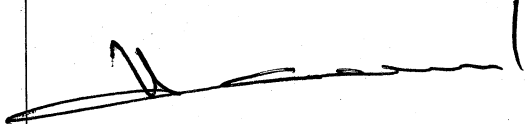
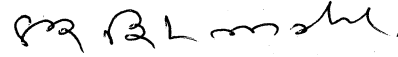
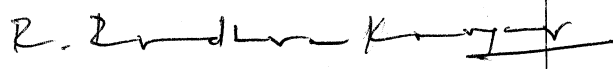





BUTTERFLY GANDHIMATHI APPLIANCES LIMITED

FORM A

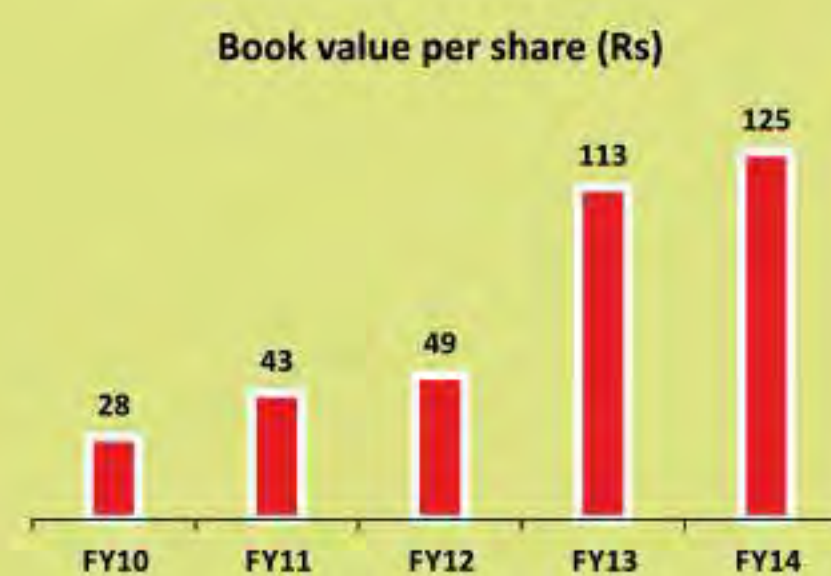
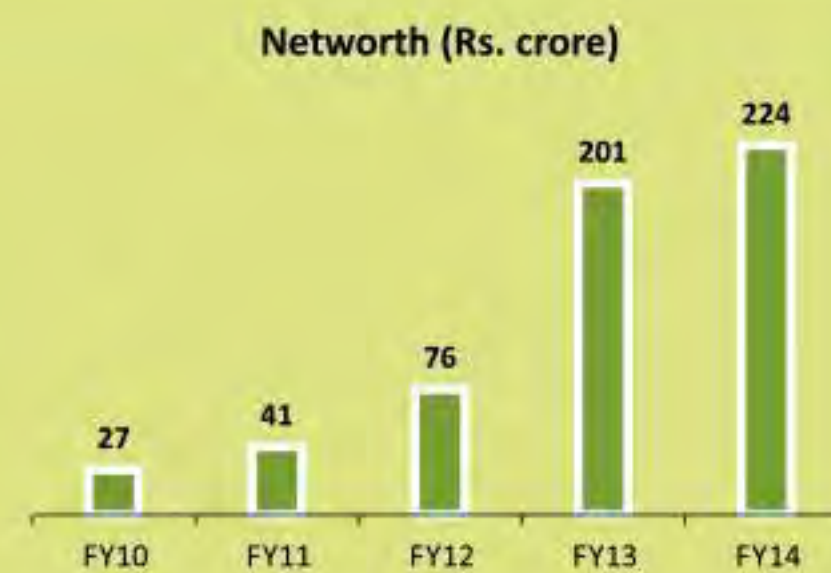
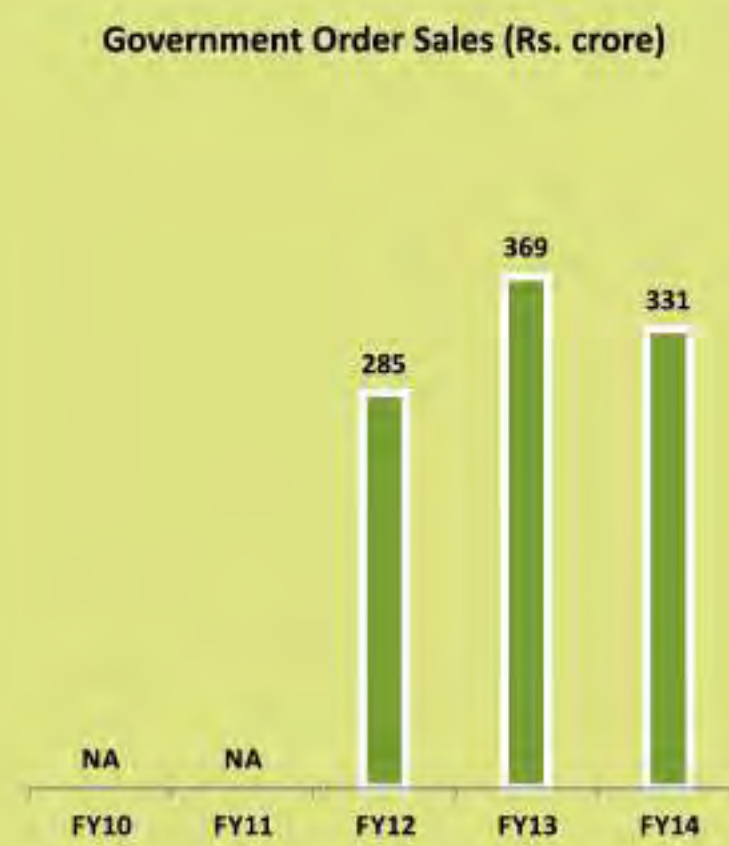
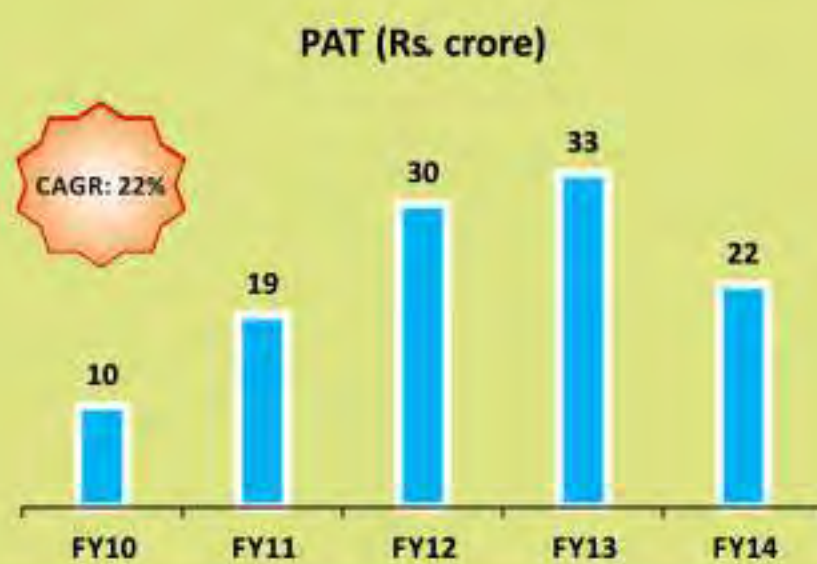
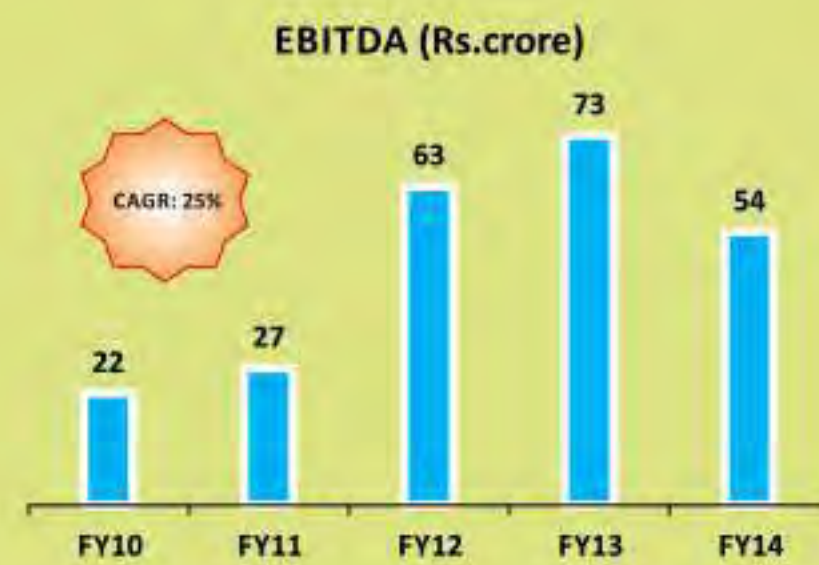
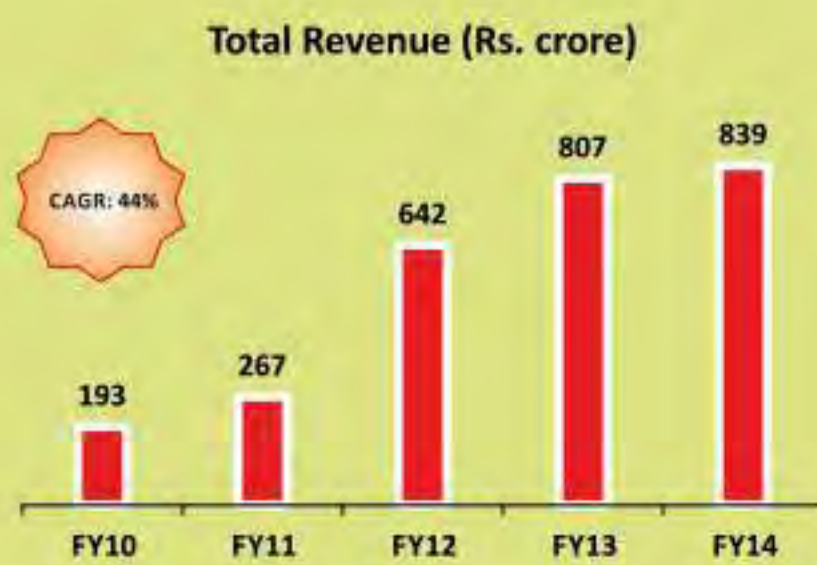
1.	Name of the Company	BUTTERFLY GANDHIMATHI APPLIANCES LIMITED
2.	Audited Financial Statements for the year ended	31 st March, 2014
3.	Type of Audit observation	Un-qualified
4.	Frequency of observation	Quarterly
5.	Signed by: Mr. V.M.Seshadri Managing Director Mr. Sunil Bhansali Chief Financial Officer Mr. R.Rudhrakumar Statutory Auditor Mr. K.Ganesan Chairman-Audit Committee	   

Regd. Office : 143, Pudupakkam Village, Vandalur - Kelambakkam Road, Kelambakkam - 603 103, Kancheepuram District.
Phone : +91-44-67415590 / 91 / 93 / 94 **CIN No: L28931TN1986PLC012728**
E-mail : gmal@butterflyindia.com Web : www.butterflyindia.com / butterflygandhimathiappliances.com
Corporate Office : E-34, II Floor, Rajiv Gandhi Salai, Egattur Village, Navalur - 603 103, Kancheepuram District.
Phone : 044 - 4900 5100, 5120 E-mail : butterflyho@butterflyindia.com / butterflyco@butterflyindia.com



BUTTERFLY GANDHIMATHI APPLIANCES LIMITED

ANNUAL REPORT - 2014



BUTTERFLY GANDHIMATHI APPLIANCES LIMITED

CIN: L28931TN1986PLC012728

ANNUAL REPORT 2014

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BOARD OF DIRECTORS**Mr.V.M.Lakshminarayanan**, Chairman & Managing Director**Mr.V.M.Balasubramaniam**, Vice Chairman & Director**Mr.V.M.Seshadri**, Managing Director**Mr.V.M.Gangadharam**, Executive Director**Mr.V.M.Kumaresan**, Executive Director-Technical**Mr.D.Krishnamurthy**, Executive Director-cum-Company Secretary**Mr.R.S.Prakash**, Nominee Director-Equity Investor**Mr.V.R.Lakshminarayanan**, Independent Director**Mr.K.Ganesan**, Independent Director**Mr.M.Padmanabhan**, Independent Director**Mr.A.Balasubramanian**, Independent Director**Mr.K.J.Kumar**, Independent Director**Mr.G.S.Samuel**, Independent Director**Mr.T.R.Srinivasan**, Independent Director**STATUTORY AUDITORS**

M/s. Rudhrakumar Associates,

Chartered Accountants, 11, Mangesh Street, T.Nagar, Chennai - 600017

REGISTERED OFFICE

143, Pudupakkam Village, Vandalur-Kelambakkam Road,
Kelambakkam - 603 103, Kancheepuram Dist., Tamil Nadu
Phone : 044-67415590/92-93
email:butterflyho@butterflyindia.com

CORPORATE OFFICE

E-34, Second Floor, Rajiv Gandhi Salai
Egattur Village, Navalur - 600130
Kancheepuram District, Tamil Nadu
Ph: 044-49005120/180 email: edcs@butterflyindia.com

website www.butterflyindia.com

REGISTRAR & SHARE TRANSFER AGENT

GNSA Infotech, STA Department, F-Block, 4th floor, No. 115, Nelson Manickam Road, Aminjikarai,
Chennai - 600029, Tamil Nadu, Ph. 044-42962025 email: sta@gnsaindia.com

BANKERS

*State Bank of Travancore *IDBI Bank *Axis Bank *ING Vysya Bank *State Bank of India *Bank of Baroda

Chairman's Message



Dear Fellow Share owners,

Despite a challenging macro-economic scenario and a weak consumer sentiment, your Company delivered a steady financial performance to maintain the growth momentum of the last couple of years. It has made good progress on its goals and considerably strengthened its pan-India presence during the year.

The business is built on a strong foundation which is manifested in your Company's ability to manufacture high quality products and deliver outstanding service levels to customers. This enabled it to report 5.5% growth in net income to ₹ 771 crore in FY14. This was primarily due to the growth in sales of Branded Products, which expanded 15.8% to ₹ 461 crore (net), and helped to partly compensate the planned reduction in Government Order Sales, which amounted to ₹ 303 crore (net) in FY14. Other income amounted to ₹ 7 crore in FY 14.

The year gone by saw your Company directing laser sharp focus on important strategic initiatives which are expected to drive continued success and growth within the organization in the years to come. It continued to widen the product portfolio with expansion of product categories as well as the launch of new product variants. The response to the new product launches has been very encouraging and the entire basket of products continues to enjoy widespread acceptance in the market.

The acquisition of the domestic kitchen and domestic electrical appliances division of its associate company, LLM Appliances Ltd. was another notable development this year. Through this, your Company has acquired perpetual rights to use the "BUTTERFLY" brand for domestic kitchen and domestic electrical appliances. The acquisition also resulted in the addition of 12 new product categories to the product range. This transaction has enabled it to significantly streamline operations and enhance growth prospects as most of the products added are sunrise products with high future growth potential.

This transaction also provided greater impetus to the efforts to widen the selling and distribution network and enhance the pan India presence. The network of exclusive distributors and presence at multiple retail touch points has been enriched. When combined with a heightened advertisement and brand awareness campaign, it has helped your Company to firmly entrench itself in West and Central India while furthering the inroads made in North and East India. Your Company is confident that the investments made to widen its presence will bear fruits for many years to come.

The Government orders business progressed well and helped to generate resources for growth while simultaneously expanding the market for its products. Your Company is certain that the ramifications of this initiative by the Government of Tamil Nadu scheme will be widespread and lead to vastly increased demand for kitchen and electrical appliances. The challenge of supplying against this tender has elevated its manufacturing and delivery capabilities, while simultaneously enhancing its position with suppliers.

The opportunity before your Company is compelling and must be addressed in an energetic and ambitious manner. It is necessary to be judicious in deploying resources in a manner that maximize value. The management of your Company strongly believes that the multiple initiatives implemented this year will result in benefits that will be sustained and far-reaching in nature.

The mandate to a stable government in the recently concluded general election is highly encouraging. Expectation as well as optimism is running high and there is near certainty that far-reaching and progressive reforms will be unleashed in the near future. However, there will be some lag before the impact of such a development begins to reflect in consumer sentiment.

While the benefits from the changing trajectory of economic growth are expected to accrue over the medium to long-term, it is imperative to act in the near term. Thus, your Company will continue to implement its strategic initiatives in an urgent and time bound manner. This may result in temporary pain but will certainly materialize into long-term gain as your Company is confident of its offerings and ability to deliver sustainable and profitable growth in the coming years.

On behalf of the Board of Directors, I would like to express my sincere gratitude to all our stakeholders and would especially like to thank all of the Company's employees for their dedicated and sincere contribution to the continued progress of your Company. Last, but not least, we are grateful to you for your continued support and trust bestowed on us. We have a lot to look forward to, as we strive to make the Company stronger and achieve greater heights as we move into the next fiscal year.

With best wishes,
Sincerely,

V.M.LAKSHMINARAYANAN
Chairman & Managing Director

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Twenty Seventh Annual General Meeting of the Company will be held at its Corporate Office Premises at E-34, Rajiv Gandhi Salai, Egattur Village, Navalur- 600 130, Kancheepuram District, Tamil Nadu on Thursday, 31st July, 2014 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(s) the following resolution as an Ordinary Resolution:**

“RESOLVED THAT the Audited Balance Sheet as on 31st March, 2014 and the Profit and Loss Statement for the financial year ended on that date and the Report of the Board of Directors and the Auditors thereon, be and are hereby approved and adopted.”

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

“RESOLVED THAT Mr.V.M.Balasubramaniam, [DIN : 00106428] a Director of the Company, who retires by rotation at this meeting, being eligible for reappointment be and is hereby appointed as a Director of the Company.”

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

“RESOLVED THAT Mr.D.Krishnamurthy, [DIN : 00085444] Director and Executive Director-cum-Company Secretary 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(s) the following resolution as an Ordinary Resolution:

“RESOLVED THAT, M/s. Rudhrakumar Associates, Chartered Accountants [FRN.007033 S], Chennai be and are hereby appointed as Auditors of the Company to hold Office from the conclusion of this 27th Annual General Meeting till the conclusion of the 32nd 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, subject to the condition that the Company shall place the matter relating to such appointment for ratification by members at every Annual General Meeting.”

SPECIAL BUSINESS:**5. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:**

“That subject to the provisions of Section 14, 15 and other applicable provisions of the Companies Act 2013 (“the Act”), if any and the rules made thereunder or any statutory modifications or re-enactment thereof and all other applicable laws for the time being in force, if any, Article 83 and Article 89 of the Articles of Association (AOA) of the Company be and is hereby amended by replacing the existing Article 83 and Article 89 of the AOA of the Company with the following clauses:

“Article 83: Unless otherwise determined by a General Meeting, the number of Directors shall not be less than 3 (three) and not more than 15 (fifteen) Directors.”

“Article 89:

- (a) At least two-third of the total number of Directors are liable to retire by rotation in terms of the provisions of Section 152 read with Section 149 of the Companies Act 2013.
- (b) The Chairman, Vice Chairman and Nominee Director shall not be liable to retire by rotation during their tenure of office, though they will be included in calculating the total number of Directors liable to retire by rotation.
- (c) In calculating the total number of Directors liable to retire by rotation, “total number of Directors” shall not include Independent Directors appointed on the Board of the Company.
- (d) At every subsequent Annual General Meeting, one-third of the Directors liable to retire by rotation for the time being or, if their number is neither three nor a multiple of three, then the number nearest to one-third shall be liable to retire by rotation.”

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

“A. That pursuant to the provisions of Sections 196, 197, 203 and other applicable provisions of the Companies Act, 2013 ('the Act'), and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule V to the Act, the consent of the Company be and is hereby accorded for the reappointment of Mr.V.M.Lakshminarayanan, [holding Director Identification No.00106346] ('**Mr.Lakshminarayanan**') as the Chairman & Managing Director ('**CMD**') of the Company for a period of 5 (five) years with effect from 1st December, 2014, whose period of office shall not be subject to retirement by rotation during his tenure of office as CMD, on the following terms and conditions :

Remuneration: Subject to the ceiling limits laid down in Section 197 of the Act, remuneration by way of salary, perquisites and commission shall not exceed the following limits, namely:

I. SALARY AND PERQUISITES:

1.	Salary	₹ 36,00,000/- per annum or ₹ 3,00,000/- per month, including dearness and all other allowances.
2.	Medical	One month's salary in a year or three month's salary over a period of three years for self and family.
3.	Leave Travel Assistance	For self and family to and fro Airfare to any place in India and abroad once a year.
Note: For items (2) and (3) above, Family includes the spouse, the dependent children and the dependent parents.		
4.	Personal Accident Insurance	Personal Accident cover of an amount, the annual premium of which does not exceed ₹ 10,000/- per annum.
5.	Annual Leave and leave encashment Benefits	As per rules of the Company.
<p>Note 1: Perquisites I (2) to (5) shall not exceed 20% of his annual salary. For this purpose, perquisites will be evaluated as per Income Tax Rules, wherever applicable. In the absence of any such rule, perquisites will be evaluated at actual.</p> <p>Note 2: The Board of Directors will have the liberty to re-fix individual ceilings under each of the above heads or to allow any other perquisite as may be permitted by the Central Government so as not to exceed 20% of the annual salary.</p>		
6.	Other Benefits	
	a. Provident Fund Contribution	Subject to a ceiling of 12% of his salary
	b. Superannuation Contribution	Subject to a ceiling of 15% of his salary
	c. Gratuity	Not exceeding half a month salary for each completed year of service, subject to a ceiling of ₹ 10 lakhs.
7.	Encashment of Leave at the end of the Tenure.	As per rules of the Company.
Note: Contribution to Provident Fund, Superannuation fund, Gratuity payable and encashment of leave at the end of the tenure shall not be included in the computation of the ceiling on remuneration specified in Schedule V of the Companies Act, 2013		
8.	Car	Use of Company maintained car with driver for official purposes.
9.	Telephone/Mobile Phone	Telephone at residence and Mobile Phone for official use.
Note: Provision of a car for use on Company Business and Mobile Phone/Telephone for official use will not be considered as Perquisites.		

