

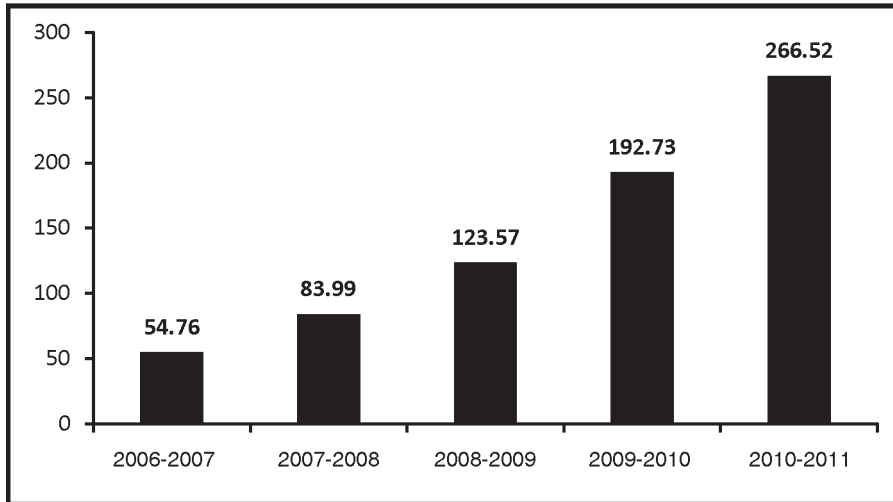
ANNUAL REPORT 2011



Gandhimathi Appliances Limited

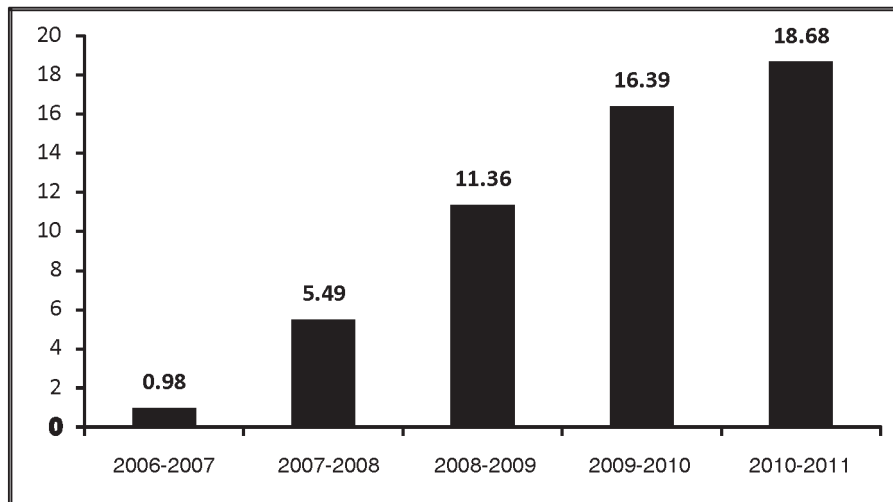


SALES INCLUDING EXCISE DUTY (Rs. IN CRORES) - ANNUALISED



CAGR 48.69%

PROFIT BEFORE TAX (Rs. IN CRORES) - ANNUALISED



CAGR 156.34%



GANDHIMATHI APPLIANCES LIMITED

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

24th ANNUAL REPORT

FACTORY

143, Pudupakkam Village
Vandalur-Kelambakkam Road
Kelambakkam – 603 103
Kancheepuram District
Tamil Nadu

BANKERS

State Bank of Travancore
IDBI Bank
Bank of Baroda
The South Indian Bank Ltd

STATUTORY AUDITORS

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

REGISTRARS

GNSA Infotech Ltd
G.R.Mansion, 11, Srinivasa Road,
Pondy Bazaar, T.Nagar
Chennai – 600 017.

BOARD OF DIRECTORS

Mr.V.M.Lakshminarayanan, Chairman
Mr.V.M.Balasubramaniam, Director
Mr.V.M.Seshadri, Managing Director
Mr.V.M.Gangadharam, Executive Director
Mr.V.M.Kumaresan, Executive Director-Technical
Mr.V.R.Sivaraman, Director
Mr.K.Ganesan, Director
Mr.M.Padmanabhan, Director
Mr.V.R.Lakshminarayanan, Director
Mr.D.Krishnamurthy, Executive Director-cum-Company
Secretary

AUDIT COMMITTEE

Mr.K.Ganesan, Chairman
Mr.M.Padmanabhan
Mr.V.M.Lakshminarayanan
Mr.V.R.Lakshminarayanan

SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

Mr.K.Ganesan
Mr.V.M.Seshadri

REMUNERATION COMMITTEE

Mr.K.Ganesan, Chairman
Mr.M.Padmanabhan
Mr.V.R.Lakshminarayanan

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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.



NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Twenty fourth 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, 11th August, 2011 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 on 31st March, 2011 the Profit and Loss Account for the financial year of nine 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 pursuant to the recommendation of the Board of Directors of the Company, a dividend of Re.1/- per equity share on 96,34,601 Equity Shares of Rs.10/- each fully paid up, absorbing a sum of Rs.96,34,601/-, exclusive of Income Tax be and is hereby declared for the financial year of nine months ended 31st March, 2011 and the same be paid to those shareholders whose names appear in the Register of Members of the Company as at the close of 11th August 2011.”
3. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:
“RESOLVED THAT Mr.V.M.Lakshminarayanan, 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 Mr.K.Ganesan, 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.”
5. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:
“RESOLVED THAT Mr.V.R.Lakshminarayanan, 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.”
6. 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

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

“Resolved that pursuant to the provisions of Section 17 of the Companies Act 1956, the Objects Clause iii (A) 1 of Memorandum of Association of the Company be altered by deletion of the present Clause No.iii (A) 1 of the main objects of the Company and by replacement thereof by the following clause as new Clause No.iii (A) 1.

‘iii (A) 1. To carry on the business as Importers, Exporters, Manufacturers and Dealers of household and industrial vessels and utensils from all types of metals, plastics, ebonite and in particulars all household appliances including Liquified Petroleum Gas Stoves, Pressure Cookers, Pressure Pans, Vacuum Flasks, Cookware and Non-stick Cookware ranges, Cooking Ranges, other cooking utensils of all types, Containers, Buckets, Mixer Grinders, Wet Grinders, Mixers, Juicers, Toasters, Refrigerators, Hot Plates, Ovens, Washing Machine, Dryers, Geysers, Water Heaters and other Electric Appliances including Televisions, Transformers and Electric Motors of every kind and description.”

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

“Resolved that the Share Capital of the Company be and is hereby increased from Rs.10,00,00,000/- (Rupees ten crores) which is divided into 1,00,00,000 (one crore) Equity Share of Rs.10/- each to Rs.25,00,00,000/- (Rupees Twenty five crores) divided into 2,50,00,000 (Two crores and fifty lakhs) Equity Shares of Rs.10/- each, aggregating Rs.25,00,00,000/- ”.

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

“Resolved that pursuant to Section 16 and other applicable provisions, if any, of the Companies Act, 1956 the existing clause IV of the Memorandum of Association of the Company relating to the Authorised Share Capital be and is hereby altered by deleting the same and substituting the following new clause IV.

‘The Liability of the Members is Limited.

The Share Capital of the Company is Rs.25,00,00,000/- (Rupees twenty five crores) divided into 2,50,00,000 (Two crores and fifty lakhs) Equity Shares of Rs.10/- each. The Company has the power from time to time to increase or reduce its capital and to issue any shares in the original or new capital as Equity or Preference Shares or Convertible or Redeemable Preference Shares and to attach to any class of such shares, any preference, rights, privileges or priorities in payment of dividends, or distribution of assets or otherwise over any other or subject the same to any restrictions, limitations or conditions and to vary the regulations of the Company as far as necessary to give effect to the same and upon the sub-division of any shares to apportion the right to participate in profits in any manner’.”

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

“Resolved that the Articles of Association of the Company be and they are hereby altered by deletion of Article 3 relating to the Authorised Share Capital therefrom and by substitution of the following new article in place thereof.

‘3(a) The Authorised Share Capital of the Company is Rs. 25,00,00,000/- (Rupees twenty five crores) divided into 2,50,00,000 (Two crores and fifty lakhs) Equity Shares of Rs.10/- each with power to increase or reduce the Share capital.

(b) Subject to provisions of Section 80 of the Act, the Company shall have power to issue Convertible or Redeemable Preference Shares upon such terms and conditions as the Board may determine.

(c) i. The Company may exercise the powers of paying commission conferred by Section 76 of the Act, provided that the rate percent of the amount of commission paid or agreed to be paid shall be disclosed in the manner required by that Section.

ii. The rate of commission shall not exceed the rate of five percent in the case of shares and two and a half percent in the case of debentures of the price at which the shares or the debentures in respect



whereof the same is paid or issued or an amount equal to five or two and half percent on such price, as the case may be.

iii. The commission may be satisfied by payment of cash or the allotment of fully paid shares or debentures or partly in one way and partly in the other.

iv. The company may also on any issue of shares or debenture pay such brokerage as may be lawful’.”

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

“Resolved that the Articles of Association of the Company be and they are hereby altered by deletion of Article 111 therefrom and by substitution of the following new article in place thereof.

‘111. The Board of Directors shall have powers to co-opt a Vice Chairman and appoint Joint Managing Director or Joint Managing Director(s). The Board is also empowered to appoint additional directors subject to the provisions of Article 83. Such additional directors shall retire at the Annual General Meeting held after their appointment. They are eligible for re-appointment. Any casual vacancy occurring in the Board of Directors may be filled up by the remaining directors, but any person so chosen shall retain his office only upto the date up to which the director in whose place he is appointed would have held office if it had not been vacated and shall then be eligible for re-election. A director need not hold any shares in his name as qualification shares’.”

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

“Resolved that the Articles of Association of the Company be and they are hereby altered by deletion of Article 127 therefrom and by substitution of the following new article in place thereof.

‘127. The fee payable to Directors other than Managing Director and Wholetime Directors for attending each meeting of the Board or Committee thereof shall be such sum as the Directors may consider from time to time not exceeding Rs.20,000/- (Rupees Twenty thousand only) or such other ceiling as may be prescribed under the Companies Act, 1956 or by the Central Government in that behalf. In addition to the said fee, the Company may allow and pay to a Director attending a meeting of the Board or Committee thereof such sum as the Directors may consider fair and reasonable compensation for his expenses in connection with his attending the meeting’.”

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

“Resolved that pursuant to Section 260 of the Companies Act 1956 and Article 111 of the Articles of Association of the Company, Mr.V.M.Seshadri, who was appointed as an Additional Director w.e.f. 1st June, 2011 and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice under section 257 of the Companies Act, 1956 proposing his candidature as a Director of the Company, be and is hereby appointed as a Director of the Company.”

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

“Resolved 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 Mr.V.M.Seshadri be and is hereby appointed as Managing Director of the Company for a period of three years with effect from 1st June, 2011, whose period of office shall not be subject to retirement by rotation during his tenure of office as Managing Director, on the following terms and conditions.

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.24,00,000/- per annum or Rs.2,00,000/- per month, including dearness and all other allowances.



Perquisites: Perquisites will be allowed to Mr.V.M.Seshadri in addition to salary, restricted to an amount equal to 50% of his annual salary, viz., Rs.12 lakhs. For this purpose perquisites are classified into three categories - 'A', 'B' and 'C' as follows:-

CATEGORY A:

1. Medical reimbursement: Expenses incurred for self and family, including premium payable for Medical Insurance, subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
2. 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.
3. Club Fees: Fees of club subject to a maximum of two clubs. Admission and life membership fee will not be allowed.
4. Personal Accident Insurance: Personal Accident Insurance of an amount, the annual premium of which does not exceed Rs.5,000/- 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.

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

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

CATEGORY B:

1. 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.

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.10,00,000/-.

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.

Note: The aforesaid perquisites shall not be included in the computation of the ceiling on remuneration specified in Part II, Section II paragraph 1 of Schedule XIII of the Companies Act, 1956.



CATEGORY C:

The Company shall provide a car with driver, cellular phone for official use and telephone at the residence of Mr.V.M.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, absence or inadequacy of profits in any financial year during the currency of tenure of Mr.V.M.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.V.M.Seshadri with the approval of the Central Government, if so required.

- B. That the Board is authorised to enhance, enlarge, alter or vary the scope and quantum of remuneration and perquisites of Mr.V.M.Seshadri, Managing Director, from time to time 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.Seshadri, without further reference to the Company in General Meeting and/or the Central Government."

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

"Resolved that pursuant to the provisions of the Section 314(1)(b) 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, consent of the Company be and is hereby accorded to Mr.V.M.L.Karthikeyan, a relative of Messrs.V.M.Lakshminarayanan, Chairman, V.M.Balasubramaniam, Director, V.M.Seshadri, Managing Director, V.M.Gangadharam, Executive Director and V.M.Kumaresan, Executive Director-Technical of the Company to hold Office or Place of Profit as Executive Vice President – Marketing with retrospective effect from 1.6.2011 on the following remuneration:

1. Salary: Rs.19,92,000/- per annum or Rs.1,66,000/- per month, including dearness and all other allowances.

In addition to salary, Mr.Karthikeyan will be entitled to the following perquisites, monetary value of which shall not exceed 50 percent of his annual salary. For this purpose, perquisites are classified into three categories - 'A', 'B' and 'C' as follows:-

CATEGORY A:

1. Medical reimbursement: Expenses incurred for self and family, including premium payable for Medical Insurance, subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
2. 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.
3. Bonus: As per rules of the Company, not exceeding one month's salary.



4. Personal Accident Insurance: Personal Accident Insurance of an amount, the annual premium of which does not exceed Rs.4,000/- 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.

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

Explanation: For the purpose of category 'A' family means the spouse, the dependent children and dependent parents of the Executive Vice President-Marketing.

CATEGORY B:

1. 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.

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.10,00,000/-.

4. ENCASHMENT OF LEAVE:

Encashment of leave at the end of the tenure, payable in accordance with the rules of the Company not exceeding the ceiling specified under the Income Tax Act.

Note: The aforesaid perquisites shall not be included in the computation of the ceiling of remuneration, to the extent these are exempted from Income Tax.

CATEGORY C:

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

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."



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

“Resolved that pursuant to the provisions of the Section 314(1)(b) 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, consent of the Company be and is hereby accorded to Mr.V.M.G.Viswanathan, a relative of Messrs.V.M.Lakshminarayanan , Chairman, V.M.Balasubramaniam, Director, V.M.Seshadri, Managing Director, V.M.Gangadharam, Executive Director and V.M.Kumaresan, Executive Director-Technical of the Company to hold Office or Place of Profit as Senior General Manager-Materials Management with retrospective effect from 1.6.2011 on the following remuneration:

1.Salary: Rs.18,00,000/- per annum or Rs.1,50,000/- per month, including dearness and all other allowances.

In addition to salary, Mr.Viswanathan will be entitled to the following perquisites, monetary value of which shall not exceed 50 percent of his annual salary. For this purpose, perquisites are classified into three categories - ‘A’, ‘B’ and ‘C’ as follows:-

CATEGORY A:

1. Medical reimbursement: Expenses incurred for self and family, including premium payable for Medical Insurance, subject to a ceiling of one month’s salary in a year or three months’ salary over a period of three years.
2. 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.
3. Bonus: As per rules of the Company, not exceeding one month’s salary.
4. Personal Accident Insurance: Personal Accident Insurance of an amount, the annual premium of which does not exceed Rs.4,000/- 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.

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

Explanation: For the purpose of category ‘A’ family means the spouse, the dependent children and dependent parents of the Senior General Manager-Materials Management.

CATEGORY B:

1. 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.

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.10,00,000/-.



4. ENCASHMENT OF LEAVE:

Encashment of leave at the end of the tenure, payable in accordance with the rules of the Company not exceeding the ceiling specified under the Income Tax Act.

Note: The aforesaid perquisites shall not be included in the computation of the ceiling of remuneration, to the extent these are exempted from Income Tax.

CATEGORY C:

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

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."

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

"Resolved that pursuant to the provisions of the Section 314(1) (b) 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, consent of the Company be and is hereby accorded to Mr.V.M.L.Senthilanathan, a relative of Messrs.V.M.Lakshminarayanan, Chairman, V.M.Balasubramaniam, Director, V.M.Seshadri Managing Director, V.M.Gangadharam, Executive Director and V.M.Kumaresan, Executive Director-Technical of the Company to hold Office or Place of Profit as Senior General Manager-Technical with retrospective effect from 1.6.2011 on the following remuneration:

1.Salary: Rs.18,00,000/- per annum or Rs.1,50,000/- per month, including dearness and all other allowances.

In addition to salary, Mr.Senthilnathan will be entitled to the following perquisites, monetary value of which shall not exceed 50 percent of his annual salary. For this purpose, perquisites are classified into three categories - 'A', 'B' and 'C' as follows:-

CATEGORY A:

1. Medical reimbursement: Expenses incurred for self and family, including premium payable for Medical Insurance, subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
2. 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.
3. Bonus: As per rules of the Company, not exceeding one month's salary.
4. Personal Accident Insurance: Personal Accident Insurance of an amount, the annual premium of which does not exceed Rs.4,000/- 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.



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

Explanation: For the purpose of category 'A' family means the spouse, the dependent children and dependent parents of the Senior General Manager-Technical.

