187.49)

*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:

Mr.M.Padmanabhan, Director retires from the Board by rotation under the Companies Articles of Association and, being eligible, offer 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.

PROSPECTS FOR THE CURRENT YEAR:

As stated earlier, due to working capital constraints, the Company is unable to stand alone for its production and marketing. Therefore, to avoid loss of production, loss of employment, loss of revenue to Central and State Governments, the Company prayed before the Hon'ble Board for Industrial and Financial



Reconstruction (BIFR) for its demerger/merger with its associate Company, Gandhimathi Appliances Ltd. The Hon'ble Bench of BIFR approved in principle the Company's proposal. Accordingly, a Modified Draft Rehabilitation cum Merger Scheme (MDRMS) duly recommended by the Monitoring Agency (IFCI Ltd) has been submitted to Hon'ble BIFR (which is being submitted to shareholders for their approval at the forthcoming Annual General Meeting of the Company as a Special Resolution). The MDRMS is expected to be approved by Hon'ble BIFR during the course of the current financial year.

STATUS REGARDING REHABILITATION:

Hon'ble Board for Industrial and Financial Reconstruction (BIFR) vide its order dated 15.7.2009 has granted in-principle approval for the Company's merger with its Associate, Gandhimathi Appliances Ltd. The Company has since submitted a Modified Draft Rehabilitation cum Merger Scheme duly recommended by its Monitoring Agency (IFCI Ltd), which is presently under consideration of the Hon'ble BIFR.

CORPORATE GOVERNANCE:

As the Company has been unlisted as per directions of Hon'ble BIFR, Clause 41 of the Listing Agreement with regard to Corporate Governance is not applicable.

AUDITORS' REPORT:

The Auditors' have remarked that the accounts for the period have been prepared on the assumption of the 'Going Concern' basis. As mentioned in Note 3 to Schedule 13, forming part of the accounts, since Hon'ble BIFR vide its order dated 15.7.2009 has already granted in-principle approval for the Company's merger with its Associate, Gandhimathi Appliances Ltd and the Modified Draft Rehabilitation cum Merger Scheme submitted by the Company duly recommended by its Monitoring Agency is presently under consideration of the Hon'ble BIFR, the accounts for the period have been prepared on a 'Going Concern' basis.

Referring to Annexure 'B' to the Auditors' Report, the arrears of sales tax dues of Rs.202.43 lakhs payable to the Tamil Nadu Sales Tax Authorities is being arranged for payment as soon as possible, as per provisions of the Modified Rehabilitation Scheme (MRS-07) sanctioned by Hon'ble BIFR.

Annexure 'C' to Auditors' Report pertaining to Central Excise dues of Rs.22.04 lakhs has been disputed by the Company and the same is pending for final orders of CESTAT, Chennai.

Referring to note 4f (ii) of the Auditors' Report, the reason for not making provision for interest payable amounting to Rs. 39 lakhs has been explained vide note 6 of Schedule 13, notes on accounts.

AUDITORS:

Messrs.Rudhrakumar Associates, Chartered Accountants, hold office till the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for reappointed.

FIXED DEPOSITS:

The Company has not accepted any deposits from the public and, as such, there are no outstanding deposits in terms of the Companies (Acceptance of Deposits) Rules, 1975.

PARTICULARS OF EMPLOYEES [SECTION 217 (2A)] :

There was no employee covered by the provisions of Section 217(2A) of the Companies Act, 1956.



GANGADHARAM APPLIANCES LIMITED

REPORT ON ENERGY CONSERVATION AND R&D ACTIVITIES:

Information relating to energy conservation, foreign exchange earned and spent on research and development activities undertaken by the Company in accordance with the provisions of section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988 are given in Annexure "A" of the Directors' Report.

DIRECTORS' RESPONSIBILITY STATEMENT:

Statement under sub-section (2AA) of Section 217 of the Companies Act, 1956 ("The Act").

In the preparation of the Annual Accounts:

- i. the applicable accounting standards have been followed.
- ii. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the financial year.
- iii. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. "Going concern" basis has been followed in the preparation of annual accounts.

The financial statements have been audited by Messrs. Rudhrakumar Associates, Chartered Accountants, the Statutory Auditors and their report is attached to the Accounts.

PERSONNEL:

The spirit of trust, transparency and team work has enabled the Company to build a tradition of partnership and harmonious industrial relations. Your Directors record their sincere appreciation of the dedication and commitment of the employees at all levels, despite severe financial constraints.

ACKNOWLEDGEMENTS:

Your Directors acknowledge with gratitude the co-operation and assistance given by M/s. Gandhimathi Appliances Ltd, in providing job work and undertaking marketing of the Company's products through their regular trade channels. They are also indebted to the State and Central Governments, business associates and others for their continuing support, when the Company is passing through a rough weather.

Chennai - 600 018
Date : 04.08.2010

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

**ANNEXURE A****ANNEXURE TO THE DIRECTORS' REPORT FOR THE FINANCIAL PERIOD ENDED ON 31ST MARCH, 2010.****STATEMENT PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 AND FORMING PART OF THE DIRECTORS' REPORT****A. CONSERVATION OF ENERGY:****FORM A**

POWER AND FUEL CONSUMPTION ELECTRICITY	CURRENT PERIOD (15 months)	PREVIOUS PERIOD (6 months)
(a) Purchased Units	9,80,420	4,42,192
Total amount	Rs.65,89,923	Rs. 27,11,459
Rate/Unit	Rs.6.72	Rs. 6.13
(b) Own Generation		
Through Diesel Generator		
Units	5,47,124	1,19,382
Total amount	Rs.75,85,171	Rs. 15,33,267
Cost/Unit	Rs.13.86	Rs. 12.84

B.RESEARCH AND DEVELOPMENT:

1. Specific areas in which R&D carried out by the Company: Nil
2. Future plan of action: Will be considered after proposed merger.
3. Expenditure on R&D: Nil

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Foreign Exchange earnings - Rs.45.20 lakhs
 Foreign Exchange outgo - Rs.2.22 lakhs

Chennai - 600 018
 Date : 04.08.2010

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



AUDITORS' REPORT TO THE MEMBERS OF GANGADHARAM APPLIANCES LIMITED

1. We have audited the attached Balance Sheet of Gangadharam Appliances Limited, as at March 31st, 2010 and the related Profit and Loss Account for the fifteen months period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidences supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure 'A' a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act, to the extent applicable.
 - e. As per the information furnished to us, no Director of the Company is disqualified as on 31st March 2010 from being appointed as a Director under clause (g) of sub-section (1) of Section 274 of the Act.
 - f. i) *Despite huge losses resulting in total erosion of the net worth of the Company, the accounts for the period have been prepared on the assumption of the "Going Concern" basis and reference in this connection is made in Note 3 of Schedule 13 to the Notes on Accounts.*