Where in any financial year during the tenure of Mr.V.M.Lakshminarayanan as Managing Director the Company has no profits or its profits are inadequate, the Salary and Perquisites stated vide I (1) to (9) above will be paid as minimum remuneration to him, subject to the ceiling prescribed under Schedule V, Part II, Section II (A) of the Companies Act 2013. In case such minimum remuneration exceeds the above limits, necessary application will be made to the Central Government for approval.

II. COMMISSION:

In addition to his salary and perquisites stated vide I(1) to (9) above, where the company earns profits in a financial year, Mr.V.M.Lakshminarayanan, together with the four other managerial personnel viz., Messrs.V.M.Balasubramaniam, V.M.Seshadri, V.M. Gangadharam and V.M.Kumaresan shall be entitled to receive commission on net profits. However, the combined aggregate limit of salary/ perquisites/commission paid to all the managerial personnel of the Company shall not exceed 10% of net profits, as prescribed under Section 197 of the Act read with Part II, Section II(A) of Schedule V thereto or any statutory modification(s) or re-enactment thereof. The quantum of commission to be paid to each of the above managerial personnel will be determined as agreed amongst them and approved by the Nomination and Remuneration Committee/Board of Directors.

III. REIMBURSEMENT OF EXPENSES

a. 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.

b. 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.

B. That the Board of Directors of the Company (on the recommendation of the Nomination and Remuneration Committee) be and is hereby authorised to revise, amend, alter and vary the remuneration and other terms and conditions of the reappointment of Mr.Lakshminarayanan, CMD in such manner as may be permissible in accordance with the provisions of the Act or any modification or re-enactment thereto (which shall not exceed ₹ 45 lakhs in a financial year), and as may be agreed to by and between the Board of Directors and Mr.Lakshminarayanan, without any further reference to the shareholders in the General Meeting.

C. That the Board of Directors of the Company be and is hereby authorised to take all actions and steps expedient or desirable to give effect to this resolution in conformity with the provisions of the Act as may be prevailing, and also to settle any question, difficulty or doubt that may arise in this regard without requiring to secure any further consent or approval of the shareholders of the Company.”

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

“A. That pursuant to the provisions of Sections 196, 197, 203 and other applicable provisions of the Companies Act, 2013 ('the Act'), and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule V to the Act, the consent of the Company be and is hereby accorded for the appointment of Mr. V.M.Balasubramaniam, [holding Director Identification No.00106428] ('Mr.Balasubramaniam') as the Managing Director ('MD') of the Company for a period of 5 (five) years with effect from 1st August, 2014, whose period of office shall not be subject to retirement by rotation of Directors, on the following terms and conditions:

Remuneration: Subject to the ceiling limits laid down in Section 197 of the Companies Act, 2013, remuneration by way of salary, perquisites and commission shall not exceed the following limits, namely:

I. SALARY AND PERQUISITES

1.	Salary	₹ 35,40,000/- per annum or ₹ 2,95,000/- per month, including dearness and all other allowances.
2.	Medical	One month's salary in a year or three month's salary over a period of three years for self and family.
3.	Leave Travel Assistance	For self and family to and fro Airfare to any place in India and abroad once a year.
Note: For items (2) and (3) above, Family includes the spouse, the dependent children and the dependent parents.		
4.	Personal Accident Insurance	Personal Accident cover of an amount, the annual premium of which does not exceed ₹ 10,000/- per annum.
5.	Annual Leave and leave encashment Benefits	As per rules of the Company.
Note 1: Perquisites I (2) to (5) shall not exceed 20% of his annual salary. For this purpose, perquisites will be evaluated as per Income Tax Rules, wherever applicable. In the absence of any such rule, perquisites will be evaluated at actual.		
Note 2: The Board of Directors will have the liberty to refix individual ceilings under each of the above heads or to allow any other perquisite as may be permitted by the Central Government so as not to exceed 20% of the annual salary.		

6.	Other Benefits a. Provident Fund Contribution b. Superannuation Contribution c. Gratuity	Subject to a ceiling of 12% of his salary Subject to a ceiling of 15% of his salary Not exceeding half a month salary for each completed year of service subject to a ceiling of ₹ 10 lakhs.
7.	Encashment of Leave at the end of the tenure.	As per rules of the Company.
Note: Contribution to Provident Fund, Superannuation fund, Gratuity payable and encashment of leave at the end of the tenure shall not be included in the computation of the ceiling on remuneration specified in Schedule V of the Companies Act, 2013.		
8.	Car	Use of Company maintained car with driver for official purposes.
9.	Telephone and Mobile Phone	Telephone at residence and Mobile phone for official use.
Note: Provision of a car for use on Company Business and Mobile Phone/Telephone for official use will not be considered as Perquisites.		

Where in any financial year during the tenure of Mr.V.M.Balasubramaniam as Managing Director of the Company has no profits or its profits are inadequate, the Salary and Perquisites stated vide I (1) to (9) above will be paid as minimum remuneration to him, subject to the ceiling prescribed under Schedule V, Part II, Section II (A) of the Companies Act, 2013. In case such minimum remuneration exceeds the above limits, necessary application will be made to the Central Government for approval.

II. COMMISSION:

In addition to his salary and perquisites stated vide I(1) to (9) above, where the company earns profits in a financial year, Mr.V.M.Balasubramaniam, together with the four other managerial personnel viz., Messrs. V.M.Lakshminarayanan, V.M.Seshadri, V.M.Gangadharam and V.M.Kumaresan shall be entitled to receive commission on net profits. However, the combined aggregate limit of salary/perquisites/commission paid to all the managerial personnel of the Company shall not exceed 10% of net profits, as prescribed under Section 197 of the Act read with Part II, Section II (A) of Schedule V thereto or any statutory modification(s) or re-enactment thereof. The quantum of commission to be paid to each of the above managerial personnel will be determined as agreed amongst them and approved by the Nomination and Remuneration Committee/Board of Directors.

III. REIMBURSEMENT OF EXPENSES:

- 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.
- 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.

B. That the Board of Directors of the Company (on the recommendations of the Nomination and Remuneration Committee) be and is hereby authorised to revise, amend, alter and vary the remuneration and other terms and conditions of the appointment of Mr.Balasubramaniam, in such manner as may be permissible in accordance with the provisions of the Act or any modification or re-enactment thereto (which shall not exceed ₹ 44,25,000/- in a financial year) and as may be agreed to by and between the Board of Directors and Mr.Balasubramaniam, without any further reference to the shareholders in General Meeting.

C. That the Board of Directors of the Company be and is hereby authorised to take all actions and steps expedient or desirable to give effect to this resolution in conformity with the provisions of the Act as may be prevailing, and also to settle any question, difficulty or doubt that may arise in this regard without requiring to secure any further consent or approval of the shareholders of the Company."

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

"That in partial modification of the Special resolution passed at the Annual General Meeting of the Company held on 26th July 2013 in relation to the reappointment of Mr.V.M.Seshadri (holding Director Identification No.00106506) as Managing Director and subject to provisions of Sections 196, 197 and 203 read with Schedule V and other applicable provisions of the Companies Act 2013 ("the Act") and the Rules made thereunder or any statutory modifications or re-enactment thereof and subject to such consents and permissions as may be required, the consent of the Members be and is hereby accorded to vary the resolutions passed by the Shareholders of the Company on 26.07.2013 in relation to his appointment for a limited purpose of complying with the provisions of Section 152 of the Act by making him liable to retire by rotation in terms of Section 152 (6) of the Act, however not causing a break in the continuity of office for the unexpired period of his appointment, and terms and conditions of such appointment for the balance period of tenure remaining the same till his present tenure."

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

“That in partial modification of the Special resolution passed at the Annual General Meeting of the Company held on 26th July 2013 in relation to the reappointment of Mr.V.M.Gangadharam (holding Director Identification No.00106466) as Executive Director and subject to provisions of Sections 196, 197 and 203 read with Schedule V and other applicable provisions of the Companies Act 2013 (“the Act”) and the Rules made thereunder or any statutory modifications or re-enactment thereof and subject to such consents and permissions as may be required, the consent of the Members be and is hereby accorded to vary the resolutions passed by the Shareholders of the Company on 26.07.2013 in relation to his appointment for a limited purpose of complying with the provisions of Section 152 of the Act by making him liable to retire by rotation in terms of Section 152 (6) of the Act, however not causing a break in the continuity of office for the unexpired period of his appointment, and terms and conditions of such appointment for the balance period of tenure remaining the same till his present tenure.”

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

“That in partial modification of the Special resolution passed at the Annual General Meeting of the Company held on 31st August 2012 in relation to the reappointment of Mr.V.M.Kumaresan (holding Director Identification No.00835948) as Executive Director-Technical and subject to provisions of Sections 196, 197 and 203 read with Schedule V and other applicable provisions of the Companies Act 2013 (“the Act”) and the Rules made thereunder or any statutory modifications or re-enactment thereof and subject to such consents and permissions as may be required, the consent of the Members be and is hereby accorded to vary the resolutions passed by the Shareholders of the Company on 31.08.2012 in relation to his appointment for a limited purpose of complying with the provisions of Section 152 of the Act by making him liable to retire by rotation in terms of Section 152 (6) of the Act, however not causing a break in the continuity of office for the unexpired period of his appointment, and terms and conditions of such appointment for the balance period of tenure remaining the same till his present tenure.”

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

“That pursuant to the provisions of Section 149, 150 and 152 read with Schedule IV and all other applicable provisions of Companies Act 2013 ('the Act') and the Companies (Appointment and Qualification of Directors) Rules 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and clause 49 of the listing agreement, Mr.V.R.Lakshminarayanan (DIN No. 00101895) who was appointed as a Director liable to retire by rotation, be and is hereby appointed as an Independent Director on the Board of the Company for a consecutive period of five years, with effect from 01.08.2014 to 31.07.2019 on the terms and conditions as stipulated in Section 149 (8) read with Schedule IV to the Act.”

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

“That pursuant to the provisions of Section 149, 150 and 152 read with Schedule IV and all other applicable provisions of Companies Act 2013 ('the Act') and the Companies (Appointment and Qualification of Directors) Rules 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and clause 49 of the listing agreement, Mr.K.Ganesan (DIN No.00102274) who was appointed as a Director liable to retire by rotation, be and is hereby appointed as an Independent Director on the Board of the Company for a consecutive period of five years, with effect from 01.08.2014 to 31.07.2019 on the terms and conditions as stipulated in Section 149 (8) read with Schedule IV to the Act.”

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

“That pursuant to the provisions of Section 149, 150 and 152 read with Schedule IV and all other applicable provisions of Companies Act 2013 ('the Act') and the Companies (Appointment and Qualification of Directors) Rules 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and clause 49 of the listing agreement, Mr.M.Padmanabhan (DIN No. 00101997) who was appointed as a Director liable to retire by rotation, be and is hereby appointed as an Independent Director on the Board of the Company for a consecutive period of five years, with effect from 01.08.2014 to 31.07.2019 on the terms and conditions as stipulated in Section 149 (8) read with Schedule IV to the Act.”

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

“That pursuant to the provisions of Section 149, 150 and 152 read with Schedule IV and all other applicable provisions of Companies Act 2013 ('the Act') and the Companies (Appointment and Qualification of Directors) Rules 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and clause 49 of the listing agreement, Mr.A.Balasubramanian (DIN No. 00490921) who was appointed as a Director liable to retire by rotation, be and is hereby appointed as an Independent Director on the Board of the Company for a consecutive period of five years, with effect from 01.08.2014 to 31.07.2019 on the terms and conditions as stipulated in Section 149 (8) read with Schedule IV to the Act.”

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

“That pursuant to the provisions of Section 149, 150 and 152 read with Schedule IV and all other applicable provisions of Companies Act 2013 ('the Act') and the Companies (Appointment and Qualification of Directors) Rules 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and clause 49 of the listing agreement, Mr.K.J.Kumar (DIN No.00153606) who was appointed as a Director liable to retire by rotation, be and is hereby appointed as an Independent Director on the Board of the Company for a consecutive period of five years, with effect from 01.08.2014 to 31.07.2019 on the terms and conditions as stipulated in Section 149 (8) read with Schedule IV to the Act.”

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

“That pursuant to the provisions of Section 149, 150 and 152 read with Schedule IV and all other applicable provisions of Companies Act 2013 ('the Act') and the Companies (Appointment and Qualification of Directors) Rules 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and clause 49 of the listing agreement, Mr.G.S.Samuel (DIN No. 05284689) who was appointed as a Director liable to retire by rotation, be and is hereby appointed as an Independent Director on the Board of the Company for a consecutive period of five years, with effect from 01.08.2014 to 31.07.2019 on the terms and conditions as stipulated in Section 149 (8) read with Schedule IV to the Act.”

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

“That pursuant to the provisions of Section 149, 150 and 152 read with Schedule IV and all other applicable provisions of Companies Act 2013 ('the Act') and the Companies (Appointment and Qualification of Directors) Rules 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and clause 49 of the listing agreement, Mr.T.R.Srinivasan (DIN No. 00367302) who was appointed as a Director liable to retire by rotation, be and is hereby appointed as an Independent Director on the Board of the Company for a consecutive period of five years, with effect from 01.08.2014 to 31.07.2019 on the terms and conditions as stipulated in Section 149 (8) read with Schedule IV to the Act.”

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

“A. That pursuant to the provisions of the Section 188(1)(f) and other applicable provisions of the Companies Act, 2013 ('the Act'), and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), consent of the Company be and is hereby accorded to Mr.V.M.B.Shanmuganathan ('**Mr.Shanmuganathan**'), a relative of Mr.V.M. Balasubramaniam, Director of the Company to hold an Office or Place of Profit as General Manager- Marketing with effect from 1.8.2014 on the following remuneration:

I. SALARY AND PERQUISITES

1.	Salary	₹ 23,52,000/- per annum or ₹ 1,96,000/- per month, including dearness and all other allowances.
2.	Medical reimbursement	One month's salary in a year or three month's salary over a period of three years for self and family.
3.	Leave Travel Assistance	For self and family to and fro Airfare to any place in India and abroad once a year.
4.	Bonus	As per rules of the Company, not exceeding one month's salary.

Note: For items (2) and (3) above, Family includes the spouse, the dependent children and the dependent parents.

5.	Personal Accident Insurance	Personal Accident cover of an amount, the annual premium of which does not exceed ₹ 5,000/- per annum.
6.	Annual Leave and leave encashment benefits	As per rules of the Company.

Note 1: Perquisites I (2) to (6) shall not exceed 20% of his annual salary. For this purpose, perquisites will be evaluated as per Income Tax Rules, wherever applicable. In the absence of any such rule, perquisites will be evaluated at actual.

Note 2: The Board of Directors will have the liberty to refix individual ceilings under each of the above heads or to allow any other perquisite as may be permitted by the Central Government so as not to exceed 20% of the annual salary.

7.	Other Benefits a. Provident Fund Contribution b. Superannuation Contribution c. Gratuity	Subject to a ceiling of 12% of his salary Subject to a ceiling of 15% of his salary Not exceeding half a month salary for each completed year of service subject to a ceiling of ₹ 10 lakhs.
8.	Encashment of Leave at the end of the tenure.	As per rules of the Company.
9.	Car	Use of Company maintained car with driver for official purposes.
10.	Telephone and Mobile Phone	Telephone at residence and Mobile phone for official use.
Note: Provision of a car for use on Company Business and Mobile Phone/Telephone for official use will not be considered as Perquisites.		

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.

B. That, subject to the applicable provisions of the Act read with the Rules thereunder or any statutory modifications or re-enactment thereof and subject to such consents and permissions as may be required, the consent of the Members be and is hereby accorded for the promotion in due course of Mr. Shanmuganathan to the next higher grade, together with usual allowances and benefits.

C. That Mr. Shanmuganathan will also be eligible for all the facilities and schemes as given to other employees of the Company under same cadre.

D. That the Board of Directors of the Company be and is hereby authorized to revise, amend, alter and vary in future the remuneration and other terms and conditions of the appointment of Mr. Shanmuganathan in such manner as may be permissible in accordance with the provisions of the Act or any modification or re-enactment thereto (which shall not exceed ₹ 29,40,000/- in a financial year) and as may be agreed to by and between the Board of Directors and Mr. Shanmuganathan, without any further reference to the Shareholders in General Meeting.

E. That the Board of Directors of the Company be and is hereby authorised to take all actions and steps expedient or desirable to give effect to this resolution in conformity with the provisions of the Act as may be prevailing, and also to settle any question, difficulty or doubt that may arise in this regard without requiring to secure any further consent or approval of the shareholders of the Company."

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

"A. That pursuant to the provisions of the Section 188(1)(f) and other applicable provisions of the Companies Act, 2013 ('the Act'), and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), consent of the Company be and is hereby accorded to Mr. V.M.K. Sivashanmugam ('**Mr. Sivashanmugam**'), a relative of Mr. V.M. Kumaresan, Executive Director-Technical of the Company to hold Office or Place of Profit as Deputy General Manager-Designs with effect from 1.8.2014 on the following remuneration:

I. SALARY AND PERQUISITES

1.	Salary	₹ 21,00,000/- per annum or ₹ 1,75,000/- per month, including dearness and all other allowances.
2.	Medical reimbursement	One month's salary in a year or three month's salary over a period of three years for self and family.
3.	Leave Travel Assistance	For self and family to and fro Airfare to any place in India and abroad once a year.
4.	Bonus	As per rules of the Company, not exceeding one month's salary.
Note: For items (2) and (3) above, Family includes the spouse, the dependent children and the dependent parents.		

5.	Personal Accident Insurance	Personal Accident cover of an amount, the annual premium of which does not exceed ₹ 5,000/- per annum.
6.	Annual Leave and leave encashment benefit	As per rules of the Company.
<p>Note 1: Perquisites I (2) to (6) shall not exceed 20% of his annual salary. For this purpose, perquisites will be evaluated as per Income Tax Rules, wherever applicable. In the absence of any such rule, perquisites will be evaluated at actual.</p> <p>Note 2: The Board of Directors will have the liberty to re-fix individual ceilings under each of the above heads or to allow any other perquisite as may be permitted by the Central Government so as not to exceed 20% of the annual salary.</p>		
7.	Other Benefits a. Provident Fund Contribution b. Superannuation Contribution c. Gratuity	Subject to a ceiling of 12% of his salary Subject to a ceiling of 15% of his salary Not exceeding half a month salary for each completed year of service subject to a ceiling of ₹ 10 lakhs.
8.	Encashment of Leave at the end of the tenure.	As per rules of the Company.
9.	Car	Use of Company maintained car with driver for official purposes.
10.	Telephone and Mobile Phone	Telephone at residence and Mobile phone for official use.
<p>Note: Provision of a car for use on Company Business and Mobile Phone/Telephone for official use will not be considered as Perquisites.</p>		

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.

B. That, subject to the applicable provisions of the Act read with the Rules thereunder or any statutory modifications or re-enactment thereof and subject to such consents and permissions as may be required, the consent of the Members be and is hereby accorded for the promotion in due course of Mr.Sivashanmugam to the next higher grade, together with usual allowances and benefits.

C. That Mr.Sivashanmugam will also be eligible for all the facilities and schemes as given to other employees of the Company under same cadre.

D. That the Board of Directors of the Company be and is hereby authorized to revise, amend, alter and vary in future the remuneration and other terms and conditions of the appointment of Mr.Sivashanmugam in such manner as may be permissible in accordance with the provisions of the Act or any modification or re-enactment thereto (which shall not exceed ₹ 26,25,000/- in a financial year) and as may be agreed to by and between the Board of Directors and Mr.Sivashanmugam, without any further reference to the Shareholders in General Meeting.

E. That the Board of Directors of the Company be and is hereby authorised to take all actions and steps expedient or desirable to give effect to this resolution in conformity with the provisions of the Act as may be prevailing, and also to settle any question, difficulty or doubt that may arise in this regard without requiring to secure any further consent or approval of the shareholders of the Company."

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

"(i) That pursuant to Section 188 (1)(f) and other applicable provisions, if any, of the Companies Act 2013 ('the Act') and Rules made thereunder or any statutory modifications or re-enactment thereof and subject to such consents and permissions as may be required, consent of the Members be and is hereby accorded to the re-designation of Mr.V.M.L.Ganesan (**Mr.Ganesan**), a relative of Mr.V.M.Lakshminarayanan, Chairman & Managing Director of the Company as General Manager-Finance w.e.f. 1.8.2014.

(ii) That, subject to the applicable provisions of the Act read with the Rules thereunder or any statutory modifications or re-enactment thereof and subject to such consents and permissions as may be required, the consent of the Members be and is hereby accorded for the promotion in due course of Mr.Ganesan to the next higher grade, together with usual allowances and benefits.

(iii) That Mr.Ganesan will also be eligible for all the facilities and schemes as given to other employees of the Company under same cadre.

(iv) That the Board of Directors of the Company be and is hereby authorized to revise, amend, alter and vary in future the remuneration and other terms and conditions of the appointment of Mr. Ganesan in such manner as may be permissible in accordance with the provisions of the Act or any modification or re-enactment thereto (which shall not exceed ₹ 29,40,000/- in a financial year) and as may be agreed to by and between the Board of Directors and Mr. Ganesan, without any further reference to the Shareholders in General Meeting.