CATEGORY B:

1. 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.

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.10,00,000/-.

4. ENCASHMENT OF LEAVE:

Encashment of leave at the end of the tenure, payable in accordance with the rules of the Company not exceeding the ceiling specified under the Income Tax Act.

Note: The aforesaid perquisites shall not be included in the computation of the ceiling of remuneration to the extent these are exempted from Income Tax.

CATEGORY C:

The Company shall provide a car with driver, cellular phone for official use and telephone at the residence of Mr.Senthilnathan. 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.V.M.L.Senthilnathan.

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."

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

"Resolved that pursuant to the provisions of the Section 314(1)(b) 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.L.Ganesan, a relative of Messrs.V.M.Lakshminarayanan, Chairman, V.M.Balasubramaniam, Director, V.M.Seshadri, Managing Director, V.M.Gangadharam, Executive Director and V.M.Kumaresan, Executive Director-Technical of the Company to hold Office or Place of Profit as General Manager-Marketing with retrospective effect from 1.6.2011 on the following remuneration:



1.Salary: Rs.16,80,000/- per annum or Rs.1,40,000/- per month, including dearness and all other allowances.

In addition to salary, Mr.Ganesan will be entitled to the following perquisites, monetary value of which shall not exceed 50 percent of his annual salary. For this purpose, perquisites are classified into three categories - 'A', 'B' and 'C' as follows:-

CATEGORY A:

1. Medical reimbursement: Expenses incurred for self and family, including premium payable for Medical Insurance, subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
2. 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.
3. Bonus: As per rules of the Company, not exceeding one month's salary.
4. Personal Accident Insurance: Personal Accident Insurance of an amount, the annual premium of which does not exceed Rs.4,000/- 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.

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

Explanation: For the purpose of category 'A' family means the spouse, the dependent children and dependent parents of the General Manager-Marketing.

CATEGORY B:

1. 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.

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.10,00,000/-.

4. ENCASHMENT OF LEAVE:

Encashment of leave at the end of the tenure, payable in accordance with the rules of the Company not exceeding the ceiling specified under the Income Tax Act.

Note: The aforesaid perquisites shall not be included in the computation of the ceiling of remuneration, to the extent these are exempted from Income Tax.



CATEGORY C:

The Company shall provide a car with driver, cellular phone for official use and telephone at the residence of Mr.Ganesan. 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.V.M.L.Ganesan.

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."

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

"Resolved that pursuant to the provisions of the Section 314(1)(b) 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.Selvamuthukumaran, a relative of Messrs.V.M.Lakshminarayanan, Chairman, V.M.Balasubramaniam, Director, V.M.Seshadri, Managing Director, V.M.Gangadharam, Executive Director and V.M.Kumaresan, Executive Director-Technical of the Company to hold Office or Place of Profit as General Manager-Marketing with retrospective effect from 1.6.2011 on the following remuneration:

1.Salary: Rs.16,80,000/- per annum or Rs.1,40,000/- per month, including dearness and all other allowances.

In addition to salary, Mr.Selvamuthukumaran will be entitled to the following perquisites, monetary value of which shall not exceed 50 percent of his annual salary. For this purpose, perquisites are classified into three categories - 'A', 'B' and 'C' as follows:-

CATEGORY A:

1. Medical reimbursement: Expenses incurred for self and family, including premium payable for Medical Insurance, subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
2. 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.
3. Bonus: As per rules of the Company, not exceeding one month's salary.
4. Personal Accident Insurance: Personal Accident Insurance of an amount, the annual premium of which does not exceed Rs.4,000/- 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.

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

Explanation: For the purpose of category 'A' family means the spouse, the dependent children and dependent parents of the General Manager-Marketing.



CATEGORY B:

1. 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.

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.10,00,000/-.

4. ENCASHMENT OF LEAVE:

Encashment of leave at the end of the tenure, payable in accordance with the rules of the Company not exceeding the ceiling specified under the Income Tax Act.

Note: The aforesaid perquisites shall not be included in the computation of the ceiling of remuneration, to the extent these are exempted from Income Tax.

CATEGORY C:

The Company shall provide a car with driver, cellular phone for official use and telephone at the residence of Mr.Selvamuthukumaran. 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.V.M.S.Selvamuthukumaran.

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

"Resolved that pursuant to the provisions of the Section 314(1)(b) 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.G.Mayuresan, a relative of Messrs.V.M.Lakshminarayanan, Chairman, V.M.Balasubramaniam, Director, V.M.Seshadri, Managing Director, Mr.V.M.Gangadharam, Executive Director and V.M.Kumaresan, Executive Director-Technical of the Company to hold Office or Place of Profit as Deputy General Manager-Production with retrospective effect from 1.6.2011 on the following remuneration:

Salary: Rs.15,00,000/- per annum or Rs.1,25,000/- per month, including dearness and all other allowances.

In addition to salary, Mr.Mayuresan will be entitled to the following perquisites: monetary value of which shall not exceed 50 percent of his annual salary. For this purpose, perquisites are classified into three categories - 'A', 'B' and 'C' as follows:-

CATEGORY A:

1. Medical reimbursement: Expenses incurred for self and family, including premium payable for Medical Insurance, subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
2. 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.
3. Bonus: As per rules of the Company, not exceeding one month's salary.
4. Personal Accident Insurance: Personal Accident Insurance of an amount, the annual premium of which does not exceed Rs.4,000/- 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.

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

Explanation: For the purpose of category 'A' family means the spouse, the dependent children and dependent parents of the Deputy General Manager-Production.

CATEGORY B:

1. 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.

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.10,00,000/-.

4. ENCASHMENT OF LEAVE:

Encashment of leave at the end of the tenure, payable in accordance with the rules of the Company not exceeding the ceiling specified under the Income Tax Act.

Note: The aforesaid perquisites shall not be included in the computation of the ceiling of remuneration, to the extent these are exempted from Income Tax.

CATEGORY C:

The Company shall provide a car with driver, cellular phone for official use and telephone at the residence of Mr.Mayureesan. 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.V.M.G.Mayureesan.



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.”

Chennai – 600 018
Date : 07.07.2011

By Order of the Board
D.Krishnamurthy
Executive Director-cum-Company Secretary

NOTES:

1. A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the Company. The instrument appointing the proxy should, however, be deposited at the Registered Office of the Company not less than 48 hours (fortyeight hours) before the commencement of the Meeting.
2. Corporate Members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the Board Resolution, if not already furnished authorizing their representative to attend and vote on their behalf at the Meeting.
3. The dividend on Equity Shares, as recommended by the Board of Directors, if declared at the Meeting, will be paid to those shareholders whose names shall appear on the Company's Registrar of Members on 11th August, 2011, in respect of shares held in dematerialized form, the dividend will be paid to Members whose names are furnished in National Securities Depository Limited and Central Depository Services (India) Limited as beneficial owners as on that date.
4. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business to be transacted at the meeting is annexed hereto.
5. 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.
6. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the Meeting.
7. In case of joint holders attending the Meeting only such joint holder who is higher in the order of names will be entitled to vote.
8. The Company has already notified closure of Register of Members and Transfer Books from 5th August to 11th August, 2011 (both days inclusive) for determining the names of Members eligible for dividend on Equity Shares, if declared at the Meeting.
9. Members are requested to immediately intimate any change in their address registered with the Company to the Registrars and Share Transfer Agents, M/s.GNSA Infotech Ltd, G.R.Mansion, 11, Srinivasan Road, Pondy Bazaar, Chennai – 600 017.
10. (a) In order to provide protection against fraudulent encashment of dividend warrants, Members who hold shares in physical form are requested to intimate the Company's Registrars and Transfer Agents, M/s.GNSA Infotech Ltd under the signature of the Sole/First joint holder, the following information to be incorporated on dividend warrants.



- (i) Name of the Sole/First joint holder and the Folio Numbers
 - (ii) Particulars of Bank
 - (iii) Name of the Branch
 - (iv) Complete address of the Bank with Pin Code Number
 - (v) Account type, whether Savings Account (SA) or Current Account (CA)
 - (vi) Bank Account Number.
- (b) Members who hold shares in electronic mode are requested to note that their Bank Account details, as furnished by their Depositories to the Company which will be printed on their dividend warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such members for deletion of or change in such Bank Account details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in electronic form. Members who wish to change such Bank account details are therefore requested to advise their Depository Participants about such change with complete details of Bank Account.
11. Members/Proxies are requested to bring their copies of the Annual Report to the meeting.
12. The Company's equity shares are listed with Madras, Mumbai and Ahmedabad Stock Exchanges.
13. Members who hold shares in physical form in multiple folios in identical names or joint holding in the same order of names are requested to send the share certificates to the Company's Registrar and Transfer Agents, M/s.GNSA Infotech Ltd for consolidation into a single folio.
14. Government of India, Ministry of Corporate Affairs vide its circular No.18/2011 dated 27th April, 2011 has clarified that the Company can send Annual Report by electronic mail to the members who have registered their e-mail addresses with the Company or with concerned depository. As such to enable the Company to send the soft copy of the Annual Report by electronic mail, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the depository through their respective Depository Participants. Members who hold shares in physical form are requested to register their e-mail addresses with the Company's Share Transfer Registrars or the Company by sending e-mail to sta@gnsaindia.com; edcs@butterflyindia.com

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 11th AUGUST, 2011

Item No.7:

At the Extraordinary meeting of the Company held on 9th September, 2010, the Shareholders of the Company through a Special Resolution have approved the Scheme for the purpose of merger of Gangadharam Appliances Ltd (GAL), an associate sick Company with the Company, with such modifications and conditions as may be stipulated by the Hon'ble BIFR while sanctioning the Scheme. Hon'ble BIFR at its Review Hearing held on 5th May, 2011 has approved the circulation of the said Scheme to the concerned agencies. The date for hearing the objections/suggestions, if any, filed by such agencies is fixed on 17th August, 2011.

At the earlier Review Hearing held on 15.7.2009, Hon'ble BIFR had approved in principle the merger of GAL with the Company. Therefore, it is expected that at the hearing scheduled to be held on 17th August, 2011, Hon'ble BIFR may approve the merger scheme, with such modifications as they may deem fit.

GAL is manufacturing Pressure Cookers, Pressure Pans, Vacuum Flasks, Cookware sets and other Speciality Stainless Steel Utensils for export purposes. GAL also has a division for manufacture of Non-stick cookwares, manufacture of which has been suspended for some years due to financial constraints of the sick Company. All the products manufactured by GAL included in their main objects clause of the Memorandum of Association can be advantageously



combined with the business of the Company. Therefore, for the purpose of future operations, the main objects clause iii (A) 1 of the Company is proposed to be amended incorporating the main objects clause of the Memorandum of Association of GAL to be merged with the Company, as set out in Item No.7 of the Notice convening the meeting.

None of the Directors are interested or concerned in the resolution.

NOTE:

The alteration of objects clause of the Memorandum of Association (Item No.7 of the Notice convening the meeting to be passed on a Special Resolution) requires consent of the shareholders through Postal Ballot and necessary steps have been taken to comply with the Postal Ballot process.

Item No.8 to 10:

Arising from the merger of GAL with the Company, equity shares of the Company will have to be issued to the shareholders of GAL in the proportion as may be approved by the Hon'ble BIFR.

Further, the Board of Directors of the Company is of the opinion that in connection with its future growth plan, the Company will be in requirement of funds for the purpose of capital expenditure, reduction in finance cost and expansion of its business in the states not already covered as also for export business. Therefore, the Board has been exploring various options to raise funds, including through issue of fresh equity shares, Preference Shares, etc.

In view of the foregoing, it is considered expedient that the Authorized Share Capital of the Company be enhanced from the existing Rs.10 crores to Rs.25 crores, so as to permit in future the issue/proposed issue of new equity shares, Preference Shares as explained in the proposed amendment. Power is also taken through the proposed amendments to raise such capital through middle men for whom commission/brokerage can be paid as envisaged in Section 76 of the Companies Act, 1956.

The Board recommends that these resolutions be passed.

None of the Directors of the Company is in any way interested or concerned in these resolutions.

Item No.11:

The existing article 111 of the Articles of Association dealing with the powers of the Board of Directors for appointing and co-opting Directors does not include appointment of Joint Managing Director or co-opting a Vice Chairman. With a view to provide provision for the aforesaid appointment/co-option, Article 111 is proposed to be recast as set out in Item No.11 of the Notice convening the meeting.

The Board recommends that the resolution be passed.

None of the Directors of the Company is in any way concerned or interested in this resolutions.

Item No.12:

At the Annual General Meeting of the Company held on 30th September, 2005, Members approved alteration of Article 127 of the Articles of Association of the Company, stipulating a fee of Rs.5000/- payable to the Directors for attending each meeting of the Board or Committee thereof.

Companies (Central Government's) General Rules and Forms 1956, provides for a payment of sitting fee of Rs.20,000/- to the Directors for attending each meeting of the Board or Committee thereof for Companies with a paid up share capital and free reserves of Rs.10 crores and above or turnover of Rs.50 crores and above.



As the Company satisfies this condition, the resolution being Item No.12 of the Notice convening the meeting is with a view to bring the sitting fee payable to the Non-Executive Directors of the Company in line with Rule 10B of the said Rules.

The Board recommends that the resolution be passed.

All the Non-Executive Directors of the Company may be deemed or concerned or interested in the Special resolution.

Item No.13:

At the Board meeting held on 12th May, 2011, Mr.V.M.Seshadri was appointed as Additional Director of the Company with effect from 1st June, 2011 pursuant to the provisions of Article 111 of the Company's Articles of Association, which is based on Section 260 of the Companies Act 1956 ('the Act'). Mr.V.M.Seshadri 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 Rs.500/- (Rupees Five hundred only) u/s.257 of the Act signifying his intention to propose the appointment of Mr.V.M.Seshadri as a Director of the Company.

Mr.Seshadri 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.

Having regard to his background, rich experience and expertise in production, marketing and finance areas relating to the manufacture of home appliances, 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 No.13 of the convening Notice.

Mr.V.M.Seshadri is interested or concerned in the resolution. Apart from him, Messrs. V.M.Lakshminarayanan, Chairman, V.M.Balasubramaniam, Director, V.M.Gangadharam, Executive Director, and V.M.Kumaresan, Executive Director-Technical, who are relatives of Mr.V.M.Seshadri are also to be deemed to be concerned or interested in the resolution. No other director is interested or concerned in the resolution.

Item No.14:

Mr.V.M.Balasubramaniam, vide his letter dated 2.5.2011 had expressed his desire to resign as Managing Director of the Company and to continue only as a Non-Executive Director on the Board with effect from 1st June 2011.

In view of this, the Remuneration Committee at its meeting held on 7.5.2011 considered the following factors in connection with appointment of Mr.V.M.Seshadri as Managing Director of the Company for a period of three years with effect from 1st June, 2011.

Mr.V.M.Seshadri, a technocrat with 'hands on' experience in home appliances industry, had been a member on the Board of Directors of the Company from April 1990 to 29.9.2001, i.e., for over 11 years. He has managed all the key areas of the appliances business of the Group Company, Gangadharam Appliances Ltd (GAL). He has been the Wholetime Executive Director of GAL from 16.7.2001. Prior to becoming Wholetime Executive Director he was Vice President – Finance & Marketing of GAL from its inception, for a period of about 14 years. He has travelled widely and has thorough knowledge of the home appliances Industry.

Taking into account his background as a co-promoter of the Company, his rich experience in the home appliances industry for over three decades and also considering the impending merger of GAL with the Company, the Remuneration Committee recommended to the Board the appointment of Mr.Seshadri as Managing Director of the Company and the remuneration payable to him, as set out vide Resolution No.14 of the Notice convening the meeting. The Board of Directors, at its meeting held on 12th May, 2011, subject to approval by Special Resolution of the Shareholders in the ensuing Annual General Meeting, appointed Mr.V.M.Seshadri as Managing Director of the Company with effect from 1st June, 2011, whose period of office shall not be subject to retirement by rotation during his tenure of office as Managing



Director on the terms and conditions with regard to his remuneration as set out in the Resolution being Resolution No.14 of the Notice convening the meeting.

An abstract of terms of the contract with the Managing Director pursuant to Section 302 of the Companies Act, 1956 has already been circulated to all the Members of the Company.

In view of his high and rare experience in the industry, your Directors are of the opinion that Mr.Seshadri is ideally suited to hold the position of Managing Director of the Company and accordingly recommend his appointment.

In the event of loss, absence or inadequacy of profits in any financial year during the currency of tenure of Mr.V.M.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.V.M.Seshadri with the approval of the Central Government, if so required.

Further the Board seeks authority to enhance, enlarge, alter or vary the scope and quantum of remuneration and perquisites of Mr.V.M.Seshadri, Managing Director, from time to time within the limits prescribed under Schedule XIII to the Companies Act, 1956 or any amendment(s) thereto and agreed to between the Board and Mr.Seshadri, without further reference to the Company in General Meeting and/or the Central Government.

The Board recommends that the resolution be passed.

MEMORANDUM OF INTEREST:

Mr.V.M.Seshadri is interested or concerned in the resolution. Apart from him, Messrs V.M.Lakshminarayanan, Chairman, V.M.Balasubramaniam, Director, V.M.Gangadharam, Executive Director and V.M.Kumaresan, Executive Director-Technical, who are relatives of Mr.V.M.Seshadri are also deemed to be concerned or interested in the resolution. No other director is interested or concerned in the resolution.