(v) That the Board of Directors of the Company be and is hereby authorised to take all actions and steps expedient or desirable to give effect to this resolution in conformity with the provisions of the Act as may be prevailing, and also to settle any question, difficulty or doubt that may arise in this regard without requiring to secure any further consent or approval of the shareholders of the Company.”

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

“(i) That pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the Cost Auditors appointed by the Board of Directors of the Company, to conduct the audit of the cost records of the Company for the financial year ending 31st March 2015, be paid the remuneration as set out in the Statement annexed to the Notice convening this meeting.

(ii) That the Board of Directors of the Company be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

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

“That the consent of the Company be and is hereby accorded under the provisions of Section 180 and other applicable provisions, if any, of the Companies Act 2013 to the Board of Directors to borrow from time to time all such sums of monies as it may deem requisite for the purpose of business of the Company, notwithstanding that monies to borrow together with the monies already borrowed (apart from temporary loan obtained from bankers in the ordinary course of business) will exceed in the aggregate paid-up capital and free reserves, i.e., to say reserves not set apart for any specific purpose, provided however, that the total amount upto which monies may be borrowed by the Directors shall not exceed the sum of ₹ 120 crores (Rupees One hundred twenty crores only).”

Navalur – 600 130

Date: 4.6.2014

By Order of the Board

D. Krishnamurthy

Executive Director-cum-Company Secretary

IMPORTANT NOTES:

1. The Register of Members and the Share Transfer Books of the Company will remain closed from 28th to 31st July, 2014 (both days inclusive) for annual closing.
2. The Explanatory Statement pursuant to Section 102 of the Companies Act 2013, which sets out details relating to Special Business at the meeting, is annexed hereto.
3. A Member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies (Proxy Form attached herewith) 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 and the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office of the Company not less than 48 hours (forty eight hours) before the time fixed for holding the Meeting.
4. The necessary documents in relation to the proposed resolutions shall be open for inspection at the Registered Office of the Company during business hours, excepting on Saturdays and will also be available for inspection at the Annual General Meeting.
5. Brief resume of all Directors proposed to be appointed, nature of their expertise in specific functional areas, names of Companies in which they hold Directorships and Memberships/Chairmanships of Board/ Committees, shareholding as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, are annexed hereto.
6. Members/Proxy holders must bring the attendance slip (attached herewith) to the meeting and hand it over at the entrance of the meeting hall duly signed.
7. 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.
8. The Members are informed that in the case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
9. The Securities and Exchange Board of India (SEBI) has mandated the submission of Income Tax Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to

the Depository Participants with whom they are maintaining their Demat Account. Members holding shares in physical form can submit their PAN details to the Company's Share Registrars.

10. Electronic copy of the Notice of the Twenty Seventh Annual General Meeting of the Company, inter-alia, indicating the process and manner of e-voting along with attendance slip and a proxy form is being sent to all the Members whose email IDs are registered with their Depository Participant(s)/ Company's Registrar and Share Transfer Agents for communication purposes unless any Member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the Twenty Seventh Annual General Meeting of the Company, inter-alia, indicating the process and manner of e-voting along with attendance slip and proxy form is being sent in the permitted mode.
11. Shareholders are requested to update their preferred e-mail ids with the Depository Participants/Company's Registrar and Share Transfer Agents, which will be used for the purpose of sending the official documents through e-mail in future.
12. Corporate Members/Societies are requested to send a duly certified copy of the Board of Directors'/Governing Bodies resolution / Power of Attorney authorising their representative to attend and vote on their behalf at the Annual General Meeting.
13. Members may also note that the Notice of the Twenty Seventh Annual General meeting and the Annual Report for 2014 will be available on the Company's website www.butterflyindia.com for their download. The physical copies of the aforesaid documents will be available at the Company's Registered Office for inspection during normal business hours on working days, excepting Saturdays. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same by post free of cost. For any communication, the shareholders may also send request(s) to the Company's investor email ID: edcs@butterflyindia.com.
14. **Voting through Electronic means:**
 - I. In compliance with the provisions of Section 108 of the Companies Act 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide members facility to exercise their right to vote at the Twenty Seventh Annual General Meeting (AGM) by electronic means and the business may be transacted through e-voting services provided by National Securities Depository Limited (NSDL).

The instructions for shareholders for e-voting are as under:

A. In case a Member receives an email from NSDL (for members whose email IDs are registered with the Depository Participant(s)/ Company's Registrars and Share Transfer Agents) :

- (i) Open email and open PDF file viz., "Butterfly Gandhimathi e-Voting.pdf" with your client ID or folio number as password. The said PDF file contains your user ID and password/PIN for e-voting. Please note that the password is an initial password.
- (ii) Launch Internet Browser by tying the following URL: <https://www.evoting.nsdl.com/>
- (iii) Click on Shareholder-Login.
- (iv) Put user ID and password as initial password/PIN noted in step (i) above. Click login.
- (v) Password change menu appears. Change the password/PIN with new password of your choice with minimum eight digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (vi) Home page of e-voting opens. Click on e-voting: Active Voting Cycles.
- (vii) Select 'EVEN' of Butterfly Gandhimathi Appliances Limited.
- (viii) Now you are ready for e-voting as Cast Vote page opens.
- (ix) Cast your vote by selecting appropriate option and click on "SUBMIT" and also "CONFIRM" when prompted.
- (x) Upon confirmation, the message "Vote Cast Successfully" will be displayed.
- (xi) Once you have voted on the resolution, you will not be allowed to modify your vote.
- (xii) Institutional shareholders (i.e., other than individuals, HUF, NRI, etc.) are required to send scanned copy (PDF/JPG format) of the relevant Board resolution/authority letter, etc., together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the scrutinizer through an email to elawise@gmail.com or butterflyho@butterflyindia.com with a copy marked to evoting@nsdl.co.in.

B. In case a member receives physical copy of the Notice of AGM (for members whose email IDs are not registered with the Depository Participants/Company's Registrars and Share Transfer Agents or requesting physical copy) :

- (i) Initial password is provided as below/at the bottom of the attendance slip for the AGM
EVEN (E-Voting Event Number) USER ID PASSWORD/PIN
- (ii) Please follow all steps from Sl.No. (ii) to Sl.No.(xii) above, to cast vote.

II. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the Downloads section of www.evoting.nsdl.com.

- III. If you are already registered with NSDL for e-voting then you can use your existing user ID and Password/PIN for casting your vote.
 - IV. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
 - V. The e-voting period commences on Friday, 25.7.2014 and ends on Sunday, 27.7.2014. During this period shareholders of the Company holding shares either in physical form or in dematerialized form, as on the cut-off date 27.7.2014, may cast their vote electronically. The e-voting module shall also be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.
 - VI. The voting right of shareholders shall be in proportion to their shares of the paid-up equity share capital of the Company as on 31st July 2014.
 - VII. Mr.K.J.Rebello, Advocate, Madras High Court (Bar Council Enrollment no. BCM359/69) has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner for the purpose of e-voting and postal ballot.
 - VIII. The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period unblock the votes in the presence of atleast two (2) witnesses not in employment of the Company and make a scrutinizer's report of the votes cast in favour or against, if any forthwith to the Chairman of the Company.
 - IX. The results shall be declared on or after the AGM of the Company. The Results declared along with the scrutinizer's report shall be placed on the Company's website www.butterflyindia.com and on the website of NSDL within two (2) days of passing of the resolution at the AGM of the Company and communicated to the NSE and BSE Ltd on which the Company's shares are traded.
 - X. 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, STA Department, Nelson Chambers, 4th Floor, F Block, No.115, Nelson Manickam Road, Aminjikarai, Chennai - 600 029.
 - XI. Members/Proxies are requested to bring their copies of the Annual Report to the meeting.
 - XII. The Company's equity shares are listed with Madras, Bombay, Ahmedabad Stock Exchanges and the National Stock Exchange of India Limited.
 - XIII. 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.
15. For the convenience of members willing to attend the Annual General Meeting, the Company propose to arrange pick-up bus/van from Tambaram and Madhya Kailash (Adyar). The bus/van will be placed opposite to Hindu Mission Hospital, Tambaram and Madhya Kailash temple, Adyar between 9.00 a.m. to 9.45 a.m. on Thursday, 31st July, 2014. Members are requested to produce their attendance slip/proxy form for availing this facility. The road maps respectively from Tambaram and Madhya Kailash to the Company's Corporate Office are given on page no.84 of the report.

EXPLANATORY STATEMENT IN RESPECT OF SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No.5 - Amendment to the Articles of Association of the Company:

The existing Articles 83 and 89 of the Articles of Association of the Company read as follows:

"83. Unless otherwise determined by a General Meeting, the number of Directors shall not be less than 3 and not more than 16."

"89. At the annual general meeting of the Company the whole of the Directors, excepting the non-rotational Government Directors, Corporation Directors or Managing/Whole Time Director or Debenture Director shall retire from office. At every subsequent annual general meeting, one third of the Directors liable to retirement by rotation for the time being or, if their number is not three or a multiple of three, then the number nearest to one third shall retire from office."

As provided in terms of the provisions of Section 152 (6) of the Companies Act 2013 ("The Act"), unless the Articles of Association of the Company provides for retirement of all Directors by rotation, atleast two-third of the total number of Directors (excluding the Independent Directors, as stated in the explanation to Section 152(6) of the Act) shall be the persons whose period of office is liable to retire by rotation.

Further, in order to comply with the aforesaid provision of the Act, the Company is required to reconstitute the composition of its Board and amend its Articles of Association to bring it in harmony with the provisions of Section 152 and 149 of the Act.

The said resolution is placed before the Shareholders for their approval and the Board recommends the passing of the resolution as a Special Resolution.

MEMORANDUM OF INTEREST:

None of the Directors, Key Managerial Personnel of the Company or their relatives are interested in the resolution mentioned under item No.5, except to an extent that he is a Director of the Company.

Item No.6 – Reappointment of Mr.V.M.Lakshminarayanan as Chairman & Managing Director:

At the Extraordinary General Meeting of the Company held on 24th December 2011 Mr.V.M.Lakshminarayanan was appointed as a Managing Director of the Company for a period of three years w.e.f. 1.12.2011, whose period of office is not subject to retirement by rotation during his tenure of office as Managing Director.

At the Annual General Meeting of the Company held on 31.8.2012, in the light of the phenomenal growth in the Company's performance and its future projections and also having regard to the rich contributions made/to be made by Mr.Lakshminarayanan for achieving the accelerated growth milestones and also considering the enhanced salaries paid to the Company's Senior Executives, his remuneration was revised. The approved remuneration package of Mr.Lakshminarayanan is comparatively much lower than the remuneration package for such position in companies with similar synergies.

Mr.Lakshminarayanan is a technocrat having rich experience for the past over 47 years in the manufacturing and marketing of home appliances products. He has gained vast experience in all the key areas of management. He has travelled widely and holds high connections in the country and abroad. He is the Founder-Chairman of the Indo-Russian Chamber of Commerce & Industries.

The Nomination and Remuneration Committee at its meeting held on 6th May 2014, taking into account the rich contribution of Mr.Lakshminarayanan in the progress of the Company, subject to approval of the Board of Directors, recommended his reappointment for a period of five years with effect from 1.12.2014, however, with no change in his existing remuneration package.

The Board of Directors of the Company at its meeting held on 4th June, 2014, subject to approval by Special Resolution of the Shareholders in the ensuing Annual General Meeting, approved reappointment of Mr.Lakshminarayanan with effect from 1.12.2014 as Chairman & Managing Director of the Company, whose period of office shall not be subject to retirement by rotation during his tenure of office as Managing Director.

In view of his high and rare experience in the Industry, your Directors are of the opinion that the continuance of Mr.Lakshminarayanan as Chairman & Managing Director will be highly beneficial to the Company.

In the event of loss, absence or inadequacy of profits in any financial year during the currency of tenure of Mr.Lakshminarayanan, the remuneration stated in the resolution being Item No.6 of the Notice convening the meeting shall be the minimum remuneration payable to him. However, any excess over the limits on minimum remuneration prescribed under the Companies Act 2013, read with schedule V to the said Act shall be payable to Mr.Lakshminarayanan 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.Lakshminarayanan, Chairman & Managing Director from time to time within the limits prescribed under Schedule V to the Companies Act 2013 or any amendment(s) thereto and agreed to between the Board and Mr.Lakshminarayanan, 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.Lakshminarayanan is interested or concerned in the resolution. Messrs.V.M.Balasubramaniam, Director, V.M.Seshadri, Managing Director, V.M.Gangadharam, Executive Director, V.M.Kumaresan, Executive Director-Technical, V.M.L.Karthikeyan, Executive Vice President – Marketing, V.M.L.Senthilnathan, Senior General Manager-Research & Development and V.M.L.Ganesan, General Manager-Marketing, who are relatives of Mr.Lakshminarayanan, are also deemed to be concerned or interested in the resolution. No other Directors or Key Managerial Personnel of the Company or their relatives are interested or concerned, financial or otherwise, in the resolution.

Item No.7 – Appointment of Mr.V.M.Balasubramaniam as Managing Director:

Mr.V.M.Balasubramaniam was appointed as the first Managing Director of the Company, at its Extraordinary General Meeting held on 21.12.1992 and he continued to hold the position upto 31.5.2011. With a view to give more focused attention to the business of LLM Appliances Limited (LLMAL), an associate of the Company, Mr.Balasubramaniam resigned from the Company's Board on 31.5.2011. Within a span of three years through his admirable business acumen, he improved the turnover of LLMAL from ₹ 59.11 crores to ₹194.02 crores. Through his ingenuity he identified the domestic kitchen and domestic electrical appliances like power hobs, rice cookers, bread toasters, electric water kettles, micro-ovens etc., which are fast-moving amongst the new lifestyle customers in the country. After in-depth

searches and enquires, he also developed potential quality suppliers for these products from China.

Having regard to the high growth potential for the above new era sunrise products, the Company has taken over on 29th March 2014, the domestic electric kitchen and domestic electrical appliances business division from LLMAL on 'Slump Sale' as a going concern. In accordance with the terms of the Business Purchase Agreement, the Company has also absorbed LLMAL employees attached to this division. With this acquisition, the Company's product-range now comprises a wide range of domestic kitchen and domestic electrical appliances.

In order to reap optimum benefit out of the above additions to the Company's product range, the Board considers that it would be essential to request Mr.Balasubramaniam to join on its Board as a Managing Director, inter-alia, responsible for ensuring focused attention for prudent procurement plans and future in-house production of these new era sunshine products and accelerate the Company's growth.

Mr.Balasubramaniam has expressed his willingness for being appointed as Managing Director of the Company, subject to approval of the Members at the ensuing Annual General Meeting.

The Nomination and Remuneration Committee at its meeting held on 6th May 2014, subject to approval of the Board of Directors/Shareholders, recommended his appointment as a Managing Director of the Company for a period of five years with effect from 01.08.2014, with the remuneration package as detailed in the Resolution being Item No. 7 of the Notice convening this meeting.

The Board of Directors of the Company at its meeting held on 4th June 2014, subject to approval by a Special Resolution of the Shareholders in the ensuing Annual General Meeting, also approved appointment of Mr.Balasubramaniam as a Managing Director of Company with effect from 01.08.2014, whose period of office shall not be subject to retirement by rotation of Directors.

In the event of loss, absence or inadequacy of profits in any financial year during the currency of tenure of Mr.Balasubramaniam, the remuneration stated in the resolution being Item No.7 of the Notice convening the meeting shall be the minimum remuneration payable to him. However, any excess over the limits on minimum remuneration prescribed under the Companies Act 2013, read with schedule V to the said Act shall be payable to Mr.Balasubramaniam 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.Balasubramaniam as a Managing Director from time to time within the limits prescribed under Schedule V to the Companies Act 2013 or any amendment(s) thereto and agreed to between the Board and Mr.Balasubramaniam, without further reference to the Company in General Meeting and/or the Central Government.

In view of 'hands-on' experience of Mr.Balasubramaniam for 45 years in the Industry, your Directors are of the opinion that his appointment as Managing Director will benefit and accelerate the Company's growth.

The Board recommends that the resolution be passed.

MEMORANDUM OF INTEREST:

Mr.Balasubramaniam is interested or concerned in the resolution. Messrs.V.M.Lakshminarayanan, Chairman & Managing Director, V.M.Seshadri, Managing Director, V.M.Gangadharam, Executive Director and V.M.Kumaresan, Executive Director-Technical, who are relatives of Mr.Balasubramaniam, are also deemed to be concerned or interested in the resolution. No other Directors or Key Managerial Personnel or their relatives are interested or concerned, financial or otherwise, in the resolution.

Item No.8 – Change in terms of reappointment of Mr.V.M.Seshadri as Managing Director:

Mr.V.M.Seshadri was reappointed as Managing Director of the Company, for a period of three years commencing from 1st June 2014 through a Special Resolution of the Members at the Annual General Meeting of the Company held on 26.7.2013, whose period of Office was not subject to determination by retirement of Directors by rotation.

In accordance with the provisions of Section 152(6) of the Companies Act 2013 ("the Act"), unless the Articles of Association of the Company provides for retirement of all Directors by rotation, at least two-third of the total number of Directors shall be the persons whose period of office is liable to determination by retirement of Directors by rotation. Also, in terms of explanation to Section 152(6), Independent Directors appointed in terms of Section 149 of the Act are to be excluded for the purpose of calculating total number of Directors who are liable to retirement by rotation.

Therefore, in order to comply with the aforesaid provision of the Act, the Company is now required to reconstitute the composition of its

Board in a manner that it comprises of two-third of the total number of Directors whose period of office is liable to determination by retirement of Directors by rotation. Hence, the Company is required to vary the terms of appointment of its Managing Directors and Whole-time Directors to make them liable to retire by rotation in terms of Section 152 of the Act.

In order to comply with the aforesaid provision of the Act, the Company is required to alter the terms of reappointment of Mr.V.M.Seshadri as Managing Director of the Company in respect of his office liable to retire by rotation. Further, it may be noted that his reappointment made under the erstwhile Companies Act 1956 was duly approved by the Shareholders at the Annual General Meeting held on 26.7.2013 and the office of Mr.Seshadri as Managing Director was not liable to be determined by rotation. However, his tenure of office will be subject to rotation henceforth for the limited purpose of complying with the provisions of Section 152 of the Act and this will not cause a break in continuity of office for the unexpired period of his reappointment. All other terms and conditions of his reappointment will remain same. Earlier, his reappointment was subject to the terms and conditions as contained in the Companies Act 1956 which shall stand varied to the extent that the balance tenure of his office shall be subject to applicable laws under the Act and Schedule V thereto, read with other applicable provisions, if any. Therefore, the Company is required to vary the resolution as passed by its Shareholders on 26.7.2013.

The above resolution is placed before the shareholders for their approval and the Board recommends passing of the resolution as an Ordinary resolution.

MEMORANDUM OF INTEREST:

Mr.Seshadri may be deemed to be concerned or interested in the resolution, apart from his relatives viz., Messrs.V.M.Lakshminarayanan, Chairman & Managing Director, V.M.Balasubramaniam, Director, V.M.Gangadharam, Executive Director, V.M.Kumaresan, Executive Director-Technical, V.M.S.Kumaraguru, Head-Exports and V.M.S.Selvamuthukumaran, General Manager-Marketing. No other Directors or Key Managerial Personnel of the Company or their relatives are interested, financial or otherwise, in the resolution.

Item No.9 – Change in terms of reappointment of Mr.V.M.Gangadharam as Executive Director:

Mr.V.M.Gangadharam was reappointed as Executive Director of the Company, for a period of three years commencing from 1st October 2013 through a Special Resolution of the Members at the Annual General Meeting of the Company held on 26.7.2013, whose period of Office was not subject to determination by retirement of Directors by rotation.

In accordance with the provisions of Section 152(6) of the Companies Act 2013 (“the Act”), unless the Articles of Association of the Company provides for retirement of all Directors by rotation, at least two-third of the total number of Directors shall be the persons whose period of office is liable to determination by retirement of Directors by rotation. Also, in terms of explanation to Section 152(6), Independent Directors appointed in terms of Section 149 of the Act are to be excluded for the purpose of calculating total number of Directors who are liable to retirement by rotation.

Therefore, in order to comply with the aforesaid provision of the Act, the Company is now required to reconstitute the composition of its Board in a manner that it comprises of two-third of the total number of Directors whose period of office is liable to determination by retirement of Directors by rotation. Hence, the Company is required to vary the terms of appointment of its Managing Directors and Whole-time Directors to make them liable to retire by rotation in terms of Section 152 of the Act.

In order to comply with the aforesaid provision of the Act, the Company is required to alter the terms of reappointment of Mr.V.M.Gangadharam as Executive Director of the Company in respect of his office liable to retire by rotation. Further, it may be noted that his reappointment made under the erstwhile Companies Act 1956 was duly approved by the Shareholders at the Annual General Meeting held on 26.7.2013 and the office of Mr.Gangadharam as Executive Director was not liable to be determined by rotation. However, his tenure of office will be subject to rotation henceforth for the limited purpose of complying with the provisions of Section 152 of the Act and this will not cause a break in continuity of office for the unexpired period of his reappointment. All other terms and conditions of his reappointment will remain same. Earlier, his reappointment was subject to the terms and conditions as contained in the Companies Act 1956 which shall stand varied to the extent that the balance tenure of his office shall be subject to applicable laws under the Act and Schedule V thereto, read with other applicable provisions, if any. Therefore, the Company is required to vary the resolution as passed by its Shareholders on 26.7.2013.

The above resolution is placed before the shareholders for their approval and the Board recommends passing of the resolution as an Ordinary resolution.

MEMORANDUM OF INTEREST:

Mr.Gangadharam may be deemed to be concerned or interested in the resolution, apart from his relatives viz., Messrs.V.M.Lakshminarayanan, Chairman & Managing Director, V.M.Balasubramaniam, Director, V.M.Seshadri, Managing Director, V.M.Kumaresan, Executive Director-Technical, V.M.G.Viswanathan, Senior General Manager-Materials Management and V.M.G.Mayuresan, General Manager-Corporate Strategy. No other Directors or Key Managerial Personnel of the Company or their relatives are interested, financial or otherwise, in the resolution.

Item No.10 – Change in terms of reappointment of Mr.V.M.Kumaresan as Executive Director-Technical:

Mr.V.M.Kumaresan was reappointed as Executive Director-Technical of the Company, for a period of three years commencing from 1st June 2013 through a Special Resolution of the Members at the Annual General Meeting of the Company held on 31.08.2012, whose period of Office was not subject to determination by retirement of Directors by rotation.

In accordance with the provisions of Section 152(6) of the Companies Act 2013 (“the Act”), unless the Articles of Association of the Company provides for retirement of all Directors by rotation, at least two-third of the total number of Directors shall be the persons whose period of office is liable to determination by retirement of Directors by rotation. Also, in terms of explanation to Section 152(6), Independent Directors appointed in terms of Section 149 of the Act are to be excluded for the purpose of calculating total number of Directors who are liable to retirement by rotation.

Therefore, in order to comply with the aforesaid provision of the Act, the Company is now required to reconstitute the composition of its Board in a manner that it comprises of two-third of the total number of Directors whose period of office is liable to determination by retirement of Directors by rotation. Hence, the Company is required to vary the terms of appointment of its Managing Directors and Whole-time Directors to make them liable to retire by rotation in terms of Section 152 of the Act.

In order to comply with the aforesaid provision of the Act, the Company is required to alter the terms of reappointment of Mr.V.M.Kumaresan as Executive Director-Technical of the Company in respect of his office liable to retire by rotation. Further, it may be noted that his reappointment made under the erstwhile Companies Act 1956 was duly approved by the Shareholders at the Annual General Meeting held on 31.08.2012 and the office of Mr.Kumaresan as Executive Director-Technical was not liable to be determined by rotation. However, his tenure of office will be subject to rotation henceforth for the limited purpose of complying with the provisions of Section 152 of the Act and this will not cause a break in continuity of office for the unexpired period of his reappointment. All other terms and conditions of his reappointment will remain same. Earlier, his reappointment was subject to the terms and conditions as contained in the Companies Act 1956 which shall stand varied to the extent that the balance tenure of his office shall be subject to applicable laws under the Act and Schedule V thereto, read with other applicable provisions, if any. Therefore, the Company is required to vary the resolution as passed by its Shareholders on 31.08.2012.

The above resolution is placed before the shareholders for their approval and the Board recommends passing of the resolution as an Ordinary resolution.

MEMORANDUM OF INTEREST:

Mr.Kumaresan may be deemed to be concerned or interested in the resolution, apart from his relatives viz., Messrs.V.M.Lakshminarayanan, Chairman & Managing Director, V.M.Balasubramaniam, Director, V.M.Sedhadri, Managing Director and V.M.Gangadharam, Executive Director. No other Directors or Key Managerial Personnel of the Company or their relatives are interested, financial or otherwise, in the resolution.

Item No. 11 – Appointment of Mr.V.R.Lakshminarayanan as an Independent Director:

Mr.V.R.Lakshminarayanan (“**Mr.Lakshminarayanan**”), is a Non-Executive Independent Director of the Company in terms of Listing Agreement with the Stock Exchanges. Mr.Lakshminarayanan joined the Board of Directors of the Company on 11.01.1993. He is the Chairman of the Nomination and Remuneration Committee and a member of the Audit Committee of the Company.

Mr.Lakshminarayanan, Indian Police Service (IPS), retired as Director General of Police (DGP) of Tamil Nadu. He has the background of very loyal and efficient service and admirable administrative ability. During his tenure as DGP, his high and rare prudence in maintaining public law and order was laudable.

Mr.Lakshminarayanan is a well-respected citizen in Chennai, where he has settled. He is the advisor for several Public/Charitable Organizations. He is a voracious reader and has a flair for writing on important current topics.

In terms of Section 149 and any other applicable provisions of the Companies Act 2013 (“the Act”), Mr.Lakshminarayanan being eligible, offers himself for appointment, as an Independent Director for a term of five consecutive years with effect from 1st August 2014 to 31st July 2019.

The Company has received a Notice in writing under Section 160 of the Act from a Member, proposing candidature of Mr.Lakshminarayanan for the Office of Director of the Company.

The Nomination and Remuneration Committee, at its meeting held on 27.5.2014 has proposed his name to be appointed as Independent

Director on the Board in terms of Section 149 of the Act.

The Board of Directors, at its meeting held on 4.6.2014, subject to approval of the members at the ensuing Annual General Meeting, has also approved his appointment as an Independent Director.

Further Mr.Lakshminarayanan hold 1000 equity shares of the Company in his name. Apart from this, he does not hold either himself or through any other person on a beneficial basis, any shares in the Company.

In the opinion of the Board, Mr.Lakshminarayanan fulfils the conditions specified in the Act and Rules made thereunder for his appointment as an Independent Director of the Company and is independent of the management.

Copy of the draft letter for appointment of Mr.Lakshminarayanan as an Independent Director and setting out the terms and conditions for the said appointment would be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on any working day, excluding Saturdays.

The Board considers that Mr.Lakshminarayanan's continued association will be of immense benefit to the Company and it will be desirable to continue to avail his services as an Independent Director.

Accordingly the Board recommends the resolution in relation to appointment of Mr.Lakshminarayanan as an Independent Director, for the approval by the Shareholders of the Company.

This Explanatory Statement may also be regarded as a disclosure under clause 49 of the Listing Agreement with the Stock Exchanges with which the Company's equity shares have been listed.

MEMORANDUM OF INTEREST:

Except Mr.Lakshminarayanan, being an appointee, no other Directors or Key Managerial Personnel of the Company or their relatives are concerned or interested, financial or otherwise, in the resolution.

Item No.12 – Appointment of Mr.K.Ganesan as an Independent Director:

Mr. K.Ganesan ("Mr.Ganesan"), is a Non-Executive Independent Director of the Company in terms of Listing Agreement with the Stock Exchanges. Mr.Ganesan joined the Board of Directors of the Company on 30.01.1999. He is the Chairman of the Audit Committee, Stakeholders Grievance Committee and a member of the Executive Committee of Directors and Nomination and Remuneration Committee of the Company.

Mr.Ganesan, a Chartered Accountant, retired as a Senior Partner of M/s.Loveloock & Lewes, Chartered Accountants. He is the co-author of some publications on Companies Act 1956. He has vast experience and expertise in Auditing, Accounts and Finance of several multinational and Indian Companies. He was also a member of the Company Law Advisory Committee constituted by Government of India, a Member of the Central Committee of the Institute of Chartered Accountants of India, a Trustee of the Unit Trust of India, besides holding the post of Nominee Directorship in public companies, Mr.Ganesan was also a Director of many companies.

In terms of Section 149 and any other applicable provisions of the Companies Act, 2013 ('the Act'), Mr.Ganesan being eligible, offers himself for appointment, as an Independent Director for a term of five consecutive years with effect from 1st August 2014 to 31st July 2019.

The Company has received a Notice in writing under Section 160 of the Act from a Member, proposing candidature of Mr.Ganesan for the Office of Director of the Company.

The Nomination and Remuneration Committee, at its meeting held on 27.5.2014 has proposed his name to be appointed as Independent Director on the Board in terms of Section 149 of the Act.

The Board of Directors, at its meeting held on 4.6.2014, subject to approval of the members at the ensuing Annual General Meeting, has also approved his appointment as an Independent Director.

Further Mr.Ganesan does not hold by himself or through any other person on a beneficial basis, any shares in the Company.

In the opinion of the Board, Mr.Ganesan fulfils the conditions specified in the Act and Rules made thereunder for his appointment as an Independent Director of the Company and is independent of the management.

Copy of the draft letter for appointment of Mr.Ganesan as an Independent Director and setting out the terms and conditions for the said appointment would be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on any working day, excluding Saturdays.

The Board considers that Mr.Ganesan's continued association will be of immense benefit to the Company and it will be desirable to continue to avail his services as an Independent Director.

Accordingly the Board recommends the resolution in relation to appointment of Mr. Ganesan as an Independent Director, for the approval by the Shareholders of the Company.

This Explanatory Statement may also be regarded as a disclosure under clause 49 of the Listing Agreement with the Stock Exchanges with which the Company's equity shares have been listed.

MEMORANDUM OF INTEREST:

Except Mr. Ganesan, being an appointee, no other Directors or Key Managerial Personnel of the Company or their relatives are concerned or interested, financial or otherwise, in the resolution.

Item No.13 – Appointment of Mr.M.Padmanabhan as an Independent Director:

Mr.M.Padmanabhan ("Mr.Padmanabhan"), is a Non-Executive Independent Director of the Company in terms of Listing Agreement with the Stock Exchanges. Mr.Padmanabhan joined the Board of Directors of the Company on 30.01.1999. He is a Member of the Audit Committee, Executive Committee, Stakeholders Grievance Committee and Nomination and Remuneration Committee of the Company.

Mr.Padmanabhan is a Practising Chartered Accountant with over 40 years of rich experience in the Audit of Accounts of Public Limited Companies and Nationalised/Scheduled Banks. He is an independent Director in Quintegra Solutions Ltd and Tamil Nadu Rice Millers Ltd, Chennai. Mr.Padmanabhan actively involves in various social and cultural organizations and is well known in the elite circle.

In terms of Section 149 and any other applicable provisions of the Companies Act, 2013 ('the Act') Mr.Padmanabhan being eligible, offers himself for appointment, as an Independent Director for a term of five consecutive years with effect from 1st August 2014 to 31st July 2019.

The Company has received a Notice in writing under Section 160 of the Act from a Member, proposing candidature of Mr.Padmanabhan for the Office of Director of the Company.

The Nomination and Remuneration Committee, at its meeting held on 27.5.2014 has proposed his name to be appointed as Independent Director on the Board in terms of Section 149 of the Act.

The Board of Directors, at its meeting held on 4.6.2014, subject to approval of the members at the ensuing Annual General Meeting, has also approved his appointment as an Independent Director.

Further Mr.Padmanabhan does not hold by himself or through any other person on a beneficial basis, any shares in the Company.

In the opinion of the Board, Mr.Padmanabhan fulfils the conditions specified in the Act and Rules made thereunder for his appointment as an Independent Director of the Company and is independent of the management.

Copy of the draft letter for appointment of Mr.Padmanabhan as an Independent Director and setting out the terms and conditions for the said appointment would be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on any working day, excluding Saturdays.

The Board considers that Mr.Padmanabhan's continued association will be of immense benefit to the Company and it will be desirable to continue to avail his services as an Independent Director.

Accordingly the Board recommends the resolution in relation to appointment of Mr.Padmanabhan as an Independent Director, for the approval by the Shareholders of the Company.

This Explanatory Statement may also be regarded as a disclosure under clause 49 of the Listing Agreement with the Stock Exchanges with which the Company's equity shares have been listed.

MEMORANDUM OF INTEREST:

Except Mr.Padmanabhan, being an appointee, no other Directors or Key Managerial Personnel of the Company or their relatives are concerned or interested, financial or otherwise, in the resolution.

Item No.14 – Appointment of Mr.A.Balasubramanian as an Independent Director:

Mr. A.Balasubramanian ("Mr.Balasubramanian"), is a Non-Executive Independent Director of the Company in terms of Listing Agreement with the Stock Exchange. Mr.Balasubramanian joined the Board of Directors of the Company on 14.11.2011. He is a Member of the Audit Committee and Nomination and Remuneration Committee of the Company.

Mr.Balasubramanian is a Chartered Accountant. He served Punjab National Bank (PNB) from the year 1981 to 2008 (27 years) in different managerial capacities and retired as Chief General Manager at the Head Office of PNB, New Delhi. He has rich experience in Credit Administration and other areas of Banking. Before joining bank, he had earlier worked with Tata Group for about five years in areas of Accounts and Finance. Presently he is practising as Chartered Accountant, combined with independent Financial Consultancy and

Advisory Services. He is a Director in Nelcast Limited, Gudur, Andhra Pradesh and Bedmutha Industries Ltd., Nashik, Maharashtra.

In terms of Section 149 and any other applicable provisions of the Companies Act 2013 ('the Act'), Mr. Balasubramanian being eligible, offers himself for appointment, as an Independent Director for a term of five consecutive years with effect from 1st August 2014 to 31st July 2019.

The Company has received a Notice in writing under Section 160 of the Act from a Member, proposing candidature of Mr. Balasubramanian for the Office of Director of the Company.

The Nomination and Remuneration Committee, at its meeting held on 27.05.2014 has proposed his name to be appointed as Independent Director on the Board in terms of Section 149 of the Act.

The Board of Directors, at its meeting held on 04.06.2014, subject to approval of the members at the ensuing Annual General Meeting, has also approved his appointment as an Independent Director.

Further Mr. Balasubramanian does not hold by himself or through any other person on a beneficial basis, any shares in the Company.

In the opinion of the Board, Mr. Balasubramanian fulfils the conditions specified in the Act and Rules made thereunder for his appointment as an Independent Director of the Company and is independent of the management.

Copy of the draft letter for appointment of Mr. Balasubramanian as an Independent Director and setting out the terms and conditions for the said appointment would be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on any working day, excluding Saturdays.

The Board considers that Mr. Balasubramanian's continued association will be of immense benefit to the Company and it will be desirable to continue to avail his services as an Independent Director.

Accordingly the Board recommends the resolution in relation to appointment of Mr. Balasubramanian as an Independent Director, for the approval by the Shareholders of the Company.

This Explanatory Statement may also be regarded as a disclosure under clause 49 of the Listing Agreement with the Stock Exchanges with which the Company's equity shares have been listed.

MEMORANDUM OF INTEREST:

Except Mr. Balasubramanian, being an appointee, no other Directors or Key Managerial Personnel of the Company or their relatives are concerned or interested, financial or otherwise, in the resolution.

Item No.15 – Appointment of Mr.K.J.Kumar as an Independent Director:

Mr. K.J.Kumar ("Mr.Kumar"), is a Non-Executive Independent Director of the Company in terms of Listing Agreement with the Stock Exchanges. Mr.Kumar joined the Board of Directors of the Company on 11.5.2012.

Mr.Kumar is a Mechanical Engineer. Initially for a short spell, he worked in Simpsons Group as a Mechanical Engineer. Thereafter, in the year 1965 he started his own business. The KJK Group of Companies, Chennai, for which he is presently the Chairman & Managing Director, are involved in manufacturing, sales and International business of Diamond PCD, PCBN, Carbide and Super abrasive tools for hard and high precision CNC Machining applications.

Mr.Kumar has travelled worldwide for technology, import of machinery and export of industrial products. He is the Honorary Consul of The Republic of Indonesia in Chennai. He is also the recipient of Honorary Citizen Award from the City Council, El Paso, Texas, USA.

In terms of Section 149 and any other applicable provisions of the Companies Act 2013 ('the Act'), Mr.Kumar being eligible, offers himself for appointment, as an Independent Director for a term of five consecutive years with effect from 1st August 2014 to 31st July 2019.

The Company has received a Notice in writing under Section 160 of the Act from a Member, proposing candidature of Mr.Kumar for the Office of Director of the Company.

The Nomination and Remuneration Committee, at its meeting held on 27.5.2014 has proposed his name to be appointed as Independent Director on the Board in terms of Section 149 of the Act.

The Board of Directors, at its meeting held on 04.06.2014, subject to approval of the members at the ensuing Annual General Meeting, has also approved his appointment as an Independent Director.

Further Mr.Kumar does not hold by himself or through any other person on a beneficial basis, any shares in the Company.

In the opinion of the Board, Mr.Kumar fulfils the conditions specified in the Act and Rules made thereunder for his appointment as an Independent Director of the Company and is independent of the management.

Copy of the draft letter for appointment of Mr.Kumar as an Independent Director and setting out the terms and conditions for the said appointment would be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on any working day, excluding Saturdays.

The Board considers that Mr.Kumar's continued association will be of immense benefit to the Company and it will be desirable to continue to avail his services as an Independent Director.

Accordingly the Board recommends the resolution in relation to appointment of Mr.Kumar as an Independent Director, for the approval by the Shareholders of the Company.

This Explanatory Statement may also be regarded as a disclosure under clause 49 of the Listing Agreement with the Stock Exchanges with which the Company's equity shares have been listed.

MEMORANDUM OF INTEREST:

Except Mr.Kumar, being an appointee, no other Directors or Key Managerial Personnel of the Company or their relatives are concerned or interested, financial or otherwise, in the resolution.

Item No.16 – Appointment of Mr.G.S.Samuel as an Independent Director:

Mr.G.S.Samuel ("Mr.Samuel"), is a Non-Executive Independent Director of the Company in terms of Listing Agreement with the Stock Exchanges. Mr.Samuel joined the Board of Directors of the Company on 11.05.2012.

Mr.Samuel, after Post Graduation and Post PG Research in Economics, qualified Master of Business Administration (Finance). From 1975 to 1993, i.e., for about 18 years, he worked in the State Bank of India Group in senior positions at their Regional Office, Head Office and Central Office. Thereafter, from 1993-1999, he held the position of Chief Executive Officer/Managing Director in a well reputed Private Sector, Non-Banking Finance Company, specializing in areas of deposits, retail lending, hire purchase and leasing finance, Merchant Banking, Corporate Finance, Financial services etc. From 2000-2007, he was Executive Director of a London based Private Banking Group specializing in Financial Advisory Services, Private Equity Placement, Capital Market Services, Merges and Acquisitions, Debts restructuring, etc. and later with an India based Financial Advisory Outfit having varied clients from MNCs and Blue Chip Indian Corporates to large infrastructure projects, resources raising loan venture capital funds to Micro Finance Organizations and NGOs.

Mr.Samuel is a member of the Taxation and Economic Affairs Committee of Confederation of Indian Industry (CII), and Convener of the Committee for the Southern Chapter of CII. He is also a Member of the Management Committee of Equipment Leasing Association of India (ELAI).

In terms of Section 149 and any other applicable provisions of the Companies Act 2013 ('the Act'), Mr.Samuel being eligible, offers himself for appointment, as an Independent Director for a term of five consecutive years with effect from 1st August 2014 to 31st July 2019.

The Company has received a Notice in writing under Section 160 of the Act from a Member, proposing candidature of Mr.Samuel for the Office of Director of the Company.

The Nomination and Remuneration Committee, at its meeting held on 27.5.2014 has proposed his name to be appointed as Independent Director on the Board in terms of Section 149 of the Act.

The Board of Directors, at its meeting held on 4.6.2014, subject to approval of the members at the ensuing Annual General Meeting, has also approved his appointment as an Independent Director.

Further Mr.Samuel does not hold by himself or through any other person on a beneficial basis, any shares in the Company.

In the opinion of the Board, Mr.Samuel fulfils the conditions specified in the Act and Rules made thereunder for his appointment as an Independent Director of the Company and is independent of the management.

Copy of the draft letter for appointment of Mr.Samuel as an Independent Director and setting out the terms and conditions for the said appointment would be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on any working day, excluding Saturdays.

The Board considers that Mr.Samuel's continued association will be of immense benefit to the Company and it will be desirable to continue to avail his services as an Independent Director.

Accordingly the Board recommends the resolution in relation to appointment of Mr.Samuel as an Independent Director, for the approval by the Shareholders of the Company.

This Explanatory Statement may also be regarded as a disclosure under clause 49 of the Listing Agreement with the Stock Exchanges with which the Company's equity shares have been listed.

MEMORANDUM OF INTEREST:

Except Mr. Samuel, being an appointee, no other Directors or Key Managerial Personnel of the Company or their relatives are concerned or interested, financial or otherwise, in the resolution.

Item No.17 – Appointment of Mr.T.R.Srinivasan as an Independent Director:

Mr.T.R.Srinivasan (“Mr.Srinivasan”), is a Non-Executive Independent Director of the Company in terms of Listing Agreement with the Stock Exchanges. Mr.Srinivasan joined the Board of Directors of the Company on 1.6.2013.

Mr.Srinivasan after completing post-graduation in Physics from the University of Delhi in 1969 and after a brief stint as Probationary Officer in a Public Sector Bank, was selected by the Union Public Service Commission for the Indian Administrative Service (IAS) in July 1971. He has over 35 years of wide ranging experience in the Government, having worked at both Policy Planning and Implementation in different sectors. These include urban planning and development, forecasting food requirement, procurement, management and distribution, planning and development of industrial infrastructure.

His achievements include turn-around of loss making PSUs, State Industries Promotion Corporation (SIPcot) and TANSI to Profit within two years; Restoration of Chennai Airport functioning within a day after terror blast; Rapid rehabilitation of cyclone population, Promotion and sale of IT Park within record time, attracting a large number of auto component industries to Tamil Nadu State, as a part of promoting the State as an auto hub. After holding top positions like Director of Town & Country Planning, Chennai; Collector, Chengalpattu District; Chairman and Managing Director of Tamil Nadu Civil Supplies Corporation; Secretary to Government, Food Co-operation and Consumer Protection Departments, Chennai; Chairman and Managing Director, State Industries Promotion Corporation (SIPcot), Chennai; Chairman & Managing Director, Small Industries Development Corporation (SIDCO), Chennai, he retired in the year 2008 as Vice Chairman, Chennai Metropolitan Development Authority (CMDA).

In terms of Section 149 and any other applicable provisions of the Companies Act 2013 ('the Act'), Mr.Srinivasan being eligible, offers himself for appointment, as an Independent Director for a term of five consecutive years with effect from 1st August 2014 to 31st July 2019.