Item No.15:

At the Annual General Meeting of the Company held on 28th December, 2007, members approved the appointment of Mr.V.M.L.Karthikeyan, relative of Messrs.V.M.Lakshminarayanan, Chairman, V.M.Balasubramaniam, then Managing Director, V.M.Gangadharam, Executive Director and V.M.Kumaresan, Executive Director –Technical of the Company to hold an office or place of profit as Vice President – Marketing with effect from 1.6.2007.

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, at the Annual General Meeting of the Company held on 6.5.2009 subject to approval of Central Government, Members approved an enhancement of the remuneration of Mr.Karthikeyan.

Central Government vide its letter F.No.SRN/A 82121757/3/2010-CL.VII dated 20.8.2010 approved remuneration of Rs.12,60,000/- per annum payable to Mr.V.M.L.Karthikeyan with effect from 1.6.2009, with annual increments.

The Company has now planned aggressive marketing of its products throughout the country as also improved export sales. In order to achieve the set growth plan, it is imperative that the senior management personnel, irrespective of their being a relative of the Director, but standing equal to outside professionals, are motivated and adequately compensated in line with the remuneration offered to similarly placed Executive in the Company as well as in the industry.

Mr.V.M.L.Karthikeyan has been holding the position of Vice President-Marketing from 1st June, 2007. Through his rich contribution, assisted by his efficient marketing team, the Company's turnover for the nine months period ended on 31.03.2011 witnessed a substantial growth of 47% (annualised) as compared to the turnover for previous financial period of 18 months ended on 30.06.2010 (annualized).



Mr.Karthikeyan, aged 37 years, is a Mechanical Engineer with about 17 years experience in the home appliances industry. He has also successfully completed Senior Management Training Programme conducted by Indian Institute of Management, Ahmedabad. He has wide exposure and contacts in the country and abroad for marketing the Company's products.

A Selection Committee of Independent Directors of the Company and Mr.P.Subramanian a management expert in the marketing field reviewed the performance and remuneration of Mr.Karthikeyan. The Committee has recommended to the Board his elevation as Executive Vice President – Marketing with increase in remuneration payable to him, with retrospective effect from 1.6.2011, as set out in Item No.15 of the Notice convening the meeting. Subject to approval of the members, the Committee's recommendation has also been approved by the Board of Directors of the Company at its meeting held on 23.6.2011.

Mr.Karthikeyan is in the exclusive employment of the Company and will not hold a place of profit in any other Company. The proposed remuneration of Mr.Karthikeyan is considered as minimum remuneration as compared with the remuneration package for similar position in the industry, as this is a very challenging position. Similarly placed employees in the Company are/will be getting comparable salary.

Approval of the Central Government is not required for the proposed remuneration of Mr.V.M.L.Karthikeyan as per Ministry of Corporate Affairs, Notification No.G.S.R.303E dated 6.4.2011, wherein the upper ceiling on remuneration payable to Director's relatives holding Office or Place of Profit has been enhanced from Rs.50,000/- to Rs.2,50,000/- per month, with the approval of the members through a Special Resolution.

Having regard to his rich contribution towards substantial improvement in the Company's sales performance and considering the high sales targets set for future and the inflation, your Directors recommend the promotion and remuneration payable to Mr.Karthikeyan.

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

Item No.16:

Pursuant to the provisions of Section 314(1)(b) 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 Annual General Meeting of the Company held on 28.12.2007, members appointed Mr.V.M.G.Viswanathan, a relative of Messrs.V.M.Lakshminarayanan, Chairman, V.M.Balasubramaniam, then Managing Director, V.M.Gangadharam, Executive Director and V.M.Kumaresan, Executive Director –Technical of the Company to hold an office or place profit as General Manager – Materials Management with effect from 01.02.2007. Prior to his elevation as General Manager-Materials Management, he was working as Assistant General Manager-Materials Management with effect from 01.10.2001, as approved by the Members at the Annual General Meeting held on 29.9.2001. He started his career as Materials Management Trainee in the Company's factory at Pudupakkam from April 1996 without any remuneration.

At the Annual General Meeting of the Company held on 6.5.2009, subject to approval of Central Government, members approved enhancement of the remuneration of Mr.Viswanathan.

Central Government vide its letter F.No.SRN/A82122235/3/2010-CL.VII dated 20.8.2010 approved remuneration of Rs.11,70,000/- per annum payable to Mr.V.M.G.Viswanathan with effect from 1.6.2009 with annual increments.

The Company has now planned aggressive production of its products in the coming years. In order to achieve the set production targets, it is imperative that the senior management personnel, irrespective of their being a relative of the Director, but standing equal to outside professionals, are motivated and adequately compensated in line with the remuneration offered to similarly placed Executive in the Company as well as in the industry.



Mr.Viswanathan, aged 33 years, is a qualified Mechanical Engineer. He has also successfully completed a crash course in Business Management from Indian Institute of Management, Ahmedabad. Being a member of Promoters family, a family of technocrats, he took keen interest in the areas of procurement of raw materials and other components as well as inventory management.

A Selection Committee of Independent Directors of the Company and Mr.K.Sivasubramaniam a management expert in the production field reviewed the performance and remuneration of Mr.Viswanathan. The Committee has recommended to the Board his elevation as Senior General Manager- Materials Management with increase in remuneration payable to him, with retrospective effect from 1.6.2011, as set out in Item No.16 of the Notice convening the meeting. Subject to approval of the members, the Committee's recommendation has also been approved by the Board of Directors of the Company at its meeting held on 23.6.2011.

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

The proposed remuneration of Mr.Viswanathan, who has been heading the Materials Management Division for more than 9 years is considered as minimum remuneration as compared with the remuneration package for similar position in the industry, as this is a very challenging position, especially in view of the proposed expansion of Company's business activities. Similarly placed employees in the Company are/will be getting comparable salary.

Approval of the Central Government is not required for the proposed remuneration of Mr.V.M.G.Viswanathan as per Ministry of Corporate Affairs, Notification No.G.S.R.303E dated 6.4.2011, wherein the upper ceiling on remuneration payable to Director's relatives holding Office or Place of Profit has been enhanced from Rs.50,000/- to Rs.2,50,000/- per month, with the approval of the members through a Special Resolution.

Having regard to his rich contribution in Materials Management, enhancement of production and outsourcing quality appliances, and considering the aggressive production projections of the Company set for the future and the inflation, your Directors recommend the promotion and remuneration payable to Mr.Viswanathan.

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

Item No.17

Pursuant to the provisions of Section 314(1)(b) 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 Annual General Meeting of the Company held on 28.12.2007, Members appointed Mr.V.M.L.Senthilnathan, relative of Messrs.V.M.Lakshminarayanan, Chairman, V.M.Balasubramaniam, then Managing Director, V.M.Gangadharam Executive Director and V.M.Kumaresan, Executive Director –Technical of the Company to hold an office or place profit as General Manager – Technical with effect from 01.02.2007. Prior to his elevation as General Manager-Technical, he was working as Assistant General Manager-Technical with effect from 01.04.1999 as approved by the members at the Annual General Meeting held on 17.11.1999.

At the Annual General Meeting of the Company held on 6.5.2009, subject to approval of Central Government, Members approved enhancement of the remuneration of Mr.Senthilnathan.

Central Government vide its letter F.No.SRN/A82122060/3/2010-CL.VII dated 20.8.2010 approved remuneration of Rs.11,70,000/- per annum payable to Mr.V.M.L.Senthilnathan w.e.f. 01.06.2009, with annual increments.

The Company has now planned aggressive production and marketing of its products throughout the country as also improved export sales. In this context, the Research & Development Wings headed by Mr.V.M.L.Senthilnathan has to play a vital role in the development of new products and new models as also re-engineering of the existing product range in order to be competitive in the market.



In order to achieve this objective, it is imperative that the senior management personnel, irrespective of their being a relative of the Director, but standing equal to outside professionals, are motivated and adequately compensated in line with the remuneration offered to similarly placed Executive in the Company as well as in the industry.

Mr.Senthilnathan, aged 33 years, is a Matriculate with very high inborn technical acumen. He has recently developed few models of low cost Mixer Grinders to be offered in bulk to the Government of Tamil Nadu against the Government's Scheme of supply of free Mixer Grinders to eligible families.

In view of the expansion plans of the Company, he is engaged in the development of new models in LPG Stoves, Mixer Grinders, Pressure Cookers and Vacuum Flasks. Being a member of Promoters' family, a family of technocrats, he is taking keen interest in the areas of development of new models of the products as also innovation of new appliances.

A Selection Committee of Independent Directors of the Company and Mr.K.Sivasubramaniam an expert in the production field reviewed the performance and remuneration of Mr.Senthilnathan and have endorsed his elevation as Senior General Manager- Technical with increase in remuneration payable to him, with retrospective effect from 1.6.2011, as set out in Item No.17 of the Notice convening the meeting. Subject to approval of the members, the same has also been approved by the Board of Directors of the Company at its meeting held on 23.6.2011.

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

The proposed remuneration of Mr.Senthilnathan is considered as minimum remuneration as compared with the remuneration package for similarly placed Executives in the industry, as this is a very challenging position. Further, it will be very difficult to hire R&D personnel from outside who would be in position to substantially contribute towards the development of new models of the products/new products in the home appliances, according to the changing needs of the consumers at competitive prices.

Approval of the Central Government is not required for the proposed remuneration of Mr.V.M.L.Senthilnathan as per Ministry of Corporate Affairs, Notification No.G.S.R.303E dated 6.4.2011, wherein the upper ceiling on remuneration payable to Director's relatives holding Office or Place of Profit has been enhanced from Rs.50,000/- to Rs.2,50,000/- per month, with the approval of the members through a Special Resolution.

Having regard to his rich contribution in the innovation of new model of products and his untiring efforts to develop cost effective new models/new products, your Directors recommend the promotion and remuneration payable to Mr.Senthilnathan.

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

Item No.18:

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 Annual General Meeting of the Company held on 6.5.2009, subject to approval of Central Government, members appointed Mr.V.M.L.Ganesan, relative of Messrs.V.M.Lakshminarayanan, Chairman, V.M.Balasubramaniam, then Managing Director, V.M.Gangadharam Executive Director and V.M.Kumaresan, Executive Director –Technical of the Company to hold an office or place profit as Deputy General Manager – Marketing and the remuneration payable to him.

Central Government vide its letter F.No.SRN/A82121518/3/2010-CL.VII dated 20.8.2010 approved remuneration of Rs.10,80,000/- per annum payable to Mr.V.M.L.Ganesan with effect from 01.06.2009 with annual increments.



Mr.Ganesan, aged 31 years, is a Commerce graduate. He has successfully undergone a Business Management course in Raffles University, Singapore. Prior to his appointment as Deputy General Manager-Marketing, Mr.Ganesan worked in the Company as Executive – Marketing without remuneration from April 2003. Being a member of Promoters family, a family of technocrats, he took keen interest in marketing management.

The Company has now planned aggressive marketing of its products throughout the country as also improved export sales. In order to achieve the set growth plan, it is imperative that the senior management personnel, irrespective of their being a relative of the Director, but standing equal to outside professionals, are motivated and adequately compensated in line with the remuneration offered to similarly placed Executive in the Company as well as in the industry.

Mr.V.M.L.Ganesan has been holding the position of Deputy General Manager - Marketing from 1st June, 2009. Through his strenuous and concerted efforts the Company's turnover in the areas looked after by him has substantially improved. He has been responsible for the appointment of good distributors in those areas, capable to contribute richly to the Company's turnover in the coming years.

A Selection Committee of Independent Directors of the Company and Mr.P.Subramanian a management expert in the marketing field reviewed the performance and remuneration of Mr.Ganesan on 2.6.2011. Taking into account his contribution in improving the sales turnover in the territories under his charge, Selection Committee has recommended to the Board his elevation as General Manager-Marketing with increase in remuneration payable to him, as set out in Item No.18 of the Notice convening the meeting. Subject to approval of the members, the Committee's recommendation has also been approved by the Board of Directors of the Company at its meeting held on 23.11.2011.

Mr.Ganesan is in the exclusive employment of the Company and will not hold a place of profit in any other Company. The proposed remuneration of Mr.Ganesan is considered as minimum remuneration as compared with the remuneration package for similar position in the industry, as this is a very challenging position. Similarly placed employees in the Company are/will be getting comparable salary.

Approval of the Central Government is not required for the proposed remuneration of Mr.V.M.L.Ganesan as per Ministry of Corporate Affairs, Notification No.G.S.R.303E dated 6.4.2011, wherein the upper ceiling on remuneration payable to Director's relatives holding Office or Place of Profit has been enhanced from Rs.50,000/- to Rs.2,50,000/- per month, with the approval of the members through a Special Resolution.

Having regard to the commendable sales performance achieved by Mr.Ganesan and considering the high sales targets set for future and the inflation, your Directors recommend the promotion and remuneration payable to Mr.Ganesan.

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

Item No.19:

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 Annual General Meeting of the Company held on 6.5.2009, subject to approval of Central Government, members appointed Mr.V.M.S.Selvamuthukumar, relative of Messrs.V.M.Lakshminarayanan, Chairman, V.M.Balasubramaniam, then Managing Director, V.M.Gangadharam Executive Director and V.M.Kumaresan, Executive Director –Technical of the Company to hold an office or place profit as Deputy General Manager – Marketing and the remuneration payable to him.

At the Annual General Meeting of the Company held on 6.5.2009, subject to approval of Central Government, members approved enhancement of the remuneration of Mr.Selvamuthukumar.

Central Government vide its letter F.No.SRN/A82121914/3/2010-CL.VII dated 20.8.2010 approved remuneration of Rs.10,80,000/- per annum payable to Mr.V.M.S.Selvamuthukumar with effect from 01.06.2009 with annual increments.



Mr.Selvamuthukumaran, aged 26 years, is a Bachelor of Engineering in Mechanical Engineering and Master of Business Administration from Purdue University, USA. Notwithstanding possible lucrative overseas assignments, Mr.Selvamuthukumaran took up the challenge to contribute richly to the family business.

The Company has now planned aggressive marketing of its products throughout the country as also improved export sales. In order to achieve the set growth plan, it is imperative that the senior management personnel, irrespective of their being a relative of the Director, but standing equal to outside professionals, are motivated and adequately compensated in line with the remuneration offered to similarly placed Executive in the Company as well as in the industry.

Mr.V.M.S.Selvamuthukumaran has been holding the position of Deputy General Manager - Marketing from 1st June, 2009. Through his strenuous and concerted efforts the Company's turnover in the areas looked after by him has substantially improved. He has been responsible for the appointment of good distributors in those areas, capable to contribute richly to the Company's turnover in the coming years.

A Selection Committee of Independent Directors of the Company and Mr.P.Subramanian a management expert in the marketing field reviewed the performance and remuneration of Mr.Selvamuthukumaran on 2.6.2011. Taking into account his remarkable contribution in improving the sales turnover in the territories under his charge, Selection Committee has recommended to the Board his elevation as General Manager-Marketing with increase in remuneration payable to him, as set out in Item No.18 of the Notice convening the meeting. Subject to approval of the members, the Committee's recommendation has also been approved by the Board of Directors of the Company at its meeting held on 23.6.2011.

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

The proposed remuneration of Mr.Selvamuthukumaran is considered as minimum remuneration for his high qualification as also compared with the remuneration package for similar position in the industry, as this is a very challenging position. Similarly placed employees in the Company are/will be getting comparable salary.

Approval of the Central Government is not required for the proposed remuneration of Mr.V.M.S.Selvamuthukumaran as per Ministry of Corporate Affairs, Notification No.G.S.R.303E dated 6.4.2011, wherein the upper ceiling on remuneration payable to Director's relatives holding Office or Place of Profit has been enhanced from Rs.50,000/- to Rs.2,50,000/- per month, with the approval of the members through a Special Resolution.

Having regard to the commendable sales performance achieved by Mr.Selvamuthukumaran and considering the high sales targets set for future and the inflation, your Directors recommend the promotion and remuneration payable to Mr.Selvamuthukumaran.

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

Item No.20:

Mr.V.M.G.Mayuresan, after qualifying in Electronics and Communication Engineering, worked as a Management trainee in the Company for a period of one and a half years from June 2007 to December 2008. Thereafter he pursued Post Graduate Master of Business Administration Degree in Operations Management in the Pittsburg State University, U.S.A. Notwithstanding lucrative overseas assignments, Mr.Mayuresan has taken up the challenge to richly contribute to the family business.

A Selection Committee of Independent Directors of the Company and Mr.K.Sivasubramaniam a management expert in the production field after examining the qualifications, attitude and background of Mr.Mayuresan, has recommended to the Board, the appointment and remuneration of Mr.Mayuresan as Deputy General Manager-Production as detailed in Item No.20 of the Notice convening the meeting. The Board of Directors of the Company at its meeting held on



GANDHIMATHI APPLIANCES LIMITED

23.6.2011, endorsing the recommendation of the Selection Committee, approved the appointment and remuneration payable to Mr.Mayuresan effective 1st June, 2011.

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

The proposed remuneration of Mr.Mayuresan is considered as minimum remuneration for his high qualification and calibre as also compared with the remuneration package for similar position in the industry, as this is a very challenging position. The remuneration has been fixed conforming to the Company's internal practices as also Industry Standards, as the Director's relatives standing equal to those of outside professionals also deserve parity in compensation without constraint. Similarly placed employees in the Company are/will be getting comparable salary.