The Company has received a Notice in writing under Section 160 of the Act from a Member, proposing candidature of Mr.Srinivasan for the Office of Director of the Company.

The Nomination and Remuneration Committee, at its meeting held on 27.5.2014 has proposed his name to be appointed as Independent Director on the Board in terms of Section 149 of the Act.

The Board of Directors, at its meeting held on 4.6.2014, subject to approval of the members at the ensuing Annual General Meeting, has also approved his appointment as an Independent Director.

Further Mr.Srinivasan does not hold by himself or through any other person on a beneficial basis, any shares in the Company.

In the opinion of the Board, Mr.Srinivasan fulfils the conditions specified in the Act and Rules made thereunder for his appointment as an Independent Director of the Company and is independent of the management.

Copy of the draft letter for appointment of Mr.Srinivasan as an Independent Director and setting out the terms and conditions for the said appointment would be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on any working day, excluding Saturdays.

The Board considers that Mr.Srinivasan's continued association will be of immense benefit to the Company and it will be desirable to continue to avail his services as an Independent Director.

Accordingly the Board recommends the resolution in relation to appointment of Mr.Srinivasan as an Independent Director, for the approval by the Shareholders of the Company.

This Explanatory Statement may also be regarded as a disclosure under clause 49 of the Listing Agreement with the Stock Exchanges with which the Company's equity shares have been listed.

MEMORANDUM OF INTEREST:

Except Mr.Srinivasan, being an appointee, no other Directors or Key Managerial Personnel of the Company or their relatives are concerned or interested, financial or otherwise, in the resolution.

Item No.18 – Appointment of Mr.V.M.B.Shanmuganathan:

Mr.V.M.B.Shanmuganathan (“Mr.Shanmuganathan”), aged 28 years, is the son of Mr.V.M.Balasubramaniam, Promoter-Director of the Company. He is a Graduate in Mechanical Engineering. Having born and brought up in the Industrialists' family, he has taken very keen interest in the business.

He was appointed as Assistant General Manager-Marketing in LLM Appliances Limited (LLMAL), an associate of the Company, w.e.f. 01.10.2010. Within one year of his appointment, he doubled the turnover in LLMAL. In appreciation of his marketing and selling skills, he was promoted as General Manager-Marketing w.e.f. 01.12.2011 at the Extraordinary General Meeting of LLMAL held on 5.11.2011.

Apart from his laudable performance in sales and marketing, Mr. Shanmuganathan was also actively involved in identifying suppliers of quality domestic kitchen and domestic electrical appliances products in China.

BGMAL has since taken over LLMAL's business Division of domestic kitchen and domestic electrical appliances. In terms of the Business Purchase Agreement between the two companies, BGMAL is obliged to take on its pay roll the Executives/employees of the said Division of LLMAL and honour and protect their existing terms and conditions of service. Notwithstanding this, having regard to the experience and expertise already gained by Mr. Shanmuganathan in the procurement and marketing of the new products taken over, his appointment as General Manager-Marketing in BGMAL is considered to be in the best interest of the Company.

The Nomination and Remuneration Committee at its meeting held on 6th May 2014, interviewed and interacted with Mr. Shanmuganathan, subject to approval of the Board of Directors/Shareholders, the Committee approved his appointment as General Manager-Marketing with the remuneration package as detailed in the Resolution being Item No. 18 of the Notice convening this meeting.

The Board of Directors of the Company at its meeting held on 4th June 2014, subject to approval by a Special Resolution of the Shareholders in the forthcoming Annual General Meeting, also approved appointment of Mr. Shanmuganathan as a General Manager-Marketing of the Company with effect from 01.08.2014.

There is no change in his proposed remuneration vis-à-vis his remuneration in LLMAL, excepting realignment of his annual salary and perquisites, i.e., whereas in addition to his salary he was entitled to 50% of annual salary as perquisites in LLMAL, the Company has realigned the proportion of annual salary and perquisites respectively as 80% : 20% without changing his gross emoluments.

MEMORANDUM OF INTEREST:

Mr. Shanmuganathan, being the appointee, is interested or concerned in the resolution. Apart from him, Mr. Balasubramaniam being his relative may also be deemed to be concerned or interested in the resolution. No other Directors or Key Managerial Personnel of the Company or their relatives are interested or concerned, financial or otherwise in the resolution.

Item No.19 - Appointment of Mr. V.M.K. Sivashanmugam:

Mr. V.M.K. Sivashanmugam ('Mr. Sivashanmugam') is the son of Mr. V.M. Kumaresan, Executive Director-Technical of the Company. Aged 25 years, after qualifying as a Mechanical Engineer, he underwent and qualified in a five year Super Specialty Course in Product Design Management from DSKISD International School of Design, Pune. As a part of his Product Design Management Course, he also completed internship of six months in Wilddesign in Germany.

While undergoing the Design Management course, Mr. Sivashanmugam has done Design Projects and Work Shops for well-known Multinationals like Electrolux, Carrefour, Haworth, 3M, Newfeel, LG, Philips, Decathlon, Pika Design, Booq Bags, etc. He was also the leader of some of these Projects.

The Company is embarking upon an exhaustive brand building project for its 'Butterfly' brand, combined with synchronization of latest designs for its kitchen and electrical appliances. This requires a robust Design Team and a State of the art Design Studio. The Company has appointed Mr. David Steed, a well-known Design Engineer from Belgium, who will be working under Mr. V.M. Kumaresan, Executive Director-Technical.

To assist Mr. David Steed, who needs well qualified and most talented design engineers, the Company is now in the process of selecting suitable Design Engineers.

The Nomination and Remuneration Committee at its meeting held on 6th May 2014, interviewed and interacted with Mr. Sivashanmugam. Considering his impressive academic career and high potential to shine as a good Design Engineer, subject to approval of the Board of Directors/Shareholders, the Committee has approved his appointment as Deputy General Manager- Design with the remuneration package as detailed in the Resolution being Item No.19 of the Notice convening this meeting, which is at par with the prevailing remuneration for Design Engineers of his Calibre.

The Board of Directors of the Company at its meeting held on 4th June 2014, subject to approval by a Special Resolution of the Shareholders in the forthcoming Annual General Meeting, also approved appointment of Mr. Sivashanmugam as a Deputy General Manager-Designs of the Company with effect from 01.08.2014.

MEMORANDUM OF INTEREST:

Mr. Sivashanmugam, being the appointee, is interested or concerned in the resolution. Apart from him, Mr. Kumaresan, being his relative, may also be deemed to be concerned or interested in the resolution. No other Directors or Key Managerial Personnel of the Company or their relatives are interested or concerned, financial or otherwise, in the resolution.

Item No.20 – Re-designation of Mr.V.M.L.Ganesan:

Mr.V.M.L.Ganesan, (“Mr.Ganesan”) son of Mr.V.M.Lakshminarayanan, Chairman & Managing Director of the Company, aged 34 years, is a Commerce graduate with Post Graduate Business Management Degree from Raffles University, Singapore.

Mr.Ganesan was appointed as Deputy General Manager-Marketing w.e.f. 1.6.2009, at the Annual General Meeting of the Company held on 6.5.2009. Subsequently, Mr.Ganesan was elevated to the position of General Manager – Marketing with retrospective effect from 1.6.2011 at the Annual General Meeting of the Company held on 11.8.2011.

The company has recently taken over the business division of domestic kitchen and domestic electrical appliance products division of LLM Appliances Ltd (LLMAL), an associate of the Company. LLMAL is having a number of Senior level Sales and Marketing Executives and the Company is in the process of realigning their position vis-a-vis its own senior Sales and Marketing Executives. In order to avert a superfluous situation in the Senior Management level of Sales and Marketing Executives, as a measure of business expediency, Company feels that Mr.Ganesan, who is a Commerce Graduate cum Post Graduate Degree holder in MBA-Finance and having thorough knowledge of the financial affairs of the Company, could be re-designated as General Manager-Finance without, however, any change in his existing remuneration. Mr.Ganesan is also agreeable for the proposed change in his designation.

The Nomination and Remuneration Committee at its meeting held on 6th May 2014, interviewed and interacted with Mr.Ganesan. Subject to approval of the Board of Directors/Shareholders, the Committee has approved re-designating him as General Manager-Finance.

The Board of Directors of the Company at its meeting held on 4th June 2014, subject to approval by a Special Resolution of the Shareholders in the forthcoming Annual General Meeting, also approved re-designating Mr.Ganesan as General Manager-Finance of the Company with effect from 01.08.2014.

MEMORANDUM OF INTEREST:

Mr.Ganesan being the appointee, is interested or concerned in the resolution. Apart from him, Messrs.V.M.Lakshminarayanan, Chairman & Managing Director, V.M.L.Karthikeyan, Executive Vice President-Marketing and V.M.L.Senthilnathan, Senior General Manager – R&D being his relatives, may also be deemed to be concerned or interested in the resolution. No other Directors or Key Managerial Personnel of the Company or their relatives are interested or concerned, financial or otherwise, in the resolution.

Item No.21 – Remuneration of Cost Auditors:

The Board, on recommendation of Audit Committee, has approved the appointment of M/s.S.Mahadevan & Co., Cost Accountants (Regn.No.000007), Chennai as Cost Auditors, to conduct the Audit of the Cost records of the Company for the financial year ending 31st March 2015, and has also approved a fee of ₹ 1.75 lakhs plus service tax and reimbursement of out of pocket expenses towards their professional services.

In accordance with the provisions of Section 148 of the Companies Act 2013 read with the Companies (Audit and Auditors) Rules 2014, the remuneration payable to the Cost Auditors has to be ratified by the shareholders of the Company.

Accordingly, consent of the Members is sought for passing an ordinary resolution as set out in Item No.21 of the Notice for ratification of the remuneration payable to the Cost Auditors for the financial year ending on 31.3.2015.

The Board commends the above resolution for approval by the shareholders.

MEMORANDUM OF INTEREST:

None of the Directors or key managerial personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution.

Item No.22 – Board of Directors' power to borrow money :

At the Extraordinary General Meeting of the Company held on 15th October 2011, Members, through an Ordinary Resolution accorded approval under the provisions of Section 293(1)(d) of the Companies Act 1956 to the Board of Directors to borrow from time to time all such sums of monies as it may deem requisite for the purpose of business of the Company, notwithstanding that monies to borrow together with the monies already borrowed (apart from temporary loan obtained from bankers in the ordinary course of business) will exceed in the aggregate its paid up capital and free reserves, i.e., to say reserves not set apart for any specific purpose provided however, that the total amount upto which monies may be borrowed by the Directors shall not exceed the sum of ₹ 120 crores.

Ministry of Corporate Affairs (MCA), vide circular No.4/2014 issued on 25.3.2014 has clarified that the resolution passed under section 293 of the Companies Act 1956, prior to 12.9.2013 with reference to borrowings (subject to the limits prescribed) and/or creation of security on assets of the Company will be regarded as sufficient compliance of the requirements of section 180 of the Companies Act 2013 for a period of one year from the date of notification of section 180 of the Act, i.e, till 11.9.2014.

In view of the above clarification issued by MCA, it has become necessary for the Company to renew the limits for borrowing by the Board of Directors of the Company as approved at the Extraordinary General Meeting of the Company held on 15th October 2011. The proposed resolution being Item No.22 of the Notice convening the meeting is for the purpose of such renewal.

The Board commends the above resolution for approval by the shareholders.

MEMORANDUM OF INTEREST:

None of the Directors or key managerial personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution.

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

The General Information to be given to the shareholders in connection with the aforesaid reappointment/appointment of the Managing Directors and the remuneration payable to them:

1.	Nature of Industry	Manufacturing and Marketing of a wide range of domestic kitchen and domestic electrical appliances.
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.	Foreign Investments or collaborations, if any	Nil

II. Information about the Appointee:

a. Reappointment of Mr.V.M.Lakshminarayanan as Chairman & Managing Director:

1.	Background details	<p>Mr.V.M.Lakshminarayanan, Chairman of the Company was the Managing Director of erstwhile Gangadharam Appliances Limited (GAL) from 1.3.1989. Mr.Lakshminarayanan along with Mr.V.M. Kumaresan also promoted the Company in the year 1986. Succeeding his father and Founder of Butterfly Group, Late V.Murugesu Chettiar, he became the Chairman of GAL in the year 2001 and Chairman of the Company in the year 2005. The merger of GAL with the Company became effective from 27th September, 2011.</p> <p>At the Extra-ordinary General Meeting of the Company held on 24.12.2011, Mr. Lakshminarayanan was appointed as Managing Director of the Company for a period of three years from 01.12.2011. The tenure of his appointment ends on 30.11.2014.</p> <p>Mr.Lakshminarayanan is a Technocrat having rich 'hands on' experience for the past 47 years in the manufacturing and marketing of home appliances. He has gained vast experience in all the key areas of management. He has travelled widely all over the world.</p> <p>Having regard to his background, experience, expertise and contribution to the Company as its Chairman & Managing Director, the Board of Directors considers that his continuance on the Board as Chairman & Managing Director will be highly beneficial to the Company's progress. He along with Mr.V.M.Balasubramaniam (proposed Managing Director designate) and Mr. V.M.Seshadri, Managing Director shall co-ordinate the activities of the Company. Their combined efforts will greatly enhance the prospects of the Company achieving accelerated growth, both top and bottom lines, especially after the takeover of the domestic kitchen and domestic electrical appliance products division of M/s.LLM Appliances Limited with the well-known Trademark and Trade name 'Butterfly'.</p>
2.	Past remuneration	At the Annual General Meeting of the Company held on 31.08.2012, Members, through a Special Resolution approved the enhancement of Salary of Mr. V.M.Lakshminarayanan to ₹ 36 Lakhs per annum and other perquisites not exceeding 20% of his annual salary.

		In addition to his salary and perquisites, Mr. Lakshminarayanan together with the other Managing/Whole-time Promoter Directors of the Company viz., Messrs. V.M.Seshadri, V.M.Gangadharam and V.M.Kumaresan was entitled to receive commission on Net Profits. However, the combined aggregate limit of salary/ perquisites/ commission paid to all the Managerial Personnel shall not exceed 10% of the Net profits as prescribed under section 309(3) read with Part II, Section I of Schedule XIII to the Companies Act, 1956.
3.	Recognition or awards	Founder Chairman of Indo-Russian Chamber of Commerce.
4.	Job Profile and his suitability	<p>Subject to the overall control and superintendence of the Board of Directors, Mr.Lakshminarayanan along with Mr.V.M.Seshadri will be the Chief Executive of the Company for all its day to day operations. In view of his rich experience of about 47 years in the home appliances industry and his whole-hearted involvement in the Company's progress as its Promoter, Mr.V.M.Lakshminarayanan is ideally suited to hold the position of Managing Director.</p> <p>As the Chairman of the Company, he will be chairing all Board and General Meetings of the Company and as the senior-most Managing Director, all major policy matters will be finalized by him for the Board's approval.</p> <p>He will perform the duties in accordance with the Corporate Governance framework and the Articles of Association of the Company, in relation to the day to day management of the Company.</p>
5.	Remuneration proposed	As set out in Resolution No.6 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.Lakshminarayanan.
7.	Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any.	Mr.Lakshminarayanan holds 10,00,965 equity shares (5.60% of the paid up capital) of the Company. Apart from this, Mr.Lakshminarayanan 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.Lakshminarayanan is related to Mr.V.M. Seshadri, Managing Director and Messrs.V.M.Balasubramaniam, Director, V.M.Gangadharam, Executive Director and V.M. Kumaresan, Executive Director-Technical. The Company has entered into contracts for purchase/supply of goods with private companies/firms in which Mr.V.M.Lakshminarayanan and/or his relatives are Directors/Members/Partners, for which previous approval of the Central Government has been obtained.

b. Appointment of Mr. V.M.Balasubramaniam as Managing Director:

1.	Background details	Mr.Balasubramaniam is a technocrat having rich experience in the manufacturing and marketing of home appliances for the past 45 years. He was appointed as the first Managing Director of the Company, at its Extraordinary General Meeting held on 21.12.1992 and he continued to hold this office upto 31.5.2011. With a view to give more focused attention to the business of LLM Appliances Limited (LLMAL), an associate of the Company he resigned from the Company's Board on 31.5.2011. He has richly contributed for the Company's progress during
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		his tenure as Managing Director of the Company for 18 years as above and played a pivotal role in the Company's turnover.
2.	Past remuneration	Not Applicable
3.	Recognition or awards	<p>Turning around the Company, which became sick in the financial year ended on 31.3.2003 and making its networth positive in the financial year ended on 31.12.2008.</p> <p>Within a span of three years through his admirable business acumen, he improved the turnover of LLMAL from ₹ 59.11 crores to ₹ 194.02 crores. Through his ingenuity he identified the domestic kitchen and domestic electrical appliances like power hobs, rice cookers, bread toasters, electric water kettles, micro-ovens etc., which are fast-moving amongst the new lifestyle consumers in the country. After in-depth searches and thorough enquires, he also developed potential suppliers for good quality products from China.</p>
4.	Job Profile and his suitability	<p>Subject to the overall control and superintendence of the Board of Directors, Mr.Balasubramaniam along with Messrs.V.M. Lakshmi - narayanan and V.M. Seshadri will be the Chief Executives of the Company for all its day to day operations. In view of his rich experience of about 45 years in the home appliances industry and his whole-hearted involvement in the Company's progress as its Promoter, Mr.V.M. Balasubramaniam is ideally suited to hold the position of Managing Director. He will be responsible for identifying the vendors for supply of domestic kitchen and domestic electrical appliances for the Company's trading business now acquired from LLMAL. He will also pay undivided attention to the in-house development of some of these appliances having wide Pan India market.</p> <p>He will undertake the task of monitoring and ensuring smooth functioning of production process, preparing production plans after making detailed surveys, along with researching and ensuring consistent supply of raw materials and essentials to facilitate production of goods.</p>
5.	Remuneration proposed	As set out in Resolution No.7 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 Limited and Hawkins Cookers Limited, the remuneration package for similar position is much higher than the remuneration proposed to be paid to Mr.Balasubramaniam.
7.	Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any.	Mr.Balasubramaniam holds 5,70,130 equity shares (3.19% of the paid up capital) of the Company. Apart from this, Mr.Balasubramaniam 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.Balasubramaniam is related to Messrs.V.M. Lakshminarayanan, Chairman & Managing Director, V.M. Seshadri, Managing Director, V.M. Gangadharam, Executive Director and V.M. Kumaresan, Executive Director-Technical. The Company has entered into contracts for purchase/supply of goods with private companies/firms in which Mr.V.M. Balasubramaniam and/or his relatives are Directors/Members/Partners, for which previous approval of the Central Government has been obtained.

III. Other Information:

1. Reasons of loss or inadequate profit:

Does not arise, as the Company is earning adequate profits.

2. Steps taken or proposed to be taken for improvement:

Not Applicable

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

An increase in revenues of 20% on branded sales over the financial year under review is projected for financial year 2014-15.

IV. Disclosures

- (1) Remuneration package of the managerial personnel:

Remuneration paid to the managerial personnel for the financial year ended on 31.03.2014 is given vide item No 4 (v) of the Report on Corporate Governance.

- (2) Other Disclosures as per Second Proviso (iv) to Section II (B) of Part II of Schedule V:

- (i) **Elements of Remuneration Package:** The elements of remuneration package have been enumerated in the special resolution proposing the appointment/reappointment and the remuneration payable to managerial personnel.

- (ii) **Details of fixed components and performance linked incentives along with the performance criteria:** Fixed remuneration and perquisites including minimum remuneration in the event of loss or inadequacy of profits have been explained in the resolutions being Item No.6 & 7 of the Notice convening the Annual General Meeting. In addition to their remuneration, they will also be entitled to commission on profit, as explained in the above resolutions.

- (iii) **Service contracts, notice period, severance fees:** Messrs.V.M.Lakshminarayanan, Chairman & Managing Director and V.M.Balasubramaniam, Managing Director who are proposed to be reappointed/appointed, are Promoter-Directors. Hence no service contract, notice period and severance fees have been stipulated for them.