Approval of the Central Government is not required for the proposed remuneration of Mr.V.M.G.Mayuresan as per Ministry of Corporate Affairs, Notification No.G.S.R.303E dated 6.4.2011, wherein the upper ceiling on remuneration payable to Director's relatives holding Office or Place of Profit has been enhanced from Rs.50,000/- to Rs.2,50,000/- per month, with the approval of the members through a Special Resolution.

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

Chennai – 600 018
Date : 07.07.2011

By Order of the Board
D.Krishnamurthy
Executive Director-cum-Company Secretary

I. General Information pursuant to the Proviso (iv) to Section II (B) of Part II of Schedule XIII:

The General Information to be given to the shareholders in connection with the aforesaid appointment of the Managing Director and the remuneration payable to him.

1.	Nature of Industry	Manufacturing and Marketing of household appliances like LPG Stoves, Mixer-Grinders and Table Top Wet Grinders.
2.	Date or expected date of commencement of commercial production	The Company commenced commercial production on 24 th February, 1986
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	The Company's products are predominantly orientated for Indian cuisine. However, Indians living abroad are showing interest in the products. The highest export performance of the Company at Rs. 300.21 lakhs was achieved for the financial year of 9 months ended on 31.03.2011.
6.	Foreign Investments of collaborations, if any	Nil



II. Information about the Appointee:

Appointment of Mr.V.M.Seshadri as Managing Director:

1.	Background details	Mr.Seshadri was on the Company's Board of Directors from April 1990 to September 2001. He resigned from the Board on 29.9.2001 as he had to pay undivided attention in the business affairs of Gangadharam Appliances Ltd, where he was the Executive Director. He has 'hands on' experience of about four decades in all key areas of the home appliances industry. He has widely travelled and has sound knowledge and business acumen to run the Company and take it to further heights.
2.	Past remuneration	Not applicable
3.	Recognition or awards	Mr.Seshadri, as Executive Director of Gangadharam Appliances Limited (GAL), an Associate of the Company, which became sick in the year 1998, along with the Chairman & Managing Director of the Company, was responsible, to make strategic decisions which saved the Company and eventually culminated in the proposal for the merger of GAL with the Company.
4.	Job Profile and his suitability	Subject to the overall control and superintendence of the Board of Directors, Mr.Seshadri is the Chief Executive of the Company for all its day to day operations. In view of his rich experience of about 40 years in the home appliances industry. Mr.V.M.Seshadri is ideally suited to hold the position of Managing Director.
5.	Remuneration proposed	As set out in Resolution No.14 of the Notice convening this Annual General Meeting.
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 w.r.t. in the country of his origin)	In the organized sector of home appliances industry manufacturing similar products there are only a few Companies with similar synergies. In comparable Companies like TTK Prestige Ltd and Hawkins Cookers Ltd, the remuneration package for similar position is much higher than the remuneration proposed to be paid to Mr.Seshadri.
7.	Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any.	Mr.Seshadri has no direct or indirect pecuniary relationship with the Company excepting his remuneration and reimbursement of out of pocket expenses incurred wholly and exclusively for the Company's business. Mr.Seshadri is related to Mr.V.M.Lakshminarayanan, Chairman, and Messrs.V.M.Balasubramaniam, Director, Mr.V.M. Gangadharam, Executive Director and Mr.V.M.Kumaresan, Executive Director-Technical. The Company has entered into contracts for purchase/supply of goods with private companies, firms in which the relatives of Mr.V.M.Seshadri and/or his relatives are Directors/Partners, for which previous approval of the Central Government has been obtained.

III. Other Information:

- Reasons of loss or inadequate profit:
Does not arise, as the Company is earning adequate profits.
- Steps taken or proposed to be taken for improvement:
Not Applicable

3. Expected increase in productivity and profits in measurable terms:

Increase in productivity of 11-14% and increase in pre-tax profit margin of 2% is estimated as compared to the financial year of 9 months ended on 31.3.2011 for the next three years.

IV. Disclosures:

(1) Remuneration package of the managerial personnel:

Remuneration paid to the managerial personnel for the financial year of 9 months ended on 31.03.2011 is given vide item No 4 (v) of the Report on Corporate Governance.

(2) Other Disclosures as per Schedule XIII, Part II (B) of the Companies Act, 1956:

- (i) Elements of Remuneration Package: The elements of remuneration package have been enumerated in the special resolution proposing the appointment and the remuneration payable to Mr.V.M. Seshadri.
- (ii) Details of fixed components and performance linked incentives along with the performance criteria: Only fixed remuneration and perquisites including minimum remuneration in the event of loss or inadequacy of profits have been provided to the Managing Director.
- (iii) Service contracts, notice period, severance fees: Mr.V.M.Seshadri who is proposed to be appointed as Managing Director is a Promoter-Director. Hence no service contract, notice period and severance fees have been stipulated to him.
- (iv) Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable: None.

BRIEF DETAILS OF DIRECTORS SEEKING REAPPOINTMENT IN ANNUAL GENERAL MEETING SCHEDULED TO BE HELD ON 11th AUGUST, 2011

(In Pursuance to Clause 49 of the Listing Agreement)

Name of the Director(s)	Mr.V.M.Lakshminarayanan	Mr.K.Ganesan	Mr.V.R.Lakshminarayanan
Date of Birth	05.08.1948	01.10.1931	15.03.1928
Date of Appointment	30.04.2003	30.01.1999	11.01.1993
Expertise in specific Functional Area	Industrialist Expert in all key areas of management in Home Appliances industry.	Mr.K.Ganesan retired as Sr.Partner of M/s.Lovelock & Lewes, well-known firm of Chartered Accountants. He has vast experience and expertise in auditing, accounts and finance of several multinational and Indian Companies.	Mr.Lakshminarayanan retired as Director General of Police. He has vast experience in Public Administration and upkeep of Law and Order.
Qualification	Matriculation	B.Com., F.C.A.	IPS (Retd)
List of Outside Directorship held	1.Gangadharam Appliances Ltd (Chairman & Managing Director) 2. Butterfly Construction Ltd.	Nil	Alwarpet Benefit Fund Ltd.



Chairman/Member of the Board of Directors of the Company	Member Audit Committee	Member: 1. Audit Committee 2. Remuneration/Selection Committee 3. Committee for approval of Financial Statements 4. Share Transfer cum Shareholder's Grievance Committee	Member: 1. Audit Committee 2. Remuneration/Selection Committee
Chairman/Member of the Committees of Directors of other Companies in which he is a Director.			
a. Audit Committee	Nil	Nil	Nil
b. Remuneration Committee	Nil	Nil	Nil
c. Share Transfer cum Investor Grievance Committee	Nil	Nil	Nil
Shareholding, if any, in the Company	4,42,720 equity shares	Nil	Nil

**GANDHIMATHI APPLIANCES LTD
DIRECTORS' REPORT TO SHAREHOLDERS**

Your Directors have pleasure in presenting this Twenty fourth Annual Report together with the Audited Statement of Accounts, of the Company for the financial year of nine months ended on 31st March, 2011.

FINANCIAL RESULTS:

(Rs. in lakhs)

	Financial year of 9 months ended on 31.03.2011	Financial year of 18 months ended on 30.06.2010
Sales	22070.48	27162.38
Operating Expenditure	20199.98	24320.83
Operating Profit	1870.50	2841.55
Other Income	272.28	182.50
Profit/(Loss) before Depreciation and interest	2142.78	3024.05
Interest	526.24	665.11
Depreciation	95.46	130.15
Profit/(loss) before Tax	1521.08	2228.79
Fringe Benefit Tax	--	(0.83)
Income Tax for the current period	(549.29)	(1019.87)
Interest Reclaimed by Bank	--	(132.00)
Deferred Tax Assets/(Liability)	(7.76)	482.14
Profit/(Loss) after Tax	1519.13	1558.23

DIVIDEND:

Taking into account that the Company has earned net profits consecutively in the last financial year and the current financial year, wiping off the entire carry forward loss, your Directors are pleased to recommend a dividend of Re.1/- per equity share on 96,34,601 equity shares of Rs.10/- each. The total cash outflow on account of this dividend, including tax on dividend, is Rs.112.35 lakhs.

REVIEW OF OPERATIONS:

During the period under review, sales turnover on an annualised basis improved by 47% and profit before interest and depreciation on an annualised basis also improved as compared to the previous financial year. After providing for interest and depreciation, the Company earned a profit of Rs.15.21 crores.

In the early morning hours of 14th December 2010, an unfortunate fire accident took place at our factory premises in the Pressure Cooker Division. Inventories worth approximate Rs.1.18 crores got damaged in the fire. The necessary claim with the Insurance Company has been made, as indicated vide Note No.7 of Schedule 17, Notes on Accounts.

CURRENT YEAR'S OPERATIONS:

Taking into account the increasing trend of consumers and also in anticipation of handsome orders from the Government of Tamil Nadu for supply of Mixer Grinders and Table Top Wet Grinders as a part of its election manifesto, your Company expects to sustain its growth rate. However, the persisting inflationary trend in the country could have some effect in the disposable income of the individuals, which to some extent can affect the Company's turnover.

DIRECTORS:

At the meeting of the Board of Directors of the Company held on 12th May, 2011, the Board appointed Mr.V.M.Seshadri as an Additional Director with effect from 1st June, 2011. He holds office upto the date of this Annual General Meeting.



The Company has received a Notice u/s.257 of the Companies Act, 1956 proposing his candidature as a Director of the Company.

Messrs.V.M.Lakshminarayanan, K.Ganesan and V.R.Lakshminarayanan, Directors retire by rotation from the Board under Company's Articles of Association and being eligible offer themselves for reappointment.

MANAGING DIRECTOR:

Mr.V.M.Balasubramaniam, vide his letter dated 2.5.2011, expressed his desire to resign as Managing Director of the Company and to continue as a Non-Executive Director on the Board with effect from 1st June, 2011. Your Directors place on record their sincere appreciation of the valuable contribution of Mr. V.M. Balasubramaniam in turning around the Company without seeking any Rehabilitation Scheme from the Hon'ble BIFR.

The Remuneration Committee, at its meeting held on 7.5.2011 endorsed to the Board the appointment of Mr.V.M.Seshadri, who is a technocrat having 'hands on' experience of about four decades in the home appliances industry, as Managing Director of the Company with effect from 1st June, 2011 for a period of three years. The Committee also approved payment of the same remuneration as Mr.V.M.Balasubramaniam to Mr.Seshadri. The Board approved the appointment and remuneration payable to him, subject to approval of the Shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS:

The Directors' comments on Management Discussion and Analysis are restricted to the areas which are relevant to the current scenario of the Company and outlook.

CORPORATE GOVERNANCE:

Your Company conforms to the norms of Corporate Governance. In accordance with the Listing Agreement with the Stock Exchanges, a Compliance Report on Corporate Governance along with a Certificate of compliance from the Auditors forms part of this report.

MERGER OF GANGADHARAM APPLIANCES LIMITED:

The proposal submitted by Gangadharam Appliances Ltd - (Transferor Company) for its merger with the Company to the Hon'ble Board for Industrial and Financial Reconstruction (BIFR) effective from 1st January, 2009 has been circulated by Hon'ble BIFR to all Government Departments from whom any reliefs/concessions have been sought. The date for hearing the objections/suggestions, if any received, is fixed on 17th August, 2011.

CHANGE OF OBJECTS CLAUSE OF MEMORANDUM OF ASSOCIATION :

In view of the merger of the sick Company Gangadharam Appliances Ltd. (GAL) with the company in the near future, it has become necessary to alter the main objects clause of Memorandum of Association of the company incorporating the products manufactured by GAL and the product range covered in the objects clause of its Memorandum of Association. Accordingly, a Special Resolution for giving effect to the proposed alteration has been sent to the Shareholders for being passed by the Postal Ballot Process, as required by Section 192A of the Companies Act, 1956 read with Companies (passing of Resolution by Postal Ballot) Rules, 2011.

AUDITORS' REPORT:

The observations made by Auditors vide para 9 of the Annexure 'A' to the Auditors' Report about slight delay in a few cases in respect of deposit of undisputed statutory liabilities and with regard to non-payment of Income Tax are self explanatory.

AUDITORS:

Messrs.Rudhrakumar Associates, Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and being eligible, have expressed their willingness to continue in office, if reappointed.

**FIXED DEPOSITS:**

The Company has not accepted any deposits from the public and, as such, there are no outstanding 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.

REPORT ON ENERGY CONSERVATION AND R&D ACTIVITIES:

Information relating to energy conservation, foreign exchange earned and spent and research and development activities undertaken by the Company in accordance with the provisions of 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 judgements 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 the results of the Company for the 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.

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 to achieve excellence in all areas of the business.

ACKNOWLEDGEMENTS:

Your Directors take this opportunity to thank, in particular, Industrial Development Bank of India Ltd., State Bank of Travancore, Bank of Baroda, The South Indian Bank Ltd., The South Indian Bank Ltd., PEC Ltd., and Religare Finvest Ltd. for the co-operation extended by them. Our thanks are also due to the suppliers, distributors, dealers and customers for their continued support.

Your Directors also thank the shareholders for their continued confidence and trust placed by them with the Company.

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

Chennai – 600 018.
Date:07.07.2011

**ANNEXURE A**

ANNEXURE TO THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR OF 9 MONTHS ENDED ON 31st MARCH, 2011

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 YEAR (9 months)	PREVIOUS YEAR (18 months)
(a) Purchased Units	10,29,316	19,11,706
Total amount	Rs.82,18,759	Rs.1,11,81,673
Rate/Unit	Rs.7.98	Rs.5.84
(b) Own Generation		
Through Diesel Generator	Rs.83,51,906	Rs.1,22,62,515
Units	6,49,908	10,09,260
Cost/Unit	Rs.12.85	Rs.12.15

B. RESEARCH AND DEVELOPMENT :

1. Specific areas in which R&D carried out by the Company.

The Company lays emphasis on Research and Development for improvement in existing processes for better productivity and development of new products.

2. Benefits derived as a result of the above R&D on production processes :

Provides economy in cost of production.

3. Future plan of action.

Development of new products in Domestic Appliances.

4. Expenditure on R&D Rs. in lakhs)

(A) Capital Nil

(B) Recurring 49.06

(C) Total 49.06

(D) Total R& D Expenditure as percentage of total turnover: Not Significant

C. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

Regular progress is being made in updating the technology in the process area. With regard to imported technology the following information is furnished



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GANDHIMATHI APPLIANCES LIMITED

- | | |
|---|----------------|
| (a) Technology | Nil |
| (b) Year of Import | Nil |
| (c) Has technology been fully absorbed | Not applicable |
| (d) If not fully absorbed areas where that have not taken place, reason and future plan of action | Not applicable |

D. FOREIGN EXCHANGE EARNINGS AND OUTGO:

- (a) The Company is exploring foreign markets for its products.
- (b) Foreign Exchange earnings - Rs. 300.21 lakhs
Foreign Exchange outgo - Rs. 31.01 lakhs

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

Chennai – 600 018.
Date: 07.07.2011

**ANNEXURE B****MANAGEMENT DISCUSSION AND ANALYSIS****OVERVIEW:**

The Company's sales performance for the financial year under review improved by 47% as compared to the previous financial year.

SALES VOLUME AND REALISATION:

The average price realization in respect of LPG Stoves, Table Top Wet Grinders and Pressure Cookers improved as compared to the previous financial year. Sales quantities in respect of LPG Stoves, table top wet grinders and pressure cookers also increased on an annualised basis as compared to the previous financial year. The modernization of the Flask manufacturing plant has since been completed and the production of flask is picking up.

FINANCIAL REVIEW AND ANALYSIS:

(Rs. in lakhs)

	Financial year of 9 months ended on 31.03.2011	Financial year of 18 months ended on 30.06.2010
Sales	22070.48	27162.38
Operating Expenditure	20199.98	24320.83
Operating Profit	1870.50	2841.55
Other Income	272.28	182.50
Profit/(Loss) before Depreciation and interest	2142.78	3024.05
Interest	526.24	665.11
Depreciation	95.46	130.15
Profit/(loss) before Tax	1521.08	2228.79
Fringe Benefit Tax	--	(0.83)
Income Tax for the current period	(549.29)	(1019.87)
Interest Reclaimed by Bank	--	(132.00)
Deferred Tax Assets/(Liability)	(7.76)	482.14
Profit/(Loss) after Tax	1519.13	1558.23

EXPORTS:

The Company achieved exports turnover of Rs.3 crores for the nine months period of financial year ended on 31.3.2011.

PRICE REALISATION FOR FINISHED PRODUCTS:

Price realisation in respect of all the products manufactured by the Company improved as compared to the previous year.

OUTLOOK

In view of substantial increase in production/sales turnover of mixer grinders additional manufacturing area of 11500 sq.ft. was constructed during the year. Similarly, additional storage space of 9500 sq.ft. for storing finished goods (mixer grinders) was also constructed.



The plant and machinery in the LPG Division having become old and out dated, new plant and machinery for LPG Stoves at a cost of Rs.2.07 crores have been installed. As a measure of staff welfare, Company has procured nine new buses for the use of its workers/staff, who are commuting long distances. Thus, additions to fixed assets during the year under review aggregated to Rs.11.09 crores.