- (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 APPOINTMENT AS INDEPENDENT DIRECTORS IN ANNUAL GENERAL MEETING SCHEDULED TO BE HELD ON 31ST JULY 2014

(Pursuant to Clause 49 of the Listing Agreement)

Name of the Director(s)	Mr.V.R.Lakshminarayanan (1)	Mr.K.Ganesan (2)	Mr.M.Padmanabhan (3)
Date of Birth	15.03.1928	01.10.1931	20.11.1949
Date of Appointment	11.01.1993	30.01.1999	30.01.1999
Expertise in specific Functional Area	Mr.Lakshminarayanan retired as Director General of Police. He has vast experience in Public Administration and upkeep of Law and Order.	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. He was also a member of the Company Law Advisory Committee constituted by Government of India, a Member of the Central Committee of the Institute of Chartered Accountants of India, a Trustee of the Unit Trust of India, besides holding the post of Nominee Directorship in Public Companies.	Finance & Accounts. Practising Chartered Accountant

Qualification	IPS (Retd.)	B.Com., F.C.A.	B.Com., F.C.A.
List of Outside Directorship held	Bafna Sons Ltd.	Nil	Quintegra Solutions Ltd. Tamil Nadu Rice Millers Ltd.
Chairman/Member of the Board of Directors of the Company	Chairman: Nomination & Remuneration Committee Member: Audit Committee	Chairman: 1. Audit Committee 2.Stakeholders' Grievance Committee Member : 1. Executive Committee of Directors 2. Nomination & Remuneration Committee	Member: 1. Audit Committee 2. Executive Committee of Directors 3. Nomination & Remuneration Committee 4.Stakeholders' Grievance Committee
Chairman/Member of the Committees of Directors of other Companies in which he is a Director.			
a. Audit Committee	Nil	Nil	Chairman
b. Nomination & Remuneration Committee	Nil	Nil	Member
c. Stakeholders' Grievance Committee	Nil	Nil	Chairman
Shareholding, if any, in the Company	1000 equity shares	Nil	Nil

Name of the Director(s)	Mr.A.Balasubramanian (4)	Mr.K.J.Kumar (5)	Mr.G.S.Samuel (6)
Date of Birth	05.01.1949	01.04.1944	31.05.1951
Date of Appointment	14.11.2011	11.05.2012	11.05.2012
Expertise in specific Functional Area	Mr.A.Balasubramanian served Punjab National Bank (PNB) from the year 1981-2008 (27 years) in different managerial capacities and retired as Chief General Manager at the Head Office of PNB. He has rich experience in Credit administration. He is a qualified Chartered Accountant, presently practising as Chartered Accountant combined with independent Financial Consultancy and Advisory Services.	From the year, 1965, he started his own business. The KJK Group of Companies, for which he is presently the Chairman & Managing Director, are involved in manufacturing, sales and International business of Diamond PCD, PCBN, Carbide and Super abrasive tools for hard and high precision CNC Machining applications. International Experience: Since, 1970, widely travelled worldwide for technology, import of machines and export of industrial products. Mr.Kumar is the Hon. Consul in Chennai for the Republic of Indonesia.	From 1975-1993, Mr.Samuel worked at various managerial levels in State Bank of India Group, including holding senior positions at their Regional Office, Head Office and Central Office. From 1993-1999, Mr.Samuel held the position of CEO/ Managing Director in a Private Sector Non-Banking Finance Company. From 2000 to 2007, he was Executive Director in a London based Private Banking group specializing in Financial Advisory Services, Private Equity placement, Capital market services, Mergers and acquisitions, Debt restructuring etc. and later with an India based Financial Advisory outfit having varied clients from MNC's and Blue Chip Indian Corporates to large infrastructure projects, resource raising loan venture capital funds to Micro Finance organisations and NGO's.

Qualification	Chartered Accountant	Diploma in Mechanical Engineering	M.A., Post P.G. Research in Economics, M.B.A.(Finance)
List of Outside Directorship held	1.Nelcast Limited 2.Bedmutha Industries Limited	1.KJK Polydiamonds International Private Ltd 2.Diamond Boart International Private Ltd. 3.Osten Enzyme India Private Ltd. 4.Carbide Plus India Private Ltd. 5.KJK-AK Global Techs Private Ltd.	Operation Blessing India
Chairman/Member of the Board of Directors of the Company	Member: Audit Committee	Nil	Nil
Chairman/Member of the Committees of Directors of other Companies in which he is a Director.			
a. Audit Committee	Chairman	Nil	Nil
b. Nomination and Remuneration Committee	Member	Nil	Nil
c. Stakeholders' Grievance Committee	Nil	Nil	Nil
Shareholding, if any, in the Company	Nil	Nil	Nil

Name of the Director	T.R.Srinivasan (7)
Date of Birth	24.05.1948
Date of Appointment	01.06.2013
Expertise in specific Functional area	Financial Planning, Project Planning, Management and Implementation.
Qualification	M.Sc Physics, Indian Administrative Service (Retd.)
List of Outside Directorship held	Nil
Chairman/Member of the Board of Directors of the Company	Nil
Chairman/Member of the Committees of Directors of other Companies in which he is a Director	
a. Audit Committee	Nil
b. Nomination & Remuneration Committee	
c. Stakeholders' Grievance Committee	
Shareholding if any, in the Company	Nil

DETAILS OF DIRECTOR RETIRING BY ROTATION:

Name of the Director	D.Krishnamurthy
Date of Birth	13.09.1940
Date of Appointment	01.06.2013
Expertise in specific Functional area	Company Secretarial, Legal and Corporate Management matters.
Qualification	B.A; LL.B; FCS; PGDFM.
List of Outside Directorship held	Nil
Chairman/Member of the Board of Directors of the Company	Nil
Chairman/Member of the Committees of Directors of other Companies in which he is a Director <ul style="list-style-type: none"> a. Audit Committee b. Nomination & Remuneration Committee c. Stakeholders' Grievance Committee 	Nil
Shareholding if any, in the Company	Nil

Note: For details of Mr. V.M.Balasubramaniam, who was hitherto a Director retiring by rotation, (Managing Director designate), please see General Information pursuant to Second Proviso (iv) to Section II(B) of Part II of Schedule V – Item II(b), given above.

DIRECTORS' REPORT TO SHAREHOLDERS

Your Directors have pleasure in presenting this Twenty Seventh Annual Report together with the Audited Statement of Accounts, of the Company for the financial year ended on 31st March, 2014.

FINANCIAL RESULTS:

(₹ in Lakhs)

	Financial year ended on 31.03.2014	Financial year ended on 31.03.2013
Revenue from Operations (Gross)	83,886.82	80,699.66
LESS: Excise Duty	7,468.69	8,163.47
Revenue from Operations (Net)	76,418.13	72,536.19
Other Income	654.68	513.76
Operating Expenditure	78,939.69	74,421.47
Operating Profit	4,947.13	6,278.19
Profit/(Loss) before Depreciation and Finance cost	5,601.81	6,791.95
Finance Cost	1,674.59	1,532.98
Depreciation	493.26	400.59
Profit/(Loss) before Tax	3,433.97	4,858.38
Exceptional & Extraordinary items	-	87.17
IT/Deferred Tax for the current period	1,192.55	1,568.66
Excess Provision (Net Deferred Tax)	-	(139.75)
Profit/(Loss) after Tax	2,241.42	3,342.31

DIVIDEND:

In view of the ongoing plans to expand capacity, enhance distribution network across India and integration of recent acquisition of associate company M/s LLM Appliances Ltd., which will contribute to the future growth of the Company, the Board of Directors has felt it prudent to conserve the financial resources of the Company. Consequently, no dividend has been recommended by the Board for the financial year under review.

REVIEW OF OPERATIONS:

Total net Revenue grew by 5.5% on a year on year basis from ₹ 730.50 crore in financial year 2012-13 to ₹ 770.73 crore in financial year 2013-14. The Company opted for a lower share at ₹ 204 crore of the Government order for supply of Table Top Wet Grinders during financial year 2013-14, against ₹ 428.40 crore in the financial year 2012-13, due to lower margins. The shortfall in revenue from Government orders was partly compensated by higher branded sales, which grew by 12.5% as compared to financial year 2012-13.

Sales of branded products would have been even higher, but for several challenges in the form of lacklustre economic conditions, galloping inflation, unsettled political situation in Andhra Pradesh, impact of free distribution schemes by the Tamil Nadu government and overall weakness in consumer sentiments during the festive season. Further, the company was focusing on good quality sales and, in view of the market conditions in the latter half of the fiscal, the Company had consciously moderated sales to primary channels, even though the offtake to the secondary channels was fairly stable. This has enabled some destocking at the distributor levels and helped to avoid disproportionate rise in debtors.

During the year, the Company has made steady progress in its initiatives to enhance its Pan India sales and distribution network. It has also invested in marketing and brand awareness activities to increase its presence in the non-South regions of the country. Towards the end of the year, your Company acquired the domestic kitchen and domestic electrical appliances division of its associate Company, LLM Appliances Ltd. This acquisition has helped the company to add twelve new product categories and has added to its distribution strength. Most importantly, your Company has acquired the perpetual rights to the "BUTTERFLY" brand for use in domestic kitchen and domestic electrical appliances globally. This has helped to significantly streamline its operations.

The cascading effect of increase in the cost of materials consumed, high volatility in foreign exchange rates and market pressure against price revision resulted in lower profitability. In addition, the initiatives taken towards widespread advertising and marketing to augment sales and distribution network have resulted in an increase in costs for the company. While these expenses are being incurred upfront, the benefits will accrue in later years through accelerated growth in sales. Hence, the management strongly believes that the compression in profit margins of the company is only temporary.

AWARDS AND RECOGNITION:

The Company was awarded the MSME National Award for the year 2012 for its outstanding performance in the MSME Sector by the Hon'ble Minister, MSME in the National Award Function in New Delhi held on 1st March 2014.

At the Non-Fuel Channel Partners' Meet of IOCL recently held at Chail (near Simla) on 26th April, 2014, the Company was awarded a Certificate of Excellence for achieving on All India basis the second highest sales of LPG Stoves co-branded with Indane during the financial year 2013-14.

On the occasion of the Central Excise Day-2014, on 24th February, 2014, the Company was awarded a Certificate by the Chief Commissioner of Central Excise, Chennai Zone, for contribution to Revenue and showing a spirit of co-operation and voluntary compliance with the Law during the financial year 2013-14.

CURRENT YEAR'S OPERATIONS:

The Company has acquired from its associate, M/s. LLM Appliances Limited, the domestic kitchen and domestic electrical appliance products, hitherto marketed by them, on a going concern basis on 'slump sale', with the trade name and trade mark 'Butterfly' for these products with effect from 29th March, 2014. This has widened the Company's product range, which now includes LPG Stoves, Mixer Grinders, Pressure Cookers, Table Top Wet Grinders, Cookwares, Power Hobs, Rice Cookers, Water Heaters (Geysers), Air Coolers, Water Purifiers, Electric Water Kettle, Electric Sandwich Maker, Electric Bread Toaster and Fans.

The Research & Development wing of the Company has now been geared to launch premium quality LPG Stoves, Mixer Grinders and Table Top Wet Grinders in the near future.

The Pan India presence of the Company's products has since been accomplished and the sales turnover from the non-South regions is gaining good momentum.

With the above effective steps towards notching up the sales turnover/profitability of the Company, your Directors are optimistic of better performance during the current financial year.

DIRECTORS:

The present tenure of Mr.V.M.Lakshminarayanan, Chairman & Managing Director ends on 30.11.2014. The Nomination and Remuneration Committee at its meeting held on 6.5.2014 and the Board of Directors at its meeting held on 4.6.2014 have recommended his reappointment without any change in his existing remuneration package for a further term of five years w.e.f. 1.12.2014.

With a view to derive optimum benefit from the acquisition the domestic kitchen and domestic electrical appliance products division of its associate, M/s.LLM Appliances Ltd (LLMAL), with the well-known trade mark and trade name "Butterfly" for these products, the Nomination and Remuneration Committee at its meeting held on 6.5.2014, and the Board of Directors at its meeting held on 4.6.2014 have recommended the appointment of Mr.V.M.Balasubramaniam, Vice Chairman & Director of the Company and also Managing Director of LLMAL, as Managing Director w.e.f. 1.8.2014. Mr.Balasubramaniam, with his long association with quality manufacturers of these products in China is expected to richly contribute towards improving the Company's top and bottom lines in the coming years. Further, Mr.Balasubramaniam, being a good technocrat with 'hands-on' experience for several years in the development of new products will also explore the feasibility of in-house production of some of these new lifestyle sunrise products.

Pursuant to the provisions of Section 149 of the Companies Act 2013, Non-Executive Independent Directors of the Company, Messrs.V.R.Lakshminarayanan, K.Ganesan, M.Padmanabhan, A.Balasubramanian, K.J.Kumar, G.S.Samuel and T.R.Srinivasan have been recommended to be appointed as Independent Directors of the Company for a term of five years with effect from 1.8.2014 by the Nomination and Remuneration Committee at its meeting held on 27.5.2014, which was approved by the Board of Directors at its meeting held on 4.6.2014, subject to approval of the shareholders at the forthcoming Annual General Meeting.

With a view to fulfil the requirements under Section 152 (6) of the Companies Act 2013 ("the Act"), the existing terms of appointment of Messrs.V.M.Seshadri, Managing Director, V.M.Gangadharam, Executive Director and V.M.Kumaresan, Executive Director-Technical have been varied for a limited purpose of complying with the provisions of Section 152 of the Act, by making them liable to retire by rotation in terms of Section 152 (6) of the Act, however not causing any break in the continuity of their respective offices for the remaining period of their appointments, and all other terms and conditions of their respective appointments remaining the same.

Messrs.V.M.Balasubramaniam and D.Krishnamurthy, Directors retire by rotation from the Board under the Company's Articles of Association and, being eligible, offer themselves for reappointment.

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.

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 for a term of five years, if reappointed, it being understood that the Company shall place the matter of their appointment for ratification by members at every Annual General Meeting.

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.

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 Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988 are given in Annexure "A" of the Directors' Report.

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

The particulars as required under Section 217(2A) of the Companies Act 1956 are given in Annexure "B" of the Directors' Report.

DIRECTORS' RESPONSIBILITY STATEMENT:

As required under Section 217 (2AA) of the Companies Act, 1956 your Directors confirm:

In the preparation of the Annual Accounts:

- i. the applicable accounting standards have been followed.
- ii. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and 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 M/s.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, Axis Bank, ING Vysya Bank Ltd, State Bank of India, PEC Ltd, Fullerton India Credit Company Ltd, Tamil Nadu Civil Supplies Corporation, Indian Oil Corporation Ltd., Bharat Petroleum Corporation Limited and Hindustan Petroleum Corporation Limited for the co-operation extended by them. Our thanks are also due to employees at all levels, 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 & Managing Director

Navalur – 600 130
Date: 04.06.2014

ANNEXURE A
ANNEXURE TO THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED ON 31ST MARCH, 2014
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 (12 months)	PREVIOUS YEAR (12 months)
(a) Purchased Units	27,06,445	20,62,947
Total amount	₹ 2,53,97,449	₹ 2,09,56,393
Rate/Unit	₹ 9.38	₹ 10.16
(b) Own Generation		
Through Diesel Generator	₹ 4,37,94,109	₹ 3,65,56,620
Units	23,41,429	22,93,587
Cost / Unit	₹ 18.70	₹ 15.94

B. RESEARCH AND DEVELOPMENT:

- 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.
- Benefits derived as a result of the above R&D on production processes:
Provides quality improvement by adopting updated technology
- Future plan of action.
Development of new products in domestic kitchen and domestic electrical appliances
- Expenditure on R&D (Excluding Employees Remuneration)
(₹ in lakhs)

(A) Capital	31.25
(B) Recurring	12.36
(C) Total	43.62

 (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

- | | |
|---|----------------|
| (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:

- The Company is exploring foreign markets for its products.
- Foreign Exchange earnings - ₹ 742.91 Lakhs
Foreign Exchange outgo - ₹ 11,672.05 Lakhs

Navalur-600 130
Date: 04.06.2014

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

ANNEXURE B

ANNEXURE TO THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED ON 31ST MARCH, 2014

STATEMENT PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND FORMING PART OF THE DIRECTORS' REPORT

Particulars of Employees

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2014

S.No.	Name	Designation	Qualification	Experience in years	Remuneration (₹)	Age	Date of commencement of employment	Particulars of last employment
1.	V.M.Lakshminarayanan Promoter-Director	Chairman & Managing Director	Matriculate	47	88,25,343	65	01.12.2011	Chairman & Managing Director – Gangadharam Appliances Ltd
2.	V.M.Seshadri Promoter-Director	Managing Director	Matriculate	43	86,43,174	61	01.06.2011	Executive Director – Gangadharam Appliances Ltd
3.	V.M.Gangadharam Promoter-Director	Executive Director	Matriculate	42	82,99,466	59	01.10.1994	Not Applicable
4.	V.M.Kumaresan Promoter-Director	Executive Director-Technical	Matriculate	33	82,99,466	51	01.06.2007	Not Applicable
5.	K. Sivakumar*	Head-Marketing & Sales	B.Sc. (Agri.) PGDBM (MBA), IIM, Ahmedabad	30	48,89,007	48	17.06.2013	COO- Lavazza India, Bangalore (Fresh & Honest Cafe)

Note : Remuneration includes Salary, Perquisites Commission payable on net profits, Contribution to Provident fund, Gratuity and Superannuation schemes as applicable.

*employed for part of the year.

ANNEXURE C

MANAGEMENT DISCUSSION AND ANALYSIS

Economic Overview

During fiscal 2013-2014, the Indian economy witnessed sluggish growth due to a combination of domestic and international factors. The fallout of the economic crisis of 2008 continues to impact major regions of the global economy which are still struggling to restore growth rates to the pre-crisis stage.

In addition to the impact from global events, the Indian economy was beset by a host of factors which were self-inflicted. These included a situation of policy paralysis, continued high interest rates, political uncertainty, rising cost of inputs and volatile foreign exchange rates. The combination of these factors led to significant decline in business activity and a sharp decline in economic momentum. These concerns also led to sharp depreciation in the rupee and brought the country to the brink of a ratings downgrade by international rating agencies.

This forced the RBI to respond with innovative and unique steps to protect the rupee and attract foreign inflows. The Finance Minister undertook steps to address the twin deficits on a war footing and the Government rolled out a special committee to ensure progress on large scale investments. These activities implemented in the second half of the year were instrumental in preventing a further downslide and helped to restore balance in the fiscal health of the country and the foreign exchange rates. However, these steps were not enough to prevent the Indian economy from reporting its second consecutive year of GDP growth below 5%.

The decline appears to be bottoming out as recently, some key indicators have been more encouraging. The mandate given to a stable government with a focus on development has breathed new life into the Indian economy. Already, improvement is forecasted as India's GDP is projected to register 5.5% growth in 2014-15, according to an Asian Development Bank (ADB) report.

There has been a sharp improvement in sentiment and there are high expectations that the new government will be able to address key shortcomings and implement forward looking policies and much needed reform. This is expected to carry the Indian economy forward to a new horizon of growth leading to sustained development and progress.

Kitchen Appliances Industry in India

The kitchen appliances industry is one of the fastest growing industry segments in India. The industry has delivered strong growth in recent years and is believed to be structurally poised for continued expansion going forward.

The kitchen appliances industry has traditionally been skewed towards unorganized players while a handful of organized players have dominated major regions and key urban markets. The urban markets account for a major share of total revenues in the consumer durables sector in India whereas rural markets have only now begun to contribute and are expected to grow at a CAGR of 25% off a comparatively lower base.

Several factors have contributed to the rise of the kitchen appliances industry in India. These include economic growth over the last decade which has led to an increase in disposable income, shifting consumer preferences, improved distribution networks, wider product offerings, sophisticated advertising and marketing efforts and improvement in consumer financing. Steps taken by the Indian Government to increase the penetration of LPG stoves have also helped to considerably enhance the market. A combination of these factors has been instrumental in the replacement of traditional cooking methods with efficient cooking appliances.

Although the growth rates for the sector have been impressive, the penetration levels across the country indicate that there is considerable room to expand further. While the sector is currently challenged by factors like lower disposable income among consumers, sluggish urban markets, slowdown in rural off-take, increased competitive intensity and issues in some of the micro markets in South India; it is believed that the slowdown is temporary and the sector will soon revert to a higher trajectory of growth.

According to the McKinsey Global Institute (MGI) 2010 report, India's fast growing cities will drive a four-fold increase in the country's

per capita income from 2008 to 2030. It also states that the number of middle class households will increase more than fourfold nationwide from 32m to 147m in 2030. The rising disposable income is expected to grow at a CAGR of 6.4% over 2008-2030 allowing significant increase in the consumer discretionary expenditure which in turn will affect the consumer durables sector.

Key Characteristics

The recent performance of the industry has sharpened the focus on the kitchen appliances industry in India. Key characteristics supporting the long-term growth of the industry are:

a) Strong Economic Growth

Strong economic growth in the country over the last decade has led to the rise of several factors which have been conducive for the growth of the kitchen appliances industry. These include rapid urbanization, improved affordability, rise in per capita income, higher disposable income and a rise in consumerism among others. The emergence of the middle class in India has provided a large and growing market for a variety of products offered by the kitchen appliances industry.

b) Population growth and change in demographics

The steady growth in overall population and number of households have provided a steady tailwind to the industry. Positive trends in demographics have helped to enhance this growth. Factors such as the increasing number of nuclear families have led to a rise in the volumes of appliances sold. The labour participation of women in India has been on an increasing trend since 2001. More women in the female workforce leads to an increase in the disposable income of families, which translates into improved affordability of modern kitchen appliances. Further, working women place greater emphasis on appliances for speed & efficiency which complement their busy lifestyle.

c) Maturity of Industry and Government Initiatives

The Industry was traditionally dominated by the unorganized players. However, organized players have been able to make their mark through emphasis on quality, safety and reliability as well as consistent after sales service. Organised players have built up prominent brands and have increased their presence to all corners of the country including Tier 3 cities and beyond, which has resulted in steady gains in market share.

Initiatives by the Government to increase the number of LPG connections has also helped in the growth of the industry. In recent years, the rates of excise duty and VAT have been rationalized which has minimized the advantage enjoyed by unorganized players and encouraged growth of the overall sector.

d) Shifting consumption patterns

Kitchen appliances were traditionally considered to be a discretionary expense. However, a steady increase in disposable incomes in households in India has meant that a larger number of people have increased their purchasing power. Core appliances are now considered a necessity and customers can now afford and are demanding a variety of kitchen and home appliances. Further, there is a clear shift in consumer preference towards branded products. Customers are also demanding products that are ergonomically designed and offer multiple features.

e) Increased product awareness

The increasing penetration of mass media such as newspapers, cable television and mobile phones have intensified the reach of advertising and marketing initiatives. Further, increasing international exposure for a larger proportion of the populace through overseas education, global careers and tourism has increased awareness of global cuisines and fuelled the use of products such as non-stick cookware, toasters, hand blenders and coffee makers.

f) Evolving Retail Landscape

The traditional supply chain models of wholesaler-distributor-dealer are being supplemented with multiple innovative distribution formats. The past few years have seen the advent of modern retail stores, electronic retail chains, super markets, hyper markets, franchisee outlets and kitchen worlds. These have helped to increase touch points while elevating the overall customer experience.

Company Performance

Your Company delivered a steady performance during the year demonstrating the strength of the business model. Total Net Income increased by 5.5% to ₹ 771 crore.

The net Branded sales stood at ₹ 461 crore whereas the Government net sales were at ₹ 303 crore. Other income amounted to ₹ 7 crore.

Your Company has consciously restricted its participation in the Government tender to ₹ 204 crore (only Table Top Wet Grinder) for FY14 compared to ₹ 428 crore (both Table Top Wet Grinder and Mixer Grinder) in the immediately preceding financial year. The shortfall in contribution from Government order was partly compensated by an increase in the branded sales by 18.8%.

Sales of branded products would have been higher but for sluggish market conditions in South India due to political instability in Andhra Pradesh, weak monsoon in Tamil Nadu and power deficits in most of the states. In addition, the Tamil Nadu Government's scheme of distributing free kitchen appliances to all economically weak households dampened the sales of kitchen and home appliances in the State.

Further, due to the prevailing market conditions in the latter half of the fiscal, your Company restrained the primary sales of its products. As the secondary sales remained stable, this led to destocking in the distribution network and helped to prevent disproportionate rise in debtors.

The weak macro-economic scenario and the measures outlined above resulted in marginal increase in overall sales. However, the continued appreciation of Dollar against the Indian Rupee resulted in an increase of the input cost of imported raw materials which exerted pressure on the margins.

Cost of goods sold stood at ₹ 520 crore compared to ₹ 491 crore, an increase of 6% over last year. The cost of goods increased in-line with the revenues. Initiatives to expand the business also led to an increase in costs. Sustained expenditure such as advertising, marketing and brand building was undertaken this year to improve consumer awareness in the non-south regions. As a result, the EBITDA margin declined during the year.

The initiatives taken by the company for induction of qualified and experienced key management personnel and additional sales force to support our Pan-India penetration resulted in a higher employee cost. In addition to the above, there was unavoidable foreign exchange loss of ₹ 5.35 crore in FY14. Depreciation increased to ₹ 4.9 crore from ₹ 4.0 crore in FY13. Finance cost was also marginally higher at ₹ 16.7 crore due to drawal of higher limits.

The combined effect of all these factors resulted in lower Profit before tax at ₹ 34.3 crore compared to ₹ 47.7 crore in FY13. PAT declined by 33% in FY14 to ₹ 22 crore.

The Management strongly believes that the decline in profits is due to the confluence of temporary factors. It will continue to invest for future growth of the company and is confident that the initiatives undertaken during the year will help the company to consolidate its position in the near term and contribute to accelerated growth and improved profitability over the medium to long term.

Branded Sales Performance

Total Net Branded sales stood at ₹ 461 crore for FY14 compared to ₹ 388 crore for FY13. Branded sales contributed 60% of Net revenue during the current year.

The branded sales demonstrated a healthy performance through balanced growth in demand of LPG stoves and Table top wet grinders. Several other key products continued to benefit from increased demand. The new models of Mixer-Grinders launched during the financial year under review enjoyed good market acceptance.

The segment-wise revenue contribution of Branded Sales is as under:

₹ in crore

Product	FY14	FY13
Kitchen Appliances Segment	348	326
Cooker/ Cookware	85	89
Others	44	9
Spares / Components	31	14
Total Gross Branded Sales	508	438
Less : Excise Duty	47	50
Total Net Branded Sales	461	388
- Branded Sales (net)	435	376
- Spares / Components (net)	26	12

Kitchen appliances contributed 73% of Gross Branded sales (excluding Spares/Components) in FY14 while cookers/cookware contributed 18% of Gross Branded sales (excluding Spares/Components). The remaining 9% came from the 'Others' category.

Sales of the four newly launched product categories of Electric chimneys, Hand blenders, Juicers and Juicer mixer grinders contributed positively to higher sales of Branded products.

The efforts to widen its Pan-India sales and distribution network have started to pay off for your Company. The proportion of sales from Non-South states has increased from 11% in FY13 to 18% in FY14.

With the acquisition of LLM Appliances Ltd, the Branded sales are expected to significantly benefit from the addition of 12 product categories. Further, Your Company now has a network of over 400 exclusive distributors and is extensively present with over 18,000 retail touch points across the country.

As the acquisition was concluded on March 29, 2014, the sales of Branded products in FY14 do not include revenues from LLM Appliances Ltd. The aggregation of these revenues will provide a step-up to Branded sales in FY15 and onwards.

Government orders Performance

Your Company has participated in three annual tenders of Tamil Nadu Civil Supplies Corporation. The company supplied orders for distribution of Table top wet grinders and Mixer grinders worth ₹ 285 crore and ₹ 369 crore in FY12 and FY13 respectively.

	₹ in crore	
	FY14	FY13
Total Gross Government order Sales	331	369
Less : Excise Duty	28	31
Total Government order Sales	303	338

Government Order Sales contributed 39% of Gross revenue during the year. Total supply of 15.9 lakhs Table top wet grinders was made in FY2014.

We believe that your company has derived several benefits from participation in the Government order. This business provides incremental contribution to profitability and the payment terms enable a positive impact on working capital requirements and cash flows. The increase in volumes has elevated our manufacturing and delivery capabilities. Better terms and conditions have been worked out with suppliers of certain components due to increased volumes.

These orders have sharply increased the number of users of Kitchen and Electrical appliances and have led to an increase in the potential market for the Company. The supply of these products also creates a ready customer base at the time of product replacement or upgradation.

The reduced price of the Table Top Wet Grinders in the recent tender spurred innovation by the Company. The learning from participating in the Government order has been leveraged into the Branded sales segment with the launch of the economy model product called 'Rhino', which has proved to be an overwhelming success.

Your Company plans to participate in the 4th annual Government tender expected in August/September FY15 subject to the terms and conditions for supply proving to be remunerative.

Acquisition of LLM Appliances Limited

On March 29, 2014, your Company concluded the acquisition of the Domestic Kitchen and Domestic Electrical Appliances division from its associate Company – LLM Appliances Ltd (LLMAL).

LLMAL was engaged in the procurement / manufacturing and marketing of Domestic Kitchen and Domestic Electrical appliances without any overlap with the Company's products. Through this acquisition, your Company has secured perpetual global rights to the "Butterfly" brand and also gains from the addition of 12 popular products to the Company's product basket like Induction cooktops, Rice Cookers, Air-coolers and Fans. Several of these products are sunrise products, the market for which will steadily increase in the coming years. In the long term, your Company will consider manufacturing these products in-house, once these products achieve critical mass through sustained growth.

In addition to an alluring portfolio of products, this acquisition will boost your Company's existing sales and marketing strength and pan-India distribution network. The combined volumes will also greatly enhance your Company's negotiating power and status with suppliers and distributors.

Based on a valuation of the business made by a leading valuation agency, your Company has acquired the business for a lump sum consideration of Rs.47.75 crore, which includes a cash payout of Rs.11.54 crore. Further, the acquisition cost, on capitalization in the Company's books of accounts, will be eligible for a higher rate of depreciation for income-tax purposes, thus rendering a cushioning effect to the Company's bottom line.

Your Company estimates that, by leveraging the combined selling and distribution network of both entities, the revenue for these products in the first full year of the combined operations has the potential to increase sharply, thus rendering the entire re-organization synergistic and value accretive with significant strengthening of the overall Butterfly brand offering.

SWOT Analysis

I Strengths

- a. Product Quality and Utility:** Your Company is one of the few companies in the sector which has an in-house manufacturing facility equipped with the latest technology and die-making tools. Self-manufacturing of products enables high quality control and maximizes efficiency. Intimate knowledge of the manufacturing process allows us to respond to customer feedback as well as rapidly incorporate changes and improvements to products. The products manufactured by the company are day to day utility products which are benefitting from continued growth in demand. Further, the Company also has a full-fledged in-house facility for the manufacture of majority of the components.
- b. Professional management team with rich industry experience:** Our management team comprises senior professionals who possess four decades of experience in the kitchen appliances industry. They have witnessed multiple business cycles and have ably steered the Company through changing trends in the market place. A mix of promoter family and professionals in the leadership team provides the best of both worlds. Family representation offers a strong sense of ownership and direction with significant stake in ensuring continued success while professionals offer functional expertise and ensure adoption of best global practices.
- c. Well-respected Brand:** The quality, safety and reliability of our products and the continuing customer satisfaction over the last three decades has enabled the BUTTERFLY brand to become a household name. Your Company is the largest supplier of LPG stoves and Table top wet grinders in India. Awareness of and loyalty to the Brand from customers ensures that dealers and distributors accord priority to our product range. The popularity of the Brand also ensures a headstart in volumes for any new products offered or categories entered into by the Company.
- d. Extensive Distribution Network:** Your Company has built an extensive Pan India distribution network reaching to about 18,000 retail points across India. Apart from the traditional distribution channels such as dealers and authorized distributors, we also have institutional tie-ups with three major oil companies: IOCL, BPCL and HPCL for the co-branded distribution of our kitchen appliances. Your Company has over 400 exclusive distributors across the Indian map focused at enhancing brand visibility and displaying the entire range of company's products under one roof. Further, the efficient Pan India after-sales service enhances attractiveness of our network.
- e. R&D and Innovation:** Your Company places strong emphasis on research and development. It has a track record of introducing pioneering products which have redefined industry trends. Our superior R&D facility and technology enables products of the highest quality and superior functional performance. We have leveraged R&D strengths to enhance look and feel of products, utility, functionality, performance, manufacturing processes and even packaging. The R&D initiatives are also focused on indigenisation of imported technology.
- f. Wide Product offerings:** Your Company has a wide range of products catering to all major uses of kitchen appliances. Further, it offers a range of basic and premium products which allow it to cater to the needs of a variety of consumers across all income categories.

II Weaknesses

- a. Concentration Risk:** Your Company has been a dominant player in the South India region. In FY14, 84% of revenues came from the four states in South India. The Company recognizes the need to diversify its presence and has already implemented steps to reduce the concentration of revenues from a single region of the country. It will continue to grow revenues from South India but focus on improving the contribution of other regions in the revenue mix.
- b. Fluctuation in prices of Raw Materials:** The cost of raw materials is a key element of our products. Your Company imports materials like ABS plastics, aluminum/stainless steel motors, which are extensively used in Mixer grinders and Table top wet grinders. Price fluctuations of these raw materials and components can increase the cost of our products and can directly impact our operations.
- c. Seasonality of Business:** The kitchen appliances industry faces seasonality in demand and the sales are high during festive seasons. A clear spurt in volumes is observed at the time of various festivals. Product sales usually pick up in the months of August to November; Onam and Diwali drive the best season for sales of kitchen and home appliances. Despite the number of years of experience, it remains challenging to correctly estimate and prepare for demand at a specific time of the year. Overestimation leads to overstocking and unnecessary investment in working capital while underestimation of demand leads to loss of potential revenue.

III Opportunities

- a. Under-penetrated markets:** Your Company enjoys a dominant position in South India and is a sizeable player in West and Central India. Due to limited availability of resources in earlier years, it has not extensively penetrated the markets in the non-South regions of the country. It is now widening the market for its products in the non-South markets by strengthening its distribution network and augmenting marketing and brand awareness activities. The non-South revenue contribution vis-à-vis Company's total revenue contribution improved to 18% in FY14 as compared to 11% in FY13.

b. Brand building initiatives and high marketing spend: Marketing is an important aspect of our business. Over the last few years, the consumer awareness for your Company's products has improved steadily, enabling a higher market share gain for Butterfly products. We have indulged in extensive marketing and promotional activities across multiple media formats such as newspapers, television and the web among others. Your Company expects the enhanced profile of the brand and awareness of the product range and features to manifest into market share gains.

c. New Product launches: Your Company has successfully added 16 new product categories to its product basket in this fiscal, which also includes 12 new product variants through the acquisition of Domestic Kitchen and domestic electrical appliances Division of LLM Appliances Ltd. We were successful in adding 175 new SKUs during FY14. The addition of new product categories and SKUs is expected to attract different categories of customers and also allow your Company to win greater share of wallet from customers who already own traditional products supplied by the Company.

d. Export Markets: Your Company has plans for enhancing its share of exports revenue. There is a sizable diaspora in global markets which will require the Company's products.

e. Implementation of GST: The implementation of the Goods and Services Tax (GST) would greatly improve market efficiency. It will remove the unfair disadvantage of multiple layers of tax on organized players. The cost differential will narrow and level the playing field for the organized sector to address those sections of the market which are currently captured by unorganized players due to structural shortcomings.

IV. Threats

a. Competitive Intensity: The Kitchen appliances industry in India has seen massive growth in the past few years. The industry is fragmented into several organized and unorganized players. Lucrative market opportunities in the sector have attracted large international companies to foray into the kitchen appliances space through mergers, acquisitions and joint ventures. Also, low entry barriers, unviable and unethical pricing and entry of established global players in the Indian market will lead to further competitive intensity.

b. Low entry barriers: Several competitors who are attracted to the growth and returns offered by this industry have emerged. These companies have short term agendas and are sourcing lower value and inferior quality products from China and participating in the Indian markets through unsustainable practices. These can cause temporary distortions in prices and demands especially to long-term players who are focused on quality.

c. Increasing cost of resources: Larger number of participants in the industry will lead to increased competition for resources such as raw materials, labour, distribution arrangements and potential acquisition targets. Scarce availability of resources and a gradually increasing demand growth will result into a rise in cost of resources. This can increase operating costs, thereby affecting the financial condition of the Company and will adversely impact margins. In order to grow our operations, we need to acquire resources at reasonable prices.

d. High Inflation: Inflation rates in India have been high in recent years, which is expected to continue for some time. Increasing inflation in India is depleting the purchasing power of buyers and is intensifying the cost of living for our employees. There is also upward pressure on other costs such as transportation, supplies, raw material costs and other expenses.

Company Overview

Your company is a leading manufacturer of Domestic Kitchen and Domestic Electrical Appliances in India. Established in 1986, your Company is ranked amongst the top three manufacturers in the domestic kitchen appliances sector.

Headquartered in Tamil Nadu, your company is a multi-product Company with three state-of-the-art-manufacturing units and strong R&D facilities, mainly manufacturing LPG Stoves, Mixer Grinders, Table Top Wet Grinders and Pressure Cookers amongst others. Your Company has recently added 16 new product categories to its product portfolio, which includes 12 product categories added through LLMAL acquisition.

Manufactured with our state of the art R&D facilities, with in-house design ability and advanced die-making tools, Your company's products are recognized for their quality, safety and durability. Your Company has emerged as a market leader for LPG stoves and Table Top Wet Grinders in India.

Your company has a solid foothold in the Southern market and an exclusive distribution network all over India with three company owned retail stores in Chennai, Hyderabad and Bengaluru and one franchisee store at Pondicherry. Your company also actively exports its products to the United Kingdom, Canada, Australia, Japan, Middle East and the East Asian Countries.

Strategy

We remain focused on capacity creation while simultaneously improving operating efficiencies. We aim to achieve this through:

(i) Focus on building an extensive product portfolio: In line with the changing customer attitudes and demands, your company is actively working on introducing new varieties of products. Our primary focus will be on building a diversified product basket ranging from heavy

kitchen and home appliances to basic cookware items. Further, the acquisition of the domestic kitchen and domestic electrical appliances division of LLMAL has contributed widely to the existing product portfolio of your Company.

(ii) Focus on high quality products: The Kitchen appliances market in India is vast and diverse, filled with several challenging factors. To optimize the brand's value, we need to increase focus on specific areas which showcases our products in a positive light. Your company continues to emphasize on enhancing the quality of products. We believe quality is the most important aspect of any appliance, which drives the safety, reliability, functionality and durability of that appliance.

(iii) Strengthen our presence in key markets: We have a strong foothold in South India in major states such as Tamil Nadu, Karnataka, Kerala and Andhra Pradesh. Further, we have expanded our market presence from 9 states in 2013 to 28 states in 2014. Our retail base points stand at over 18,000 across the Indian map. Your company products enjoy wide distribution through a network of over 400 exclusive distributors. By increasing our distributor network in all major cities in India, it will help us to diversify and strengthen our brand in these key markets.

(iv) Increase in Brand Awareness: Your Company has launched extensive advertising and brand awareness campaign across multiple media formats like newspapers, magazines, television and web. We believe that this strategic move will help us attract and retain more customers and it is aimed at making our brand "Butterfly" a preferred choice for customers. The investments in advertising and marketing remaining steady in FY13 and FY14 at ₹ 49 crore each.

Capital Expenditure

Apart from the expansion plans outlined above, we have made investments to increase the manufacturing capacities of Pressure Cookers and LPG Stoves. The Company has commenced the expansion at an estimated total cost of ₹ 45 crore. Out of this, ₹ 20 crore has been spent in FY14 and the rest will be deployed in FY15.

Post Capital expenditure, the capacity of LPG stoves and Pressure cookers is projected to increase to 18 lakh units each per annum, from the current 12 lakh units each per annum.

The major portion of Capital Expenditure, i.e., ₹ 47.75 crore was incurred towards acquisition of Trademark and License rights from M/s.LLM Appliances Limited.

The above-mentioned expenditure will create additional capacity for the Company to double its branded sales and the management does not expect incremental capital expenditure for a minimum period of three years. Our capital expenditure will primarily relate to our expansion activities. The amount and purpose of these expenditures may change in accordance with our business requirements.

Balance Sheet

There was no fresh issuance of equity capital during the year. There has been an increase in debt primarily due to the need-based increase in the working capital towards the end of the year. Further, the acquisition of the division of LLMAL has also impacted the balance sheet position.

The rise in the working capital position is attributable to multiple factors. The introduction of new products and ramp up of SKUs has led to widening of the inventory. Your Company consciously moderated primary sales in Q4 owing to market conditions which also led to some build up in inventory. Increase in sales and distribution network has intensified inventory requirements, especially branch stocks in North and East regions. Lastly, the acquisition of LLMAL division towards the end of fiscal resulted in increased inventory.

Of the total Trade debtors of ₹ 279 crore, ₹ 172 crore was from the Government orders and ₹ 107 crore from Branded sales. Out of the ₹ 172 crore from the Government orders, ₹ 137 crore was due in March 2014, of which we have already received ₹ 80 crore in Q1FY15 and the remaining ₹ 57 crore is receivable. The balance amount of ₹ 35 crore is due in March 2015.

Further, due to payment terms of the Government orders there is carry forward from earlier year which has the effect of elongating the calculation of debtor days and working capital cycle.

The rise in working capital due to the reasons mentioned above has resulted in an increase in the Net Debt on the balance sheet date. However, this has already been partially reduced in Q1FY15 and will be further rationalized through the rest of the year.

Outlook

The market conditions at the start of the new fiscal remain challenging and though there is hope for considerable improvement in sentiment due to a stable government at the Centre there will be a time lag between implementation of reforms and visible improvement in growth, prosperity and consumption.

Your Company is focused on growing the Branded Sales Segment and believes that the comprehensive offering of Domestic Kitchen and Domestic Electrical appliances from a single platform armed with the Butterfly brand considerably strengthens its value offering. It now represents significant share of business of kitchen and electrical appliances for modern retail such as electronics chains, supermarkets and hyper markets and will leverage its position for better visibility and improved customer outreach. The widening of your Company's product range together with the increase in penetration in new areas on Pan India basis, means that your Company is well positioned to regain and accelerate the growth momentum in the retail segment over the coming years. Further, the acquisition of branded sales of LLMAL is expected to realize quantum growth due to elevation onto the combined selling and distribution network of the Company.

Your Company is implementing dynamic up-gradation of its Research & Development wing to launch new models with special/additional features and innovative designs in its manufactured products, i.e., pressure cookers, including inner lid pressure cookers, mixer grinders and table top wet grinders. These new models, when launched in stages, are expected to boost its operating profitability during the current financial year.

Your Company's financial health continues to be strong, marked by healthy network, strong debt protection metrics and healthy capital structure. Its liquidity remains sound. The focus in the near term will be to reduce its working capital intensity which will result in moderation of net debt. The resultant decrease in financing costs will be supported by proactive hedging policies to mitigate any fluctuation in foreign exchange rates. Depreciation, however, is expected to increase due to capitalization of slump sale consideration for LLMAL.

On an overall basis, the Business is well positioned as the initiatives of the last few quarters to enhance brand awareness and expand geographic presence will begin to reflect in improved traction of branded sales. Further, the synergies from the LLMAL acquisition and the benefits from operating leverage will begin to kick in. The management intends to continue its investments into advertisement and marketing, new product development and expansion of distribution network in FY15. The management is confident that the near term performance will be stable over the medium to long-term. Your Company will resume an upward trajectory of growth in profitability.

Risk Management

Risk management is an integral function and is embedded across all of the business processes undertaken by your Company. It is essential to identify and manage risks to reduce uncertainties and ensure continuity of operations. To manage risks, your Company's Risk Management team continuously assesses and monitors business practices, ensuring the smooth flow of operations and adhering to stringent guidelines. Your Company has a risk management framework in place, with processes to strategize, monitor, identify, assess and mitigate risks that could impact sustainability of business operations.

Your Company implements comprehensive risk management practices across its operations. We are committed to providing the highest degree of safety to our employees, especially at factories. Regular machinery inspections are important to ensure that the functionality of the machinery is up to date and does not impose any potential hazards that could cause accidents at the workplace. Periodic maintenance checks to equipment are conducted to assure that they meet acceptable safety requirements.

Your Company also actively manages risks arising from credit, raw material price fluctuation and foreign exchange volatility.