With the improved market conditions, the Company has made a progressive marketing plan to further improve its growth level during the current financial year. A four year plan has been drawn to take the Company's turnover and profitability to greater heights. Action plan to achieve the set goal is under implementation.

ADEQUATE INTERNAL CONTROLS

The Company has adequate systems of internal controls to ensure that all assets are safeguarded and are productive. Checks and balances exist to ensure that transactions are adequately authorised and reported correctly.

ENVIRONMENT REPORT

Environment protection, pollution control measures and social welfare activities form an integral part of the Company's operations.

The Company lays strong emphasis on green belt development. The entire factory complex of our Company has been covered with greenery.

CAUTIONARY STATEMENT:

Statement in the Management Discussion and Analysis Section describing the Company's expectation and prediction may be "forward looking statements" within the meaning of applicable Securities Laws and Regulations. Actual results may differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include Global and Indian demand-supply conditions, finished goods prices, raw materials availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and other factors such as litigation and labour negotiations.

**ANNEXURE C****REPORT ON CORPORATE GOVERNANCE****(Pursuant to Clause 49 of the Listing Agreement)**

Pursuant to clause 49 of the Listing Agreement with Stock Exchanges, the Company submits the report on the matters mentioned in the said clause and the practices followed by the Company.

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Our Company's philosophy is to add value to its customers' interests and provide a service that gives satisfaction to them while upholding the core values of transparency, integrity, honesty, accountability and compliance with laws.

2. BOARD OF DIRECTORS:**(i) COMPOSITION :**

As on 31.03.2011, the Board of Directors of the Company comprised of a combination of Executive and Non-Executive Directors. The Board comprises of nine Directors of whom five are Non-Executive Directors, inclusive of the Chairman. Out of this, four are Independent Non-Executive Directors

Name of the Directors	Title	Category
Mr.V.M.Lakshminarayanan	Non-Executive Chairman	Promoter
Mr.V.M.Balasubramaniam	Managing Director	Promoter
Mr.V.M.Gangadharam	Executive Director	Promoter
Mr.V.M.Kumaresan	Executive Director	Promoter
Mr.D.Krishnamurthy	Executive Director-cum-Company Secretary	Service
Mr.V.R.Sivaraman	Non-Executive Director	Independent
Mr.K.Ganesan	Non-Executive Director	Independent
Mr.V.R.Lakshminarayanan	Non-Executive Director	Independent
Mr.M.Padmanabhan	Non-Executive Director	Independent



GANDHIMATHI APPLIANCES LIMITED

(ii) ATTENDANCE OF EACH DIRECTOR AT THE BOARD OF DIRECTORS MEETINGS AND THE LAST ANNUAL GENERAL MEETING DURING THE FINANCIAL PERIOD ENDED 31st March, 2011.

Name of Director	Board Meetings Attended	Attendance at the last AGM (3.11.2010) Yes/No	Attendance at EGM held on 9.9.2010 Yes/No
Total no. of meetings held during the year	14	1	1
Mr.V.M.Lakshminarayanan	14	Yes	Yes
Mr.V.M.Balasubramaniam	14	Yes	Yes
Mr.V.M.Gangadharam	14	Yes	Yes
Mr.V.M.Kumaresan	14	Yes	Yes
Mr. V.R.Sivaraman	14	Yes	Yes
Mr. K.Ganesan	14	Yes	Yes
Mr. V.R.Lakshminarayanan	11	Yes	Yes
Mr.M.Padmanabhan	10	Yes	Yes
Mr.D.Krishnamurthy	14	Yes	Yes

(iii) NUMBER OF OTHER BOARD OR BOARD COMMITTEES IN WHICH THE PRESENT DIRECTORS OF THE COMPANY ARE MEMBER OR CHAIRPERSON:

Details of the Directors of the Company holding Directorships in other Companies are given below:

Name of Director	No. of Outside Directorship held			
	Public		Private	
	Director	Chairman/ Member of Committee(s)	Director	Chairman/ Member of Committee(s)
Mr.V.M.Lakshminarayanan	2	-	-	-
Mr.V.M.Balasubramaniam	2	-	-	-
Mr.V.M.Gangadharam	1	-	2	-
Mr. V.R.Sivaraman	1	2	-	-
Mr. K.Ganesan	-	-	-	-
Mr.V.R.Lakshminarayanan	1	-	-	-
Mr..M.Padmanabhan	2	3	-	-
Mr.V.M.Kumaresan	1	-	1	-
Mr.D.Krishnamurthy	1	4	-	-



iv) NUMBER OF BOARD OF DIRECTORS' MEETINGS HELD DURING THE FINANCIAL YEAR ENDED 31st MARCH, 2011 AND DATES ON WHICH HELD:

During the 9 months financial year ended 31st March, 2011, the Board met fourteen times on 04.08.2010, 14.08.2010, 17.08.2010, 30.08.2010, 09.09.2010, 30.09.2010, 03.11.2010, 12.11.2010, 07.12.2010, 24.12.2010, 10.01.2011, 10.02.2011, 10.03.2011 and 22.03.2011.

(v) Details of Directors seeking appointment/re-appointment as required under clause 49 IV(G)(i) of the Listing Agreement entered into with the Stock Exchanges:

As required under the Listing Agreement, the particulars of Directors who are proposed to be reappointed are given as an Annexure to the Notice, after the Explanatory Statement and Notes.

(vi) Code of Conduct:

The Board has laid down a code of conduct for all Board members and senior management of the Company which is posted on the website of the Company.

All Board members and senior management personnel have affirmed compliance with the code on an annual basis. A declaration to this effect signed by the CEO forms part of this Annual Report.

3. AUDIT COMMITTEE:

(i) Brief description of terms of reference:

The Audit Committee's functions include:

Reviewing the quarterly, half-yearly and annual financial results before submission to the Board.

Interaction with the auditors of the Company.

Ensuring compliance of internal control system and statutory compliance.

Seeking information from any employee.

Recommending the appointment and remuneration of Auditors/Internal Auditors.

Reviewing the internal audit procedures and all aspects forming part of the internal audit function and discussion with the internal auditors periodically about internal control systems, scope of audit including the observations of auditors and on all aspects of internal audit.

The Audit Committee also looks into all other matters as enumerated in clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. The members of the Audit Committee periodically meet the Internal and Statutory Auditors for discussions and suggestions. The Managing Director, Executive Director, Internal Auditors and Statutory Auditors also attend the Audit Committee meetings.

(ii) Composition, name of members and Chairperson:

The Company's Audit Committee during the financial year of 9 months ended 31.03.2011 comprised the following Members.

- a) Mr.K.Ganesan, Independent Non-Executive Director – Chairman
- b) Mr.M.Padmanabhan, Independent Non-Executive Director - Member
- c) Mr.V.R.Sivaraman, Independent Non-Executive Director – Member (part of financial year)
- d) Mr.V.R.Lakshminarayanan, Independent Non-Executive Director – Member (part of financial year)
- e) Mr.V.M.Lakshminarayanan, Non-Executive Director - Member

**(iii) Meetings and attendance during Financial year of 9 months ended 31st March, 2011:**

During the 9 months financial year ended on 31st March, 2011, the Audit Committee met six times on 14.08.2010, 18.09.2010, 30.09.2010, 03.11.2010, 22.01.2011 and 10.02.2011

Name of Director	Attendance at Audit Committee meetings
Total no. of meetings held during the year which were attended by the Members	6
Mr. K.Ganesan	6
Mr.V.R.Sivaraman	1
Mr.V.M.Lakshminarayanan	6
Mr.M.Padmanabhan	3
Mr.V.R.Lakshminarayanan	5

4. REMUNERATION COMMITTEE:**(i) Brief description of terms of reference:**

The Remuneration Committee first reviews and approves the remuneration payable to the managerial personnel before the same is considered by the Board/Shareholders. The Remuneration Committee takes into account various factors like the financial performance of the Company, performance of the Managing Director/Wholetime Directors, their existing remuneration, the individual contribution of the person in achieving the corporate goals, remuneration package offered to Managing Director/Wholetime Directors in other companies in the Home Appliances industry, the terms of employment and various other related factors in recommending the remuneration to be paid to the Managing Director/Wholetime Directors and other Senior Management Personnel. The Members of Remuneration Committee are also members of Selection Committee which also includes an expert in the respective field from outside the Company.

(ii) Composition, name of members and Chairperson:

The Committee consisted of the following independent Non-Executive Directors' during the financial year of 9 months ended 31st March, 2011

Mr.V.R.Sivaraman	-	Chairman (part of the financial year)
Mr.K.Ganesan	-	Chairman (part of the financial year)
Mr.M.Padmanabhan	-	Member
Mr.V.R.Lakshminarayanan	-	Member (part of financial year)

(iii) Meetings and Attendance during the financial year ended on 31.03.2011:

One Remuneration Committee meeting was held during the financial year on 07.08.2010



GANDHIMATHI APPLIANCES LIMITED

Name of Director	Attendance at Remuneration Committee meetings
Total no. of meetings held during the year which were attended by the Members	1
Mr. K.Ganesan	1
Mr.V.R.Sivaraman	1
Mr.M.Padmanabhan	-
Mr. V.R. Lakshminarayanan	-

(iv) Remuneration Policy:

The remuneration recommended will have bearing on the previous remuneration of the managerial personnel, their individual contribution to the Company, remuneration package in similar industry, future contribution for the Company's growth.

In fixing such remuneration, the Remuneration Committee will be guided by the provisions of Section II of Part II of Schedule XIII to the Companies Act, 1956.

In the appointment of relatives of Directors for an office or place of profit in the Company, the Committee will be guided by provisions of Section 314(1) (b)/314(1B) of the Companies Act, 1956 read with Director's Relatives (office or place of profit) Rules, 2003.

(v) Details of remuneration to all the Directors, as per format in main report:

Details of salary paid/payable including perquisites to the Managing Director and Wholetime Executive Directors during the financial year of 9 months ended 31.03.2011 are as following

(Rs.)

Name of Director	Designation	Remuneration		
		Salary	PF	Total
Mr.V.M.Balasubramaniam	Managing Director	1320000	126000	1446000
Mr.V.M.Gangadharam	Executive Director	1488000	165600	1653600
Mr.V.M.Kumaresan	Executive Director – Technical	1800000	216000	2016000
Mr.D.Krishnamurthy	Executive Director-cum-Company Secretary	724000	76800	800800

There is no stock option for any of the Directors including the Managing Director/Executive Directors.

The remuneration of Managing/Executive Directors given above are fixed components. They do not enjoy any performance linked incentives. The tenure of office of the Managing Director and Wholetime Executive Directors is for a period of three years from their respective dates of appointments. Messrs.V.M.Balasubramaniam, V.M.Gangadharam and V.M.Kumaresan being Promoter-Directors no service contract/notice period has been stipulated for them. Services of Mr.D.Krishnamurthy can be terminated by either party by giving three months' notice in writing. There is no separate provision for payment of severance fees.

Stock Option details : Nil

**(vi) Directors' Sitting Fee:**

The Non-Executive Directors were paid Sitting fee of Rs.5000/- for each Board/Committee meeting attended by them. Details of such sitting fee paid to them during the financial year of 9 months ended 31st March, 2011 are given below:

(Rs.)	
Name of the Director	Sitting Fees
Mr.V.M.Lakshminarayanan	100000
Mr.V.R.Sivaraman	80000
Mr.K.Ganesan	165000
Mr.V.R.Lakshminarayanan	80000
Mr.M.Padmanabhan	65000
TOTAL	490000

Approval of the Member's is sought for amendment of the Articles of Association to bring it in line with the provisions of the Companies Act, 1956 with respect to the sitting fee payable to Non-Executive Directors of Companies of our category.

5. SHAREHOLDERS' GRIEVANCE COMMITTEE:

(i) Name of the Non-Executive Director heading the Committee:

Mr.K.Ganesan, Non-Executive Director is heading the Committee. The Committee consisted of two members, viz., Mr.K.Ganesan and Mr.V.M.Balasubramaniam, Managing Director upto 31.5.2011. From 1.6.2011, the committee consists of Messrs. K. Ganesan, Director and V.M. Seshadri, Managing Director.

(ii) Name and designation of the Compliance Officer:

Mr.D.Krishnamurthy, Executive Director cum Company Secretary

(iii) Number of Shareholders' complaints received so far:

During the nine months period from 01.07.2010 to 31.03.2011, the Company received 137 shareholders' complaints pertaining to non-receipt of dividend, annual reports, share certificates sent for transfer, etc. All the complaints have been duly attended by the Company and there is no pending complaint.

(iv) Number not solved to the satisfaction of shareholders - Nil

6. GENERAL BODY MEETINGS:

Location and time, where last three AGMs held :

YEAR	LOCATION	DATE	TIME
2009-2010	143, Pudupakkam Village, Vandalur-Kelambakkam Road, Kelambakkam - 603 103, Kanchipuram District.	03.11.2010	11.00 a.m.
2007-2008	- do -	06.05.2009	10.30 a.m.
2006-2007	- do -	28.12.2007	3.30 p.m.

Whether any special resolutions passed in the previous 3 Annual General Meetings:

1. 2006-2007 : YES

- a. Special Resolution under Sections 198, 269, 309, 310 and 311 read with Schedule XIII to the Companies Act, 1956 for reappointment of Mr.V.M.Balasubramaniam as Managing Director.
- b. Special Resolution under Sections 198, 269, 309, 310 and 311 read with Schedule XIII to the Companies Act, 1956 for reappointment of Mr.V.M.Gangadharam as Executive Director.
- c. Special Resolution under Sections 198, 269, 309, 310 and 311 read with Schedule XIII to the Companies Act, 1956 for appointment of Mr.V.M.Kumaresan as Executive Director –Technical.
- d. Special Resolution under Sections 198, 269, 309, 310 and 311 read with Schedule XIII of the Companies Act, 1956 for appointment of Mr.D.Krishnamurthy as Executive Director cum Company Secretary.
- e. Special Resolution under Section 314(1)(b) 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 for appointment of Mr.V.M.L.Karthikeyan as Vice President –Marketing.
- f. Special Resolution under Section 314(1)(b) 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 for appointment of Mr.V.M.L.Senthilnathan as General Manager-Technical.
- g. Special Resolution under Section 314(1)(b) 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 for appointment of Mr.V.M.G.Viswanathan as General Manager-Materials Management.
- h. Special Resolution under Section 372A of the Companies Act, 1956 to provide Corporate Guarantee along with the Company's Associates in respect of a mortgage loan of Rs.21.50 crores availed from M/s.Dewan Housing Finance Corporation Ltd, Mumbai

2. 2007-2008 : YES

- a. Special Resolution under 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 for increase of remuneration payable to Mr.V.M.L.Karthikeyan as Vice President –Marketing, subject to approval of Central Government.
- b. Special Resolution under 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 for increase of remuneration payable to Mr.V.M.G.Viswanathan as General Manager-Materials Management, subject to approval of Central Government.
- c. Special Resolution under 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 for increase of remuneration payable to Mr.V.M.L.Senthilnathan as General Manager-Technical, subject to approval of Central Government.
- d. Special Resolution under 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 for increase remuneration payable to Mr.V.M.L.Ganesan as Deputy General Manager-Marketing, subject to approval of Central Government.



- e. Special Resolution under Section 314(1)(b) 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 for appointment and remuneration payable to Mr.V.M.S.Selvamuthukumaran as Deputy General Manager-Marketing.
- f. Special Resolution under 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 for appointment and remuneration payable to Mr.V.M.S.Selvamuthukumaran as Deputy General Manager-Marketing, subject to approval of Central Government.

3. 2009-2010: YES

- a. Special Resolution under Sections 198, 269, 309, 310 and 311 read with Schedule XIII of the Companies Act, 1956 for reappointment of Mr.V.M.Balasubramaniam as Managing Director with enhancement in remuneration.
- b. Special Resolution under Sections 198, 269, 309, 310 and 311 read with Schedule XIII of the Companies Act, 1956 for reappointment of Mr.V.M.Gangadharam as Executive Director with enhancement in remuneration.
- c. Special Resolution under Section 198, 269, 309, 310 and 311 read with Schedule XIII of the Companies Act, 1956 for appointment of Mr. V.M. Kumaresan as Executive Director - Technical with enhancement in remuneration.
- d. Special Resolution under Sections 198, 269, 309, 310 and 311 read with Schedule XIII of the Companies Act, 1956 for appointment of Mr.D.Krishnamurthy as Executive Director cum Company Secretary with enhancement in remuneration.

(iii) Whether any Special Resolution passed last year through postal ballot - details of voting pattern :

No Special Resolution was passed through postal ballot last year.

(iv) Whether any Special Resolution is proposed to be conducted through postal ballot:

In respect of Item No.7 of the Notice convening the meeting, Special Resolution is proposed to be conducted through postal ballot process.

7. Disclosures:

- (i) Disclosures on materially significant related party transactions that may have potential conflict with the interest of the company at large :

There was no materially significant related party transactions, pecuniary transactions or relationship between the Company and its Directors during the financial period year of 9 months ended 31st March, 2011 that may have a potential conflict with the interest of the Company at large, excepting related party transactions made during the year, which are covered by approval of the Central Government u/s.297 of the Companies Act, 1956.

- (ii) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges, SEBI or any other Statutory Authorities on any matter related to capital markets, during the last three years.

There was no non-compliance by the Company, penalties or strictures imposed on the Company by any Stock Exchange, SEBI, or any other Statutory Authority on any matters relating to capital market during the last three years.