Internal Controls

Your Company and the Management has adequate internal control systems in place to safeguard and shield the Company from losses and, unofficial use or deposition of assets. This also ensures that the Company's assets and interests are carefully protected and all the transactions are appropriately authorized, recorded and presented to the management. Your Company always adheres to prescribed guidelines and follows all Accounting Standards prescribed for maintenance of books of accounts and reporting of financial statements. The appointed independent internal auditors monitor and report on the effectiveness of the internal control systems of the various areas of operations. Key matters that are reported in the Internal Audit are brought to the notice of the Audit Committee of the Board of Directors and corrective measures are recommended and appropriate actions taken. The Internal Control systems ensure that the business operations function efficiently and the applicable laws, rules, regulations, policies of your Company are followed, in addition to safeguarding the reliability of financial reporting.

Human Resources

Your Company continues to maintain a cordial relationship and healthy atmosphere with its employees at all levels. Human resources are considered the most important and valuable asset of the Company. Continuous commitment to upgrading skills is an integral part of the human resource development policy of the Company. The focus has always been towards creating, rewarding and nurturing environment for employees. Equal opportunities are given to optimize their potential and improve their standard of living.

Your Company lays great emphasis on retention of employees as it holds great strategic importance to retain its human talents. Your Company invests in human resources intangibles from time to time by providing on the job training, in-house and external training programs and workshops related to technical/functional, behavioral/general, health and safety, ISO certification standards, etc., which motivates employee productivity and skills. Competitive remuneration is awarded to employees on a timely basis and your Company ably maintains amicable industrial relations at all plants. As at March 31, 2014, the total workforce of the Company, including top management stood at 1,794 employees, which include top management.

Cautionary Statement

Certain Statements made in the Management Discussion and Analysis Report relating to your company's objectives, projections, outlook, expectations, estimates and others may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ from such expectations, projections and so on whether express or implied. Several factors could make a significant difference to your Company's operations. These include climatic conditions and macroeconomic conditions affecting demand and supply, government regulations and taxation, natural calamities and so on, over which your company does not have any direct control.

**ANNEXURE D:
REPORT ON CORPORATE GOVERNANCE
(Pursuant to amended 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. BRIEF STATEMENT ON COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Our Company's philosophy is to add value to its customers' interests and provide 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:

The Board now comprises of fourteen Directors, of whom seven are Non-Executive Independent Directors, as follows:

Name of the Directors	Title	Category
Mr.V.M.Lakshminarayanan	Chairman and Managing Director	Promotor Non-Independent
Mr.V.M.Balasubramaniam	Vice Chairman and Non-Executive Director	Promotor Non-Independent
Mr.V.M.Seshadri	Managing Director	Promoter Non-Independent
Mr.V.M.Gangadharam	Executive Director	Promoter Non-Independent
Mr.V.M.Kumaresan	Executive Director-Technical	Promoter Non-Independent
Mr.D.Krishnamurthy	Executive Director-cum-Company Secretary	Non-Independent
Mr.R.S.Prakash	Nominee Director-Equity Investor	Non-Independent
Mr.K.Ganesan	Non-Executive Director	Independent
Mr.V.R.Lakshminarayanan	Non-Executive Director	Independent
Mr.M.Padmanabhan	Non-Executive Director	Independent
Mr.A.Balasubramanian	Non-Executive Director	Independent
Mr.K.J.Kumar	Non-Executive Director	Independent
Mr.G.S.Samuel	Non-Executive Director	Independent
Mr.T.R.Srinivasan	Non-Executive Director	Independent

(ii) ATTENDANCE OF EACH DIRECTOR AT THE BOARD OF DIRECTORS' MEETINGS AND THE LAST ANNUAL GENERAL MEETING DURING THE FINANCIAL YEAR ENDED 31ST MARCH, 2014.

Name of Director	Board Meetings	Attendance at the last AGM (26.07.2013) Yes/ No
Total no. of meetings held during the year	7	1
Mr.V.M.Lakshminarayanan	7	Yes
Mr.V.M.Balasubramaniam	5	No
Mr.V.M.Seshadri	7	Yes

Mr.V.M.Gangadharam	7	Yes
Mr.V.M.Kumaresan	6	Yes
Mr. K.Ganesan	7	Yes
Mr.V.R.Lakshminarayanan	6	Yes
Mr.M.Padmanabhan	5	Yes
Mr.D.Krishnamurthy	7	Yes
Mr.A.Balasubramanian	6	Yes
Mr.K.J.Kumar	3	No
Mr.G.S.Samuel	7	Yes
Mr.R.S.Prakash	7	Yes
Mr.T.R.Srinivasan	7	Yes

(iii) NUMBER OF OTHER BOARDS OR BOARD COMMITTEES IN WHICH THE DIRECTORS OF THE COMPANY ARE MEMBER OR CHAIRPERSON DURING THE FINANCIAL YEAR ENDED 31ST MARCH, 2014

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	1	-	-	-
Mr.V.M.Balasubramaniam	2	-	-	-
Mr.V.M.Seshadri	1	-	1	-
Mr.V.M.Gangadharam	1	-	1	-
Mr.V.M.Kumaresan	1	-	1	-
Mr. K.Ganesan	-	-	-	-
Mr.V.R.Lakshminarayanan	1	-	-	-
Mr.M.Padmanabhan	2	1	-	-
Mr.A.Balasubramanian	2	4	-	-
Mr.K.J.Kumar	-	-	5	-
Mr.G.S.Samuel	-	-	-	-
Mr.R.S.Prakash	2	1	-	-
Mr.T.R.Srinivasan	-	-	-	-

(iv) NUMBER OF BOARD OF DIRECTORS' MEETINGS HELD DURING THE FINANCIAL YEAR ENDED 31ST MARCH, 2014 AND DATES ON WHICH HELD:

During the financial year ended 31st March, 2014, the Board met seven times on 30.5.2013, 26.7.2013, 31.7.2013, 16.9.2013, 30.10.2013, 30.01.2014, 22.03.2014.

(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:

- Ø Reviewing the quarterly, half-yearly and annual financial results before submission to the Board.
- Ø Interaction with the auditors of the Company.
- Ø Ensuring compliance of internal control system and statutory compliance.
- Ø Seeking information from any employee.
- Ø Recommending the appointment and remuneration of Auditors/Internal Auditors.
- Ø 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.

Pursuant to the provisions of Section 177 of the Companies Act 2013 read with clause 49 of the Listing Agreement as amended on 17.4.2014, the Audit Committee's power/role/review functions have been revised in consonance with the said provisions.

(ii) Composition, name of members and Chairperson:

The Company's Audit Committee during the financial year ended 31.03.2014 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.Lakshminarayanan, Independent Non-Executive Director – Member
- d) Mr.A.Balasubramanian, Independent Non-Executive Director – Member
- e) Mr.V.M.Lakshminarayanan, Chairman and Managing Director – Member (Non-Independent)

(iii) Meetings and attendance during Financial year ended 31st March, 2014:

During the financial year ended on 31st March, 2014, the Audit Committee met eight times on 27.5.2013, 29.5.2013, 03.7.2013, 30.7.2013, 16.9.2013, 29.10.2013, 29.1.2014 and 29.3.2014.

Name of Director	Attendance at Audit Committee meetings
Total no. of meetings held during the year which were attended by the Members	8
Mr. K.Ganesan	8
Mr.M.Padmanabhan	7
Mr.V.R.Lakshminarayanan	8
Mr.A.Balasubramanian	8
Mr.V.M.Lakshminarayanan	8

4. REMUNERATION COMMITTEE:

(i) Brief description of terms of reference:

- The Remuneration Committee reviews and approves the remuneration payable to the managerial personnel before the same is considered by the Board/Shareholders. The Committee takes into account various factors like qualifications, positive attributes and independence of a Director, 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, Key Managerial Personnel and other Employees.
- The Committee formulates criteria for evaluation of Independent Directors and the Board.
- The Committee devises a policy on Board diversity.
- The Committee identifies persons who are qualified to become Directors and who (including related parties eligible to hold office/place of profit in the Company) may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal.

(ii) Composition, name of members and Chairperson:

The Committee consisted of the following Directors during the financial year ended on 31st March, 2014

Mr.V.R.Lakshminarayanan	- Independent Director - Chairman
Mr.K.Ganesan	- Independent Director - Member
Mr.M.Padmanabhan	- Independent Director - Member
Mr.R.S.Prakash	- Nominee Director - Member

(iii) Meetings and Attendance during the financial year ended on 31.03.2014:

One Remuneration Committee meeting was held during the financial year on 27.5.2013.

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

(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.

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

Details of salary paid/payable to the Managing Directors and Wholetime Executive Directors during the financial year ended on 31.03.2014 are as follows:

(₹)

Name of Director	Salary	Perquisites	Commission payable	Retiral Benefits	Total
V.M.Lakshminarayanan	36,00,000	7,20,000	33,60,266	11,45,077	88,25,343
V.M.Seshadri	34,80,000	6,96,000	33,60,266	11,06,908	86,43,174
V.M.Gangadharam	33,60,000	6,72,000	33,60,266	9,07,200	82,99,466
V.M.Kumaresan	33,60,000	6,72,000	33,60,266	9,07,200	82,99,466
D.Krishnamurthy	17,00,000	3,40,000	Nil	4,59,000	24,99,000

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 combined with commission on net profits with respect to the Promoter-Directors. The tenure of office of the Managing Directors and Wholetime Executive Directors is for a period of three years from their respective dates of appointments. Messrs.V.M.Lakshminarayanan, V.M.Seshadri, V.M.Gangadharam and V.M.Kumaresan being Promoter-Directors no service contract/notice period has been stipulated for them.

Stock Option details : Nil

(vi) Directors' Sitting Fee:

The Non-Executive Directors were paid Sitting fee of ₹ 10,000/- for each Board/Committee meeting attended by them till 31.3.2014. Details of such sitting fee paid to them during the financial year ended 31st March, 2014 are given below:

(₹)

Name of the Director	Sitting Fees
Mr.K.Ganesan	5,10,000
Mr.V.M.Balasubramaniam	50,000
Mr.V.R.Lakshminarayanan	1,70,000
Mr.M.Padmanabhan	4,30,000
Mr.A.Balasubramanian	1,40,000
Mr.G.S.Samuel	70,000
Mr.R.S.Prakash	1,00,000
Mr.K.J.Kumar	30,000
Mr.T.R.Srinivasan	70,000
TOTAL	15,70,000

5. SELECTION COMMITTEE

Pursuant to the provisions of Section 314(1)(b) / 314(1B) of the Companies Act, 1956, read with Rule 7 of Director's Relatives (Office or Place of Profit) Rules, 2003, the Board has appointed a Selection Committee comprising the following Independent Directors.

1. Mr.K.Ganesan
2. Mr.V.R.Lakshminarayanan
3. Mr.M.Padmanabhan
4. Mr.R.S.Prakash

The Selection Committee comprising the aforesaid Directors with an expert each in the fields of marketing, production/research and development from outside the Company met twice during the financial year ended on 31st March, 2014, i.e. in the forenoon and afternoon of 27.5.2013, with respect to the promotion/revision in salary payable to Messrs.V.M.L.Karthikeyan, V.M.G.Viswanathan, V.M.L.Senthilnathan, V.M.L.Ganesan, V.M.S.Selvamuthukumaran and V.M.G. Mayuresan, relatives of Directors holding office/place of profit in the Company.

6. EXECUTIVE COMMITTEE

(i) Brief description of terms of reference:

Pursuant to the provisions of Section 292 of the Companies Act 1956, an Executive Committee of the Board was formed in the previous financial year, to facilitate opening of current/cash credit accounts to take care of business exigencies and borrow monies from banks within the limits sanctioned by them from time to time and as approved/confirmed by the Board of Directors of the Company.

(ii) Composition, name of members and Chairperson:

The Committee consisted of the following Directors during the financial year ended on 31st March, 2014

Mr.V.M.Seshadri	- Chairman
Mr.K.Ganesan	- Member
Mr.M.Padmanabhan	- Member

(iii) Meetings and Attendance during the financial year ended on 31.03.2014:

During the financial year ended on 31st March, 2014, the Executive Committee met nine times on 16.5.2013, 07.09.2013, 14.09.2013, 01.10.2013, 19.10.2013, 18.11.2013, 22.11.2013, 16.12.2013 and 22.02.2014.

Name of Director	Attendance at Executive Committee meetings
Total no. of meetings held during the year which were attended by the Members	9
Mr.V.M.Seshadri	9
Mr. K.Ganesan	9
Mr.M.Padmanabhan	7

7. 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 consists of Messrs. K.Ganesan, Director and M.Padmanabhan, Director.

(ii) Meetings and Attendance during the financial year ended on 31.03.2014:

During the financial year ended on 31st March, 2014, the Shareholders Grievance Committee met twenty four times on 01.04.2013, 15.04.2013, 02.05.2013, 17.05.2013, 01.06.2013, 17.06.2013, 02.07.2013, 20.07.2013, 02.08.2013, 17.08.2013, 02.09.2013, 17.09.2013, 03.10.2013, 15.10.2013, 01.11.2013, 16.11.2013, 02.12.2013, 17.12.2013, 06.01.2014, 22.01.2014, 07.02.2014, 24.02.2014, 13.03.2014 and 29.03.2014.

Name of Director	Attendance at Shareholders Grievance Committee meetings
Total no. of meetings held during the year which were attended by the Members	24
Mr. K.Ganesan	24
Mr.M.Padmanabhan	21

(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 financial year, the Company received 78 shareholders' complaints mainly pertaining to non-receipt of dividend, annual reports, share certificates sent for transfer, etc. All the complaints were duly attended by the Company/Share Transfer Registrars and there is no pending complaint.

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

8. GENERAL BODY MEETINGS:

(i) Location and time, where last three AGMs held :

YEAR	LOCATION	DATE	TIME
2012 - 2013	E-34, Rajiv Gandhi Salai, Egattur Village, Navalur Kancheepuram District - 600 130.	26 - 07 - 2013	11.00 a.m.
2011 - 2012	No.143, Pudupakkam Village, Vandalur - Kelambakkam Road, Kelambakkam- 603 103, Kanchipuram District.	31 - 08 - 2012	11.30 a.m.
2010 - 2011	- do -	11 - 08 - 2011	11.00 a.m.

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

1. 2010-2011: YES

- a. Special Resolution under Section 31 of the Companies Act, 1956 for enhancement of the Authorised Share Capital of the Company from Rs.10 Crores to Rs.25 Crores.
- b. Special Resolution under Section 31 of the Companies Act, 1956 for alteration of Article 111 of the Articles of Association of the Company.
- c. Special Resolution under Section 31 of the Companies Act, 1956 for alteration of Article 127 of the Articles of Association of the Company.
- d. Special Resolution under Sections 198, 269, 309, 310 and 311 read with Schedule XIII of the Companies Act, 1956 for appointment of Mr.V.M.Seshadri as Managing Director.
- e. Special Resolution under Sections 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 the appointment of Mr.V.M.L.Karthikeyan as Executive Vice-President- Marketing of the Company w.e.f. 01-06-2011 with enhancement in remuneration.
- f. Special Resolution under Sections 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 the appointment of Mr.V.M.G.Viswanathan as Senior General Manager - Materials Management of the Company w.e.f. 01-06-2011 with enhancement in remuneration.
- g. Special Resolution under Sections 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 the appointment of Mr.V.M.L.Senthilnathan as Senior General Manager - Technical of the Company w.e.f. 01-06-2011 with enhancement in remuneration.
- h. Special Resolution under Sections 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 the appointment of Mr.V.M.L.Ganesan as General Manager - Marketing of the Company w.e.f. 01-06-2011 with enhancement in remuneration.
- i. Special Resolution under Sections 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 the appointment of Mr.V.M.S.Selvamuthukumaran as General Manager - Marketing of the Company w.e.f. 01-06-2011 with enhancement in remuneration.
- j. Special Resolution under Sections 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 the appointment of Mr.V.M.G.Mayuresan as Deputy General Manager - Production of the Company w.e.f. 01-06-2011 with enhancement in remuneration.

2. 2011-2012: YES

- a. Special Resolution under Section 309 read with Schedule XIII of the Companies Act, 1956 for revision of remuneration payable to Mr.V.M.Lakshminarayanan, Managing Director w.e.f. 01.09.2012 for the remaining period of his present tenure, i.e., 30.11.2014.
- b. Special Resolution under Section 309 read with Schedule XIII of the Companies Act, 1956 for revision of remuneration payable to Mr.V.M.Seshadri, Managing Director w.e.f. 01.09.2012 for the remaining period of his present tenure, i.e., 31.5.2014.
- c. Special Resolution under Section 309 read with Schedule XIII of the Companies Act, 1956 for revision of remuneration payable to Mr.V.M.Gangadharam, Executive Director w.e.f. 01.09.2012 for the remaining period of his present tenure, i.e., 30.09.2013
- d. Special Resolution under Section 309 read with Schedule XIII of the Companies Act, 1956 for revision of remuneration payable to Mr.V.M.Kumaresan, Executive Director-Technical w.e.f. 01.09.2012 for the remaining period of his present tenure, i.e., 31.05.2013
- e. 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.Kumaresan as Executive Director-Technical w.e.f. 01-06-2013.

3.2012-2013: YES

- a. Special Resolution under Section 198, 269, 309, 310 and 311 read with Schedule XIII of the Companies Act, 1956 for reappointment of Mr. V.M.Seshadri as Managing Director of the Company for a period of three years w.e.f. 1.6.2014.
- b. Special Resolution under Section 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 of the Company for a period of three years w.e.f. 1.10.2013.
- c. Special Resolution under Section 198, 269, 309, 310 and 311 read with Schedule XIII of the Companies Act, 1956 for appointment of Mr.D.Krishnamurthy as wholetime Executive Director-cum-Company Secretary of the Company for a period of three years w.e.f. 1.6.2013.
- d. 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, seeking consent of the Company for Mr.V.M.S.Kumaraguru to hold office or place of profit as Head-Export Operations of the Company with retrospective effect 01.01.2013.
- e. Special Resolution under Sections 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 the appointment of Mr.V.M.L.Karthikeyan as Executive Vice-President-Marketing of the Company with revised remuneration with retrospective effect from 01.06.2013.
- f. Special Resolution under Sections 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 the appointment of Mr.V.M.G.Viswanathan as Senior General Manager - Materials Management of the Company with revised remuneration with retrospective effect from 01.06.2013.
- g. Special Resolution under Sections 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 the appointment of Mr.V.M.L.Senthilnathan as Senior General Manager - Technical of the Company with revised remuneration with retrospective effect from 01.06.2013.
- h. Special Resolution under Sections 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 the appointment of Mr.V.M.L.Ganesan as General Manager - Marketing of the Company with revised remuneration with retrospective effect from 01.06.2013.

- i. Special Resolution under Sections 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 the appointment of Mr. V.M.S.Selvamuthukumaran as General Manager - Marketing of the Company with revised remuneration with retrospective effect from 01.06.2013.
- j. Special Resolution under Sections 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 the appointment of Mr. V.M.G.Mayuresan as General Manager-Corporate Strategy of the Company with revised remuneration with retrospective effect from 01.06.2013.

(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: - None

(v) Procedure for Postal Ballot: - Not Applicable

9. 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 year ended 31st March, 2014 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 and 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 or 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.

10. MEANS OF COMMUNICATION

(i) Quarterly results	...	The Unaudited Quarterly financial results are published in Newspapers as required under the Listing Agreement.
(ii) Newspapers wherein results normally published	...	Economic Times (English), Business Standard (English) Business Line (English) & Makkal Kural (Tamil)
(iii) Any website, where displayed	...	www.butterflyindia.com
(iv) Whether it also displays official news releases	...	Yes, whenever necessary.
(v) The presentations made to institutional investors or analyst	...	Not Applicable

11. GENERAL SHAREHOLDER INFORMATION:

i Date, time and venue of Annual General Meeting:

The Twenty Seventh Annual General Meeting will be held on 31st July, 2014 at 11.30 a.m at the Company's Corporate Office premises at E-34, II Floor, Rajiv Gandhi Salai, Egattur Village, Navalur – 600 130, Kanchipuram District.

ii. Financial year: April, 2013 to March, 2014

iii. Date of Book Closure: 28th to 31st July 2014 (both days inclusive)

iv. Listing on Stock Exchanges:

- a. The Bombay Stock Exchange Ltd., Mumbai
- b. The Ahmedabad Stock Exchange Ltd., Ahmedabad
- c. Madras Stock Exchange Ltd., Chennai
- d. National Stock Exchange of India Ltd., Mumbai (w.e.f. 28.4.2014)

Annual Listing Fees has been paid to all the above four Stock Exchanges.

v. Stock Code:

- | | |
|---|----------------|
| 1. The Bombay Stock Exchange Ltd | : 517421 |
| 2. Ahmedabad Stock Exchange Ltd. | : Gandhima |
| 3. Madras Stock Exchange Ltd. | : Gandha Appl. |
| 4. National Stock Exchange of India Ltd | : BUTTERFLY |

vi. Demat ISIN Numbers: INE295F01017

vii. Market Price Data (High/Low during each month in the last financial year 2013 - 2014

(₹)

Sl.No.	Month	Month's Highest Rate	Month's Lowest rate
01	April, 2013	374.00	256.00
02	May, 2013	390.00	319.50
03	June, 2013	400.00	330.00
04.	July, 2013	387.95	320.00
05.	August, 2013	363.70	299.70
06.	September, 2013	317.95	282.05
07.	October, 2013	314.90	279.10
08.	November, 2013	320.00	279.00
09.	December, 2013	328.80	291.20
10.	January, 2014	361.00	293.05
11.	February, 2014	314.00	255.00
12.	March, 2014	320.00	258.00

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

ix. Registrars and Share Transfer Agents:

The Shareholding in the Company are partly dematerialized and partly in physical form. 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, STA Department, Nelson Chambers, 4th Floor, F Block, No.115, Nelson Manickam Road, Aminjikarai, Chennai-600 029.

x. 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 once in a fortnight to approve transfer/transmission of the shares in physical form processed by the Registrars and Share Transfer Agents.

xi. Shareholding Pattern