- (iii) Whistle Blower policy and affirmation that no personnel has been denied access to the audit committee.

The Company has not denied any personnel access to the Audit Committee of the Company (in respect of matters involving alleged misconduct) and it has provided protection to "Whistle Blowers" from unfair termination and other unfair or prejudicial employment practices.

- (iv) Details of compliances with mandatory requirements and adoption of the non-mandatory requirements of the clause:

All the applicable mandatory requirements have been complied with.

8. CEO/CFO Certification:

Certificate from Mr.V.M.Balasubramaniam, Managing Director during the year under review and Mr.V.M.Gangadharam, Executive Director/Chief Financial Officer, in terms of Clause 49 (V) of the Listing Agreement with the Stock Exchanges for the financial year of 9 months ended on 31st March, 2011 was placed before the Board of Directors of the Company in its meeting held on 7th July 2011.

9. MEANS OF COMMUNICATION

- | | | |
|--|---|--|
| (i) Quarterly results | : | The Unaudited Quarterly/half yearly financial results are published in Newspapers as required under the Listing Agreement. |
| (ii) Newspapers wherein results normally published | : | Economic Times (English)
Business Standard (English)
Makkal Kural (Tamil) |
| (iii) Any website, where displayed | : | www.gandhimathiappliances.com |
| (iv) Whether it also displays official news releases | : | Yes, wherever necessary. |
| (v) The presentations made to institutional investors or to the analysts | : | The Company has no institutional investor. No presentation was made to the analysts. |
| (vi) Whether Management Discussion & Analysis Report is part of Annual Report or not | : | Yes. |

10. GENERAL SHAREHOLDER INFORMATION:

Date, time and venue of Annual General Meeting:

- | | | |
|-----|--|-------------------------------|
| i. | The Twenty fourth Annual General Meeting will be held on Thursday, 11th August, 2011 at 11.00 a.m at the Company's Registered Office at 143, Pudupakkam Village, Vandalur-Kelambakkam Road, Kelambakkam – 603 103, Kanchipuram District. | |
| ii. | Financial Calender – 2011-2012 : | |
| | First Quarter results (30.06.2011) | Latest by 14th August, 2011 |
| | Second Quarter results (30.09.2011) | Latest by 15th November, 2011 |
| | Third Quarter results (31.12.2011) | Latest by 15th February, 2012 |
| | Fourth Quarter results (31.03.2012) | Latest by 15th May, 2012 |
| | Annual General meeting for the year ending 31.03.2012 | Latest by 30th September 2012 |



- iii. Date of Book Closure : 5th August to 11th August, 2011 (both days inclusive)
- iv. Dividend Payment : 9th September, 2011.
- v. Listing on Stock Exchanges :
- Equity Shares
- The Bombay Stock Exchange Ltd., Mumbai
- The Ahmedabad Stock Exchange Ltd., Ahmedabad
- Madras Stock Exchange Ltd., Chennai
- Annual Listing Fees has been paid to all the above three Stock Exchanges.
- vi. Stock Code:
1. The Bombay Stock Exchange Ltd : 517421
2. Ahmedabad Stock Exchange : Gandhima
3. Madras Stock Exchange : Gandha Appl.
- vii. Demat ISIN Numbers : INE295F01017
- viii. Market Price Data (High/Low) during each month in the last financial year 2010 - 2011)

(Rs.)

Sl.No.	Month	Month's Highest rate	Month's Lowest rate
01.	July 2010	90.00	86.00
02.	August 2010	75.45	73.00
03.	September 2010	88.15	82.60
04.	October 2010	80.85	77.00
05.	November 2010	142.00	134.90
06.	December 2010	124.50	122.50
07.	January 2011	130.75	122.05
08.	February 2011	139.95	133.20
09.	March 2011	150.00	141.50

- ix. Performance in comparison to broad-based indices such as BBE Sensex, CRISIL index etc:
Not Applicable.

- x. Registrars and Share Transfer Agents:

The shares of the Company have been dematerialized. The Share management, both physical and demat, is being handled by the Registrars and Share Transfer Agents of the Company, M/s.GNSA Infotech Limited, G.R.Mansion, No.11, Srinivasan Road, Pandy Bazaar, T.Nagar, Chennai – 600 017.



xi. Share Transfer System:

Share transfers in physical form are registered and despatched within 30 days from the date of receipt, if documents are complete in all respects. The Share Transfer Committee of the Board meets as often as needed to approve transfer/transmission of the shares in physical form processed by the Registrars and Share Transfer Agents.

xii. Shareholding Pattern as at 31.3.2011

	CATEGORY	NO. OF SHARES HELD	PERCENTAGE OF SHAREHOLDING
A	Promoter's holding Promoters & their relatives	6254557	64.92
B	Non-Promoters Holding		
1	INSTITUTIONAL INVESTORS		
	Mutual Funds/UTI	2000	0.02
	Financial Institutions/Banks		
	FIs		
2	INSTITUTIONAL INVESTORS		
	a. Bodies Corporate	271479	2.82
	b. Indian Public	2900267	30.10
	c. NRIs	206298	2.14
	GRAND TOTAL	9634601	100.00

xiii. Distribution of shareholding as on 31.03.2011:

No. of Equity Shares Held	No. of Share holders	%	No. of Shares Held	%
Upto 500	8348	93.62	1274293	13.23
501 – 1000	256	2.87	214900	2.23
1001-2000	110	1.23	162421	1.69
2001-3000	50	0.56	129033	1.34
3001-4000	19	0.21	69664	0.72
4001-5000	37	0.41	171401	1.78
5001 – 10000	47	0.53	335089	3.48
10001 and above	51	0.57	7277800	75.55
Total	8918	100.00	9634601	100.00
No. of shares held in physical form	6353	71.24	3365641	34.93
No. of Shares held in electronic mode	2565	28.76	6268960	65.07
Total	8918	100.00	9634601	100.00



xiii. Dematerialisation of shares and liquidity: The benefit of dematerialisation of shares was made as per directive of Securities and Exchange Board of India w.e.f. 05.04.2002. As on 31.03.2011, Shares in respect of 65.07% of the paid-up capital have been dematerialised.

xiv. Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion dates and likely impact on equity:
No such instruments have been issued by the Company.

xv. Plant location : 143 Pudupakkam Village
Vandalur-Kelambakkam Road,
Kelambakkam - 603 103
Kancheepuram District
Tamil Nadu

xvi. Address for Communication:

All communication regarding share transactions, change of address, bank mandates, nominations etc. should be addressed to the Registrars and Share transfer agents at their address given above under para 10-x. Complaints, if any, may also be addressed to the Executive Director cum Company Secretary at the Registered Office at 143, Pudupakkam Village, Vandalur-Kelambakkam Road, P.O.Kelambakkam-603 103, Kancheepuram District or sent by email to butterflyho@butterflyindia.com and edcs@butterflyindia.com.

Declaration – Code of Conduct

All Board members and senior management personnel have, for the financial period comprising nine months ended on 31st March, 2011, affirmed compliance with the Code of Conduct laid down by the Board of Directors in terms of clause 49 of the Listing Agreement entered with the Stock Exchanges.

Chennai - 600 018
7th July, 2011

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

CODE OF CONDUCT:

The Code of Conduct adopted by the Company is furnished below:

Members of the Board and the Senior Management shall

- a) Always act in the best interests of the Company and its stakeholders.
- b) Adopt the highest standards of personal ethics, integrity, confidentiality and discipline in dealing with all matters relating to the Company.
- c) Apply themselves diligently and objectively in discharging their responsibilities and contribute to the conduct of the business and the progress of the Company, and not be associated simultaneously with competing organization either as a Director or in any managerial or advisory capacity.
- d) Always adhere and conform to the various statutory and mandatory regulations/guidelines applicable to the operations of the Company avoiding violations or non-conformities.
- e) Not derive personal benefit or undue advantages (financial or otherwise) by virtue of their position or relationship with the Company, and for this purpose:



- (i) shall adopt total transparency in their dealings with the Company.
 - (ii) shall disclose full details of any direct or indirect personal interests in dealings/transactions with the Company.
 - (iii) shall not be party to transactions or decisions involving conflict between their personal interest and the Company's interest.
- f) Conduct themselves and their activities outside the Company in such manner as not to adversely affect the image or reputation of the Company.
- g) Bring to the attention of the Board, Chairman or the Managing Director as appropriate, any information or development either within the Company (relating to its employees or stakeholders) or external, which could have an impact on the Company's operations, and which in the normal course may not have come to the knowledge of the Board/Chairman or Managing Director.
- h) Always abide by the above Code of Conduct, and shall be accountable to the Board for their actions/violations/defaults.

Chennai – 600 018
Date : 7th July, 2011

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



COMPLIANCE CERTIFICATE

To the Members of GANDHIMATHI APPLIANCES LIMITED

We have examined the compliance of conditions of Corporate Governance by Gandhimathi Appliances Limited, for the nine months period ended on 31st March 2011 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchange(s) in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of investor grievances received during the nine months period ended on 31st March, 2011, no investor grievances(s) is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee of the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **RUDHRAKUMAR ASSOCIATES**
Chartered Accountants
(Registration No: 007033S)

R.RUDHRAKUMAR
Proprietor
Membership No.0019444

Chennai – 600 017.
Date: 07.07.2011



**AUDITORS' REPORT TO THE MEMBERS
OF GANDHIMATHI APPLIANCES LIMITED**

1. We have audited the attached Balance Sheet of Gandhimathi Appliances Limited, as at 31st March 2011, and the related Profit and Loss Account and Cash Flow Statement for the nine 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement 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. On the basis of written representations received from the Directors as on 31st March 2011 and taken on record by the Board of Directors, we report that no Director of the Company is disqualified as on 31st March, 2011 from being appointed as a Director under clause (g) of sub-section (1) of Section 274 of the Act. and



- f. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India.
- i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2011.
 - ii) in the case of the Profit and Loss Account, of the profit of the Company for the nine months period ended on 31st March, 2011, and
 - iii) in the case of Cash Flow statement, of the cash flows for the period ended on that date.

For **RUDHRAKUMAR ASSOCIATES**
Chartered Accountants
(Registration No: 007033S)

R.RUDHRAKUMAR
Proprietor
Membership No.0019444

Chennai – 600 017.
Date: 07.07.2011



ANNEXURE 'A' TO THE AUDITORS' REPORT TO THE MEMBERS OF GANDHIMATHI APPLIANCES LIMITED

(referred to in Paragraph of 3 of our Report of even date)

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) These fixed assets are physically verified by the management in a phased manner, which in our opinion is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies between the book records and the physical inventory have been noticed.

(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the period.
2. (a) The Inventory has been physically verified by the management during the period. In our opinion, the frequency of verification is reasonable in relation to the size of the Company and the nature of its business.

(b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) On the basis of examination of inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to the book records which have been properly dealt with in the books of account were not material.
3. (a) The Company has not granted any loans, secured or unsecured, during the period to Companies, firms or other parties, covered in the register maintained under section 301 of the Act.

(b) The Company has not taken any loans, secured or unsecured, during the period from Companies, firms or other parties covered in the register maintained under Section 301 of the Act.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business, with regard to the purchase of inventories, fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control systems.



5. (a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered into the register in pursuance of Section 301 of the Act, have been entered.

(b) The transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time or the prices at which the transactions for similar goods have been made with other parties.
6. The Company has not accepted any deposits from the public within the meaning of Section 58A and 58AA of the Act and the rules framed thereunder.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. In our opinion and to the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act, for any of the products manufactured by the Company during the period under audit.
9. According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues by way of provident fund, employees' state insurance, sales-tax, Income-tax, customs duty, excise duty and income tax deducted at source with the appropriate authorities though there has been a slight delay in few cases and to the extent not deposited/paid as at 31st March, 2011 is Rs.Nil/- for a period exceeding six months from the date they became payable.

Payment of Income-tax for the Assessment year(s) 2010-11 and 2011-12 has not been made, in view of proposed merger of an Associate Company Gangadharam Appliances Limited with the Company, for which, the Hon'ble Board for Industrial and Financial Reconstruction (BIFR) has granted 'in principle' approval, as the Company is advised of its entitlement to the tax benefits conferred U/s 72A of the Income-tax Act, 1961 resulting in zero tax liability for the Company for the fiscal year 2009-10 and 2010-11 corresponding to those two assessment years. However, such tax benefits can be availed by the Company only upon BIFR passing its order duly approving the said merger.
10. The Company neither has accumulated losses as at the end of the period ended on 31st March, 2011 nor has incurred cash losses during the period and in the immediately preceding period.
11. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to the banks, during the period.



12. We are of the opinion that the Company has maintained adequate records where the Company has granted loans and advances on the basis of security by way of pledge of shares, and other securities.
13. The provisions of any special statute applicable to a chit fund / nidhi / mutual benefit fund / society are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion, and according to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the period.
16. In our opinion, the term loans were applied for the purpose for which the loans were obtained.
17. According to the information and explanation given to us and on an overall examination of the Balance Sheet and Fund flow statement of the Company, in our opinion, the funds raised on short term basis during the period have not been used for long term investments.
18. The Company has not made any preferential allotment of shares during the period.
19. The Company has not issued any debentures during the period.
20. The Company has not raised any money by way of public issues during the period.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the period.

For **RUDHRAKUMAR ASSOCIATES**
Chartered Accountants
(Registration No: 007033S)

R.RUDHRAKUMAR
Proprietor
Membership No.0019444

Chennai – 600 017.
Date: 07.07.2011



BALANCE SHEET AS AT 31st MARCH 2011

	Schedule Number	As at 31st March 2011 ₹	As at 30th June 2010 ₹
SOURCES OF FUNDS:			
1) SHAREHOLDERS' FUNDS			
a) Share Capital	1	96,346,010	96,346,010
b) Reserves & Surplus	2	317,148,226	176,470,615
2) LOAN FUNDS			
a) Secured Loans	3	502,495,180	364,389,362
b) Unsecured Loans	4	265,349,677	310,161,057
	TOTAL	1,181,339,093	947,367,044
APPLICATION OF FUNDS			
1) FIXED ASSETS			
a) Gross Block	5	427,663,977	318,417,635
b) Less: Depreciation		134,526,488	124,980,251
c) Net Block		293,137,489	193,437,384
2) CAPITAL WORK-IN-PROGRESS	6	9,379,388	51,973,811
3) INVESTMENTS		-	-
4) CURRENT ASSETS, LOANS & ADVANCES			
a) Inventories	7	470,029,381	273,302,268
b) Sundry Debtors	8	420,481,595	289,674,337
c) Cash and Bank Balance	9	90,405,800	18,131,145
b) Loans & Advances	10	327,466,497	318,727,391
		1,308,383,273	899,835,141
Less : CURRENT LIABILITIES & PROVISIONS	11	492,698,115	261,792,662
NET CURRENT ASSETS		815,685,158	638,042,479
5) DEFERRED TAX ASSET (NET)	12	63,137,058	63,913,369
	TOTAL	1,181,339,093	947,367,044
Notes on accounts	17		
Signatory to the accounts			

V.M.SESHADRI
Managing Director

M.PADMANABHAN
Director

D.KRISHNAMURTHY
Executive Director-cum-Company Secretary

As per our report attached of even date
for Rudhrakumar Associates
Chartered Accountants
Registration No: 007033S

Chennai - 600 018.
Date: 07.07.2011

R.Rudhrakumar
Proprietor
Membership No.0019444

**PROFIT AND LOSS ACCOUNT FOR THE FINANCIAL YEAR
OF NINE MONTHS PERIOD ENDED ON 31ST MARCH 2011**

Particulars	Schedule Number	9 Months ended on 31st March 2011 ₹	18 Months ended on 30th June 2010 ₹
INCOME			
Sales		2,207,048,037	2,716,237,915
Other Income	13	27,227,815	18,250,236
	TOTAL	2,234,275,852	2,734,488,151
EXPENDITURE			
Raw Materials, Stores & Spares, Work-in-process and Finished Goods	14	1,323,722,828	1,581,309,911
Salaries and Wages and Other Expenses	15	511,155,588	669,668,159
Excise Duty		175,068,836	181,104,554
Finance Cost	16	62,674,266	66,511,360
Depreciation		9,546,237	13,015,434
	TOTAL	2,082,167,755	2,511,609,418
Profit/(Loss) before Tax		152,108,097	222,878,733
Add:			
Extraordinary item - Insurance Claim (Refer Note: 7 of Schedule 17)		11,779,299	-
Less:			
Prior period expenses		-	13,200,000
Fringe Benefit tax		-	82,504
Provision for taxation - Current		54,929,013	101,987,384
Excess provision for taxation made for the previous period reversed		(43,730,446)	-
Adjustment/Provision for Deferred Tax Asset/(Liability)		(776,311)	48,213,881
Profit/(Loss) after Tax		151,912,519	155,822,726
Balance brought forward from previous year		156,384,175	561,449
PROFIT AVAILABLE FOR APPROPRIATION		308,296,694	156,384,175
Appropriations:			
Proposed Dividend on Equity Shares		9,634,601	-
Tax on proposed dividend		1,600,307	-
BALANCE CARRIED TO BALANCE SHEET		297,061,786	156,384,175
Notes on accounts	17		
Signatory to the accounts			

V.M.SESHADRI
Managing Director

M.PADMANABHAN
Director

D.KRISHNAMURTHY
Executive Director-cum-Company Secretary

As per our report attached of even date
for Rudhrakumar Associates
Chartered Accountants
Registration No: 007033S

Chennai - 600 018.
Date : 07.07.2011

R.Rudhrakumar
Proprietor
Membership No.0019444



**SCHEDULES FORMING PART OF ACCOUNTS FOR THE FINANCIAL YEAR
OF NINE MONTHS PERIOD ENDED ON 31ST MARCH 2011**

	As At 31st March 2011 ₹	As At 30th June 2010 ₹
SCHEDULE 1		
SHARE CAPITAL		
Authorised 100,00,000 Equity Shares of Rs.10/- each	100,000,000	100,000,000
Issued, Subscribed and Paid-up 9634601 (Previous year 9634601) Equity Shares of Rs.10/- each fully paid up	96,346,010	96,346,010
	96,346,010	96,346,010
SCHEDULE 2		
RESERVES & SURPLUS		
a. Share Premium Account as per last Balance Sheet	19,913,560	19,913,560
b. Capital Reserve Amount paid on Shares Forfeited - 34,576 Shares as per last Balance Sheet	172,880	172,880
c. Profit and Loss account (Credit Balance)	297,061,786	156,384,175
	317,148,226	176,470,615
SCHEDULE 3 :		
SECURED LOANS		
I LONG TERM		
a. From a Bank	15,057,883	23,022,883
Interest accrued and due thereon (Secured by mortgage of certain Freehold land & Building and hypothecation of Plant and Machinery, present and future, and by personal guarantee of Promoter Directors)	156,688	227,026
b. From a Bank (Secured by hypothecation of specific Plant and Machinery purchased out of the loan, and also by paripassu second charge on other fixed assets of the Company, Corporate Guarantee of an associate Company along with personal Guarantee of Promoter Directors)	32,504,678	40,070,136
c. Form a Bank - Corporate Loan (Secured by hypothecation of current assets on first paripassu basis with consortium banks including inventories, Collateral of Equitable Mortgage of land and building which belongs to Promoter and family along with personal Guarantee of Promoter Directors)	45,607,666	-

**SCHEDULES FORMING PART OF ACCOUNTS FOR THE FINANCIAL YEAR OF NINE MONTHS PERIOD ENDED ON 31ST MARCH 2011**

SCHEDULE 3 : CONTD.	As At 31st March 2011 ₹	As At 30th June 2010 ₹
d. From Banks - Working Capital Term Loan (Secured by mortgage of Land and Buildings, the title deeds of which are in the course of transfer in the Company's name and also by the paripassu second charge on other fixed assets of the Company along with personal Guarantee of Promoter Directors)	-	4,698,082
II SHORT TERM		
From Banks		
Cash Credit (Secured by hypothecation of Inventories, present and future, certain book debts and collateral paripassu charge of Land and Buildings, the title deeds of which are in the course of transfer in the Company's name and also by the paripassu second charge on other fixed assets of the Company along with personal Guarantee of Promoter Directors)	409,168,265	291,917,310
Factoring from SBI Global Factors Ltd., (Secured by specific book debts and also by the personal Guarantee of Promoter Directors)	-	4,453,925
	502,495,180	364,389,362
SCHEDULE 4: UNSECURED LOANS		
LONG TERM		
i. Security Deposit from Distributors	47,103,849	48,754,749
ii. From Banks	19,529,423	2,567,093
iii. From Directors	611,286	12,364,756
iv. Religare Finvest Ltd., (Refer Note: 6 of Schedule 17)	198,105,119	205,438,994
v. Others	-	41,035,465
	265,349,677	310,161,057



SCHEDULES FORMING PART OF ACCOUNTS FOR THE FINANCIAL YEAR OF NINE MONTHS PERIOD ENDED ON 31ST MARCH 2011

**SCHEDULE 5 :
FIXED ASSETS**

(in ₹)

PARTICULARS	GROSS BLOCK - AT COST			DEPRECIATION			NET BLOCK		
	AS ON 30th June 2010	ADDITION	DELETION	AS ON 31 st March 2011	UPTO 30 th June 2010	DEDUCTIONS For the 9 month period	UPTO 31 st March 2011	AS ON 31 st March 2011	AS ON 30 th June 2010
Land (Freehold)	4,320,316	-	-	4,320,316	-	-	-	4,320,316	4,320,316
Buildings (Freehold)	33,657,066	48,507,625	-	82,164,691	14,955,477	1,340,204	16,295,681	65,869,010	18,701,589
Land & Buildings (Leasehold)	50,262,500	-	412,500	49,850,000	-	-	-	49,850,000	50,262,500
Usage Right of Trade Marks	26,800,000	-	1,200,000	25,600,000	-	-	-	25,600,000	26,800,000
Plant & Machinery	92,691,921	20,743,478	-	113,435,399	28,359,064	3,694,038	31,993,102	81,442,296	64,332,856
Dies & Tools	52,751,721	5,245,171	-	57,996,892	50,193,994	601,932	50,795,926	7,200,966	2,557,727
Electrical Machinery & Installations	7,024,104	2,039,235	-	9,063,339	3,931,460	277,616	4,209,076	4,854,263	3,092,644
Computer	10,806,202	2,357,973	-	13,164,175	6,619,207	798,735	7,417,942	5,746,234	4,186,996
Office Equipments	3,847,379	803,226	-	4,650,605	1,514,529	148,450	1,662,979	2,987,626	2,332,850
Vehicles	20,243,295	23,351,022	-	43,594,317	14,099,844	1,758,650	15,858,494	27,735,823	6,143,451
Furniture & Fittings	16,013,131	7,811,111	-	23,824,243	5,306,676	986,612	6,293,288	17,530,954	10,706,455
Total	318,417,635	110,858,841	1,612,500	427,663,977	124,980,251	9,546,237	134,526,488	293,137,489	193,437,384
Previous year	257,685,173	68,931,138	8,198,676	318,417,635	115,520,225	3,555,409	124,980,251	193,437,384	142,164,948

Notes:

1. Deletion in Land and Building (leasehold) and Usage rights of trade marks represents the amount written off during the period on account of amortisation by charging off to Profit and Loss account of lease rental in respect of Leasehold land and building and Usage right of trade marks.
2. Vehicles include Assets acquired on "Hire Purchase"
3. Freehold Land includes Rs.10,00,000/- and Freehold Buildings include Rs.15,37,686/- in respect of which the transfer of title deeds to the name of the company is pending
4. Usage Right of Trade Marks represents assignment of trade marks for future usage.
5. Additions to Plant & Machinery includes machineries purchased under term loan assistance from a bank.



**SCHEDULES FORMING PART OF ACCOUNTS FOR THE FINANCIAL YEAR
OF NINE MONTHS PERIOD ENDED ON 31ST MARCH 2011**

	As At 31st March 2011 ₹	As At 30th June 2010 ₹
SCHEDULE 6:		
CAPITAL WORK IN PROGRESS - At Cost		
Factory Building (Under construction)	-	41,423,205
Machinery & Other assets (Under Installation)	9,379,388	10,550,606
	<u>9,379,388</u>	<u>51,973,811</u>
SCHEDULE 7:		
INVENTORIES (As taken, valued and certified by the Managing Director) Refer Note: 1 (ii) of Schedule 17)		
a) Raw Materials and Components	158,786,662	82,063,433
b) Stores & Spares	1,811,994	1,015,085
c) Work-in-process	158,446,723	100,769,266
d) Finished goods	150,984,002	89,454,484
	<u>470,029,381</u>	<u>273,302,268</u>
SCHEDULE 8:		
SUNDRY DEBTORS		
Unsecured		
(a) Outstanding for a period exceeding six months		
Considered Good	24,403,996	16,041,099
Considered doubtful	11,391,700	11,641,700
Less: Provision for doubtful debts	<u>11,391,700</u>	<u>11,641,700</u>
	24,403,996	16,041,099
(b) Others	396,077,599	273,633,238
	<u>420,481,595</u>	<u>289,674,337</u>



**SCHEDULES FORMING PART OF ACCOUNTS FOR THE FINANCIAL YEAR
OF NINE MONTHS PERIOD ENDED ON 31ST MARCH 2011**

	As At 31st March 2011 ₹	As At 30th June 2010 ₹
SCHEDULE 9:		
CASH AND BANK BALANCES		
a) With Scheduled Banks:		
i) In Fixed Deposit (Lodged as security to the Bankers on LC facilities)	60,511,706	12,158,608
ii) In Current Accounts	25,446,219	5,136,716
b) Cash in hand	4,447,876	835,821
	90,405,800	18,131,145
SCHEDULE 10:		
LOANS AND ADVANCES		
Unsecured Considered good		
a) Advances recoverable in cash or in kind or for value to be received (Refer Note: 6 of Schedule 17)	300,447,445	284,620,607
b) Deposits	580,047	26,065,479
c) Insurance claim receivable (Refer Note: 7 of Schedule 17)	11,779,299	-
d) Balances with Government Authorities	14,659,706	8,041,305
	327,466,497	318,727,391
SCHEDULE 11:		
CURRENT LIABILITIES & PROVISIONS		
A) Current Liabilities:		
Sundry Creditors	305,270,565	124,170,790
Due to Directors	201,185	356,200
Others	41,542,423	18,398,868
B) Provisions:		
Provision for Gratuity	24,885,660	16,879,420
Provision for Income Tax	109,563,374	101,987,384
Provision for Proposed Dividend	9,634,601	-
Provision for Tax on Proposed Dividend	1,600,307	-
	492,698,115	261,792,662

**SCHEDULES FORMING PART OF ACCOUNTS FOR THE FINANCIAL YEAR
OF NINE MONTHS PERIOD ENDED ON 31ST MARCH 2011**

	As At 31st March 2011 ₹	As At 30th June 2010 ₹
SCHEDULE 12 :		
DEFERRED TAX ASSET (NET)		
a) Deferred Tax Asset		
Balance brought forward	63,913,369	15,699,488
Utilisation of Loss/Unabsorbed depreciation of previous period adjusted	-	46,241,773
Expenses allowable for tax purposes on payment basis	2,721,321	2,259,431
	66,634,690	64,200,692
Less:		
b) Deferred Tax Liability		
Depreciation	3,497,632	287,323
	63,137,058	63,913,369
	9 months ended on 31st March 2011 ₹	18 months ended on 30th June 2010 ₹
SCHEDULE 13 :		
OTHER INCOME		
Interest on Bank Deposits & Others (Gross - TDS Rs.1,11,611)	1,180,853	1,861,442
Miscellaneous Income	329,584	1,023,865
Scrap Sales	24,712,955	14,574,664
Exchange gain	754,423	790,265
Provision for Doubtful debts reversed	250,000	-
(Doubtful debts recovered)	27,227,815	18,250,236

**SCHEDULES FORMING PART OF ACCOUNTS FOR THE FINANCIAL YEAR
OF NINE MONTHS PERIOD ENDED ON 31ST MARCH 2011**

	9 months ended on 31st March 2011 ₹	18 months ended on 30th June 2010 ₹
SCHEDULE 14:		
RAW MATERIALS, STORES & SPARES, WORK-IN-PROCESS AND FINISHED GOODS		
RAW MATERIAL AND COMPONENTS		
Opening Balance:		
Raw Materials & Components	82,063,433	70,258,811
Work-in-process	100,769,266	37,827,301
	182,832,699	108,086,112
Add: Purchases:		
Raw Materials & Components	1,030,671,786	1,210,439,973
Packaging	93,827,442	114,903,359
Processing Charges	84,323,934	137,759,448
	1,208,823,162	1,463,102,780
Sub Total	1,391,655,860	1,571,188,892
Less: Closing Balance:		
Raw Materials & Components	158,786,662	82,063,433
Work-in-process	158,446,723	100,769,266
	317,233,385	182,832,699
Total - A	1,074,422,475	1,388,356,194
STORES SPARES		
Opening Balance:	1,015,085	158,146
Add: Purchases:	10,705,973	15,508,411
Sub-Total	11,721,059	15,666,557
Less: Closing Balance	1,811,994	1,015,085
Total - B	9,909,065	14,651,472
FINISHED GOODS		
Opening Balance:	89,454,484	20,360,925
Add: Purchases:	300,920,806	247,395,804
Sub-Total	390,375,290	267,756,729
Less: Closing Balance	150,984,002	89,454,484
Total - C	239,391,288	178,302,245
TOTAL A + B + C	1,323,722,828	1,581,309,911

**SCHEDULES FORMING PART OF ACCOUNTS FOR THE FINANCIAL YEAR
OF NINE MONTHS PERIOD ENDED ON 31ST MARCH 2011**

	9 months ended on 31st March 2011 ₹	18 months ended on 30th June 2010 ₹
SCHEDULE 15:		
SALARIES, WAGES & OTHER EXPENSES		
Salaries, Wages and Bonus	77,757,585	91,673,695
Contribution to Provident and other Funds	8,086,910	10,486,365
Gratuity & Superannuation Contribution	8,295,885	7,023,527
Directors' remuneration (Managing Director and Whole-time Directors)	5,332,000	6,665,000
Directors' Sitting fees	490,000	745,000
Staff & Workmen welfare expenses	13,779,788	16,081,643
Power and Fuel	16,570,665	25,262,401
Rent	8,230,346	9,228,257
Trade Mark Usage rights	1,200,000	2,400,000
Insurance	639,487	1,515,477
Rates & Taxes	3,918,872	6,925,058
Repairs and Maintenance		
Building	2,925,995	2,286,782
Plant & Machinery	2,493,345	5,362,007
Other Assets	9,456,146	15,272,576
Audit fees		
For Audit	150,000	82,725
For Company Law Matters	100,000	55,150
For Taxation	125,000	33,090
For Other Matters	-	1,778,780
Loss on sale of Asset	-	898,267
Commission on sales	58,328,510	86,118,530
Freight Outward	45,009,588	47,962,304
Advertisement and Publicity	155,853,075	220,237,177
Discount on Sales	33,949,164	33,408,118
Provision for Doubtful Debts	-	1,107,542
Other Expenses	58,463,228	77,058,689
	511,155,588	669,668,159

**SCHEDULES FORMING PART OF ACCOUNTS FOR THE FINANCIAL YEAR
OF NINE MONTHS PERIOD ENDED ON 31ST MARCH 2011**

SCHEDULE 16:	9 months ended on 31st March 2011 ₹	18 months ended on 30th June 2010 ₹
INTEREST AND FINANCIAL CHARGES		
a) On Term Loan from Banks	8,205,954	11,825,017
b) On Cash Credit from Banks	35,005,272	28,528,383
c) On Others	9,412,885	15,125,373
d) Bank charges	10,050,154	11,032,587
	62,674,266	66,511,360

SCHEDULE 17:**NOTES ON ACCOUNTS****1 SIGNIFICANT ACCOUNTING POLICIES**

The Financial Statements have been prepared on the historical cost convention and in accordance with normally accepted accounting principles.

(i) Fixed Assets and Depreciation :

Fixed Assets are capitalised at acquisition cost, including directly attributable cost of bringing the assets to their working condition for the intended use less CENVAT Credits.

Depreciation on Fixed Assets has been provided on the basis of straight line method at the rates specified in Schedule XIV to the Companies Act, 1956. In respect of additions/deletions made during the period, depreciation is charged on pro-rata basis from the day or upto the date of addition/deletions.

Leasehold properties and Usage Right of Trade Marks are amortised over the period of Lease/Usage.

(ii) Inventories :

Inventories are stated at lower of cost/net realisable value. Cost includes all direct costs and other applicable manufacturing overheads and in ascertaining the cost, FIFO method is adopted.

(iii) Revenue recognition :

Revenue in respect of sale of products is recognised at the point of despatch to customers. Sales also includes products which are manufactured through third party on Contract basis, which represents invoiced value of goods including excise duty and are net of sales tax, returns and inter-branch transfers. Export sales are accounted at the prevailing rate of exchange as on the date of invoicing. The difference in the rate of exchange, if any, is accounted at the time of realisation.

(iv) Research & Development Expenditure :

Revenue Expenditure on Research & Development is charged off to the Profit and Loss account in the period in which it is incurred.

**(v) Retirement Benefits :**

- a) Accrued Liability for gratuity is provided in the accounts in accordance with the provisions of the Payment of Gratuity Act, 1972, calculated on the basis of Actuarial Valuation method in accordance with the guidelines of the Institute of Chartered Accountants of India under Accounting Standard. (AS 15).
- b) Contribution to Provident Fund & ESI Fund are accounted at the applicable rates on accrual basis and are charged against revenue.
- c) Accrued liability for encashment of leave to employees is accounted on calendar year basis, in accordance with the Company's Rules.

2 Excise duty :

CENVAT credit for Excise Duty on inputs and other capital goods is accounted fully and to the extent the sum availed off is adjusted towards payment of excise duty on despatches leaving the unutilised balance being carried forward to subsequent year and kept in Advances recoverable in cash or in kind or for value to be received shown under Loans and Advances

- 3 In the evaluation of the Managing Director, Sundry Debtors and Loans and Advances have the value on realisation in the ordinary course of business at least equal to the amount at which they are stated.
- 4 The particulars required to be disclosed under the Micro Small and Medium Enterprises Development Act, 2006 relating to unpaid balances, interest payable thereon to such small scale industries as defined in the said Act could not be disclosed for want of information on the status of those sundry creditors.

5 Proposed merger with Gangadharam Appliances Limited

A proposal submitted by Gangadharam Appliances Limited (GAL), an associate of the Company, which is also in the same segment of business as the Company, viz., domestic appliances, for the merger of its entire undertaking with the Company has been approved 'in principle' by the Hon'ble Board for Industrial and Financial Reconstruction (BIFR). The draft Scheme for the said merger as of 1st January, 2009 (approved date) is submitted by GAL to BIFR. An extraordinary General Meeting of the Company seeking approval of the shareholders of the Company for the proposed merger was convened on 9th September, 2010 at which the shareholders unanimously approved through a Special Resolution, the proposed merger and the draft Scheme therefore is subject to approval of the same by Hon'ble BIFR. The approval of BIFR has not been received till date. The results now provided are therefore of the Company only on a standalone basis and on the proposed merger being approved by Hon'ble BIFR, the Transaction, Assets and Liabilities of GAL will be incorporated as part of the Transaction, Assets and Liabilities of the Company and will be reflected appropriately in the accounts of the Company to be made after such approval is received from BIFR.

6 Unsecured Loan

During the period, the Company has raised an unsecured loan of Rs.20.20 Crores (balance outstanding at the end of the year is Rs.19.81 Crores) from Religare Finvest Limited (RFL) to repay a loan taken in the previous period from Dewan Housing Finance Corporation Limited (DHFL), repayable over a period of twelve years for which the securities have been provided by an associate Company, Promoter Directors and their relatives.

In view of proposed merger of Gangadharam Appliances Limited with Gandhimathi Appliances Limited, for which the Hon'ble BIFR has granted in-principle approval, the Company has advanced in the previous period a sum of Rs.15 crores to one of its Associate Companies against the security of pledge of certain shares and Demand Promissory Note and another sum of Rs.6.50 crores to Gangadharam Appliances Limited against the second charge of its immovable property, to settle their liabilities, which will get extinguished once the merger proposal is approved by Hon'ble BIFR and necessary entries are effected in the books of the Transferor and Transferee Companies. The interest on the loan from DHFL and RFL is borne by the Associate Company.



GANDHIMATHI APPLIANCES LIMITED

7 During the period there was a fire accident in the factory and inventories worth approximately Rs.1.18 Crores got damaged. The necessary claim with the Insurance Company has been made and the same is shown in the 'Profit and Loss account' as Extraordinary item and as 'Claim Receivable' under Loans and Advances in the Balance Sheet as on 31.3.2011.

	As on 31.03.2011 ₹	As on 30.06.2010 ₹
8 Contingent Liabilities not provided for		
(a) Claim against the Company under litigation against which, Bank Guarantee has been provided.	726,000	726,000
(b) Sales Tax demand under dispute against which payment made under protest and included in Loans and Advances	7,130,491	2,977,752
Total	<u>7,856,491</u>	<u>3,703,752</u>

9 Sundry Debtors include :

Due from firms in which some of the Directors of the Company are Partners	11,441,923	4,563,970
	<u>11,441,923</u>	<u>4,563,970</u>

Loans & Advances include :

Due from Private Companies in which Directors of the Company are Directors/ Members	150,662,764	191,651,296
Total	<u>150,662,764</u>	<u>191,651,296</u>

	As on 31.03.2011 ₹	As on 30.06.2010 ₹
10 Directors' Remuneration :		
Managing Director & Whole Time Directors		
Salaries & allowances	5,332,000	6,665,000
Contribution to Provident Fund	584,400	513,600
Total	<u>5,916,400</u>	<u>7,178,600</u>

11 SALE BY CLASS OF GOODS	2010-2011 (9 Months)		2009-2010 (18 Months)	
	Qty (Nos)	₹	Qty (Nos)	₹
LPG Stove	528,848	823,920,496	733,503	1,059,912,564
Mixer - Grinder	347,564	632,549,954	351,186	702,224,469
Table-top wet Grinder	67,875	310,060,855	92,752	384,965,913
Cooker / Pan	421,349	320,436,045	656,523	475,278,584
Flask	37,831	5,414,024	87,626	37,691,070
Others (Individual value not exceeding 10% of total value)		114,666,664		56,165,315
Total		<u>2,207,048,038</u>		<u>2,716,237,915</u>

12 RAW MATERIALS AND COMPONENTS CONSUMED

	2010-2011 (9 Months)		2009-2010 (18 Months)	
	Quantity (MT)	Value ₹	Quantity (MT)	Value ₹
i) Basic Raw materials :				
S.S. Coils / sheets	1869.458	190,684,716	2690.210	258,260,160
ABS plastic granules	518.020	64,752,500	650.641	68,967,946
Aluminium Circles	610.537	95,243,772	701.864	103,174,008
ii) Components (individual value not exceeding 10% of total value)		603,267,569		768,233,237
Total		953,948,557		1,198,635,352

13 CONSUMPTION OF RAW MATERIALS, COMPONENTS, STORES & SPARES

	2010-2011 (9 Months)		2009-2010 (18 Months)	
	%	₹	%	₹
A. RAW MATERIALS & COMPONENTS :				
(I) Imported	9.37	101,850,462	4.82	57,817,064
(ii) Indigenous	90.63	852,098,095	95.18	1,140,818,289
Total	100.00	953,948,557	100.00	1,198,635,352
B. STORES & SPARES				
Indigenous	100.00	9,909,065	100.00	14,651,472
Total	100.00	9,909,065	100.00	14,651,472

14 Licensed and Installed Capacity (per annum) and Actual Production

A. No licence is required for any of the products of the Company.		
	2010-2011 9 Months Nos.	2009-2010 18 Months Nos.
B. INSTALLED CAPACITY ON SINGLE SHIFT BASIS PER ANNUM (AS CERTIFIED BY THE MANAGING DIRECTOR)		
LPG Stove	540,000	540,000
Mixer - Grinder	360,000	360,000
Table-top Wet Grinder	150,000	48,000

	2010-2011		2009-2010	
	9 Months		18 Months	
	Nos.		Nos.	
C. ACTUAL PRODUCTION				
LPG Stove		393,020		638,921
Mixer - Grinder		347,684		303,801
Table-top Wet Grinder		54,532		85,542
Cooker / Pan		422,509		664,317
Flasks		38,193		88,496
15 PURCHASE OF FINISHED GOODS				
	2010-2011 (9 Months)		2009-2010 (18 Months)	
	Qty (Nos)	₹	Qty (Nos)	₹
LPG Stove	148,872	184,685,837	112,487	157,481,800
Mixer Grinder	12,054	14,115,978	49,440	51,912,000
Table Top Wet Grinder	14,130	33,589,395	8,097	18,056,310
Others (Individual value not exceeding 10% of total value)		68,529,596		19,945,694
Total		300,920,806		247,395,804
16 Opening and Closing Stock-in-trade (this comprises of both purchased and own manufactured goods)				
	2010-2011 (9 Months)		2009-2010 (18 Months)	
	Qty (Nos)	₹	Qty (Nos)	₹
CLASS OF GOODS				
(i) Opening stock				
LPG Stove	29,100	54,951,711	11,195	13,279,721
Mixer - Grinder	3,070	6,830,498	1,015	1,446,923
Table-top Wet Grinder	1,774	6,809,233	887	2,458,203
Cooker /Pan	10,424	11,023,214	2,630	2,367,000
Flasks	1,179	548,820	309	162,225
Others (Individual value not exceeding 10% of total value)		9,291,008		646,853
Total		89,454,484		20,360,925



GANDHIMATHI APPLIANCES LIMITED

	2010-2011 (9 Months)		2009-2010 (18 Months)	
	Qty (Nos)	₹	Qty (Nos)	₹
(ii) Closing stock				
LPG Stove	42,144	65,551,124	29,100	54,951,711
Mixer - Grinder	15,244	15,849,597	3,070	6,830,498
Table-top Wet Grinder	2,561	7,749,211	1,774	6,809,233
Cooker /Pan	11,584	9,465,045	10,424	11,023,214
Flasks	1,541	621,136	1,179	548,820
Others (Individual value not exceeding 10% of total value)		51,747,889		9,291,008
Total		150,984,002		89,454,484

17 Segment information in accordance with AS 17 issued by ICAI.

The Company operates in only one segment viz., Domestic Appliances.

18 Disclosure on Related Party Transaction

As per Accounting Standard (AS - 18) issued by The Institute of Chartered Accountants of India, the Company's related party transaction during the Nine months ended on 31st March 2011 in terms are disclosed below:

Names of related parties and description of relationship:

- Key Management Personnel
 - Mr. V.M.Lakshminarayanan, Chairman
 - Mr. V.M.Balasubramaniam, Managing Director (Upto 31.5.2011)
 - Mr. V.M.Gangadharam, Executive Director
 - Mr. V.M.Kumaresan Technical Director
- Enterprises in which key management personnel and their relatives have significant influence
 - Butterfly Constructions Limited
 - Butterfly Home Appliances
 - Butterfly Quality Center Private Limited
 - Butterfly Marketing Private Limited
 - Swaminathan Enterprises Private Limited
 - Gangadharam Appliances Limited
 - LLM Appliances Limited
 - Sivagurunathan Industries
 - Vishalss Enterprises
- Relatives of Key Management Personnel
 - Mr. V.M.L.Karthigeyan
 - Mr. V.M.L.Senthilnathan
 - Mr. V.M.G.Viswanathan
 - Mr. V.M.S.Selvamuthukumar.
 - Mr. V.M.L.Ganesan



Sl.No	Particulars	Key Management personnel ₹	Enterprise in which key management personnel and their relatives have significant influence ₹	Relatives of Key Management Personnel ₹
<i>Transaction for 9 Months ended 31.03.2011</i>				
1	Purchase	-	55,526,796	-
2	Sales	-	36,074,048	-
3	Interest received	-	-	-
4	Interest paid	-	-	-
5	Services rendered	-	48,860,450	-
6	Services received	-	-	-
	a. Employee remuneration	-	-	3,754,680
	b. Executive Directors' Remuneration	5,115,600	-	-
	c. Others - Directors' sitting fees	100,000	-	-
7	Purchase of Assets Capitalised during the period	-	-	-
8	Sale of Assets	-	-	-
<i>Outstanding as on 31.03.2011</i>				
	Debtors	-	12,762,484	-
	Creditors	-	-	-
	Advances	-	272,736,390	-
	Loans received	-	-	-

	2010-2011 9 Months ₹	2009-2010 18 Months ₹
19 Earnings per Share in accordance with AS 20 issued by ICAI:		
Net Profit as per Profit and Loss account	151,912,519	155,822,726
No. of equity shares	9,634,601	9,634,601
Face Value per share	10	10
Basic earnings per share	15.77	16.17
20 Imports (CIF Value)		
Raw materials/Components	<u>101,850,462</u>	<u>57,817,064</u>
21 Expenditure in Foreign Currency		
Salary and Allowances	2,247,911	4,323,582
Travelling expenses	<u>853,286</u>	<u>944,907</u>
22 Exports on FOB basis	<u>30,020,921</u>	<u>57,602,566</u>



- 23 As on the Balance sheet date, the Company's assets net of accumulated depreciation is not less than the recoverable amount of those assets. Hence, there is no impairment loss on the assets of the Company.
- 24 The Financial Year of the Company has been for a period of nine months upto 31st March, 2011.
- 25 The Figures for the period ended on 30.06.2010 have been re-grouped and re-arranged to conform with the current period's classification.

**26 Statement pursuant to Part IV of Schedule VI of the Companies Act, 1956.
Balance Sheet Abstract and Company's General Business Profile.**

(1) REGISTRATION DETAILS :

Registration No	L28931TN1986PLCO12728	State Code No.	18
Balance Sheet Date	31.03.2011		

(2) CAPITAL RAISED DURING THE YEAR :

Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	NIL

(3) POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS:

	₹		₹
Total Liabilities	1,181,339,093	Total Assets	1,181,339,093

(4) SOURCES OF FUNDS :

Paid-up Capital	96,346,010	Reserves & Surplus	317,148,226
Secured Loans	502,495,180	Unsecured Loans	265,349,677

(5) APPLICATION OF FUNDS :

Net Fixed Assets (Including Capital WIP)	302,516,877	Investments	-
Net Current Assets	815,685,158	Misc. Expenditure	-
Deferred Tax Asset (Net)	63,137,058	Accumulated Losses	-

**GANDHIMATHI APPLIANCES LIMITED****(6) PERFORMANCE OF COMPANY**

	₹		₹
Total Income (including other Income)	2,234,275,852	Total Expenditure	2,082,167,755
Profit before tax [including extra-ordinary item]	163,887,396	Profit after tax	151,912,519
Earnings per share	15.77	Dividend Rate	10%

(7) GENERIC NAME OF PRINCIPAL PRODUCTS : (AS PER MONETARY TERMS)

Product Description	Item Code
a) LPG STOVE	741700
b) MIXER - GRINDER	850940
c) TABLE-TOP WET GRINDER	363729003
d) SS COOKER AND ALUMINIUM COOKER	732111 / 761510
e) FLASK	961700

V.M.SESHADRI
Managing Director

M.PADMANABHAN
Director

D.KRISHNAMURTHY
Executive Director-cum-Company Secretary

As per our report attached of even date
for Rudhrakumar Associates
Chartered Accountants
Registration No: 007033S

Chennai - 600 018.
Date : 07.07.2011

R.Rudhrakumar
Proprietor
Membership No.0019444



**CASH FLOW STATEMENT FOR THE FINANCIAL YEAR OF NINE MONTHS
PERIOD ENDED ON 31ST MARCH, 2011**

	As At 31st March 2011 ₹	As At 30th June 10 ₹
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before tax	152,108,097	222,878,733
Interest on Bank Deposit & Others	(1,180,853)	(1,861,442)
Insurance Claim shown under Extra ordinary item	11,779,299	-
Depreciation	9,546,237	13,015,434
Interest waived relating to previous years reclaimed by a Bank	-	(13,200,000)
Provision for Income Tax	(11,198,567)	(101,987,384)
Fringe Benefit tax	-	(82,504)
Charge on Leasehold land	412,500	825,000
Charge of Intangible assets	1,200,000	2,400,000
Decrease/(Increase) in Sundry Debtors	(130,807,258)	(73,907,325)
Decrease/(Increase) in Inventories	(196,727,113)	(144,697,085)
Decrease/(Increase) in Loans & Advances	(8,739,106)	(271,388,611)
Increase/(Decrease) in Sundry Creditors & Provisions	219,670,545	73,996,162
Net cash from Operating Activities (A)	46,063,782	(294,009,022)
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets (Net)	(110,858,841)	(67,512,871)
Decrease/(Increase) in Capital Work in Process	42,594,423	(51,973,811)
Interest on Bank Deposit & Others	1,180,853	1,861,442
Net Cash from Investing Activities (B)	(67,083,564)	(117,625,240)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds of Long-term borrowing	93,294,438	423,104,042
Increase in Share Capital	-	-
Net Cash from Financing Activities (C)	93,294,438	423,104,042
NET INFLOW/ (OUTFLOW) (A)+(B)+(C)	72,274,655	11,469,781
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents (Opening)	18,131,145	6,661,365
Cash and Cash Equivalents (Closing)	90,405,800	18,131,145
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	72,274,655	11,469,780

For and on behalf of the Board

V.M.SESHADRI
Managing Director

M.PADMANABHAN
Director

D.KRISHNAMURTHY
Executive Director-cum-Company Secretary

As per our report attached of even date
for Rudhrakumar Associates
Chartered Accountants
Registration No: 007033S

Chennai - 600 018.
Date : 07.07.2011

R.Rudhrakumar
Proprietor
Membership No.0019444



Butterfly®

GANDHIMATHI APPLIANCES LIMITED

GANDHIMATHI APPLIANCES LIMITED

Regd Office : 143, Pudupakkam Village, Vandalur-Kelambakkam Road,
Kelambakkam - 603 103, Kancheepuram District, Tamilnadu.

**ATTENDANCE SLIP
PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER
AT THE ENTRANCE OF THE MEETING**

I hereby record my presence at the Twenty Fourth Annual General Meeting scheduled to be held at the Company's Registered Office on Thursday, 11th August, 2011 at 11.00 a.m.

NAME OF THE SHAREHOLDER
(IN BLOCK LETTERS)

SIGNATURE OF THE SHAREHOLDER
OR PROXY

GANDHIMATHI APPLIANCES LIMITED

Regd Office : 143, Pudupakkam Village, Vandalur-Kelambakkam Road,
Kelambakkam - 603 103, Kancheepuram District, Tamilnadu.

PROXY FORM

I/We
of.....being a member/members
of GANDHIMATHI APPLIANCES LIMITED hereby appoint.....
of.....as my / our proxy in my/our
absence to attend and vote for me / us on my /our behalf at the Twenty Fourth Annual General Meeting
of the Company to be held on Thursday, 11th August, 2011 at 11.00 a.m. or at any adjournment thereof.

As witness my/our hand/hand day of2011.

Rupee
One
Revenue
Stamp

Signature/s

This form duly completed should be deposited at the Office of the Company's Registrars & Share Transfer Agents, M/s.GNSA Infotech Ltd., G.R.Mansion, 11, Srinivasan Road, Pondy Bazaar, T.Nagar, Chennai – 600 017. A proxy need not be a member.



GANDHIMATHI APPLIANCES LIMITED

BOOK - POST

To

If undelivered return to :

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G.R. Mansion, 11, Srinivasan Road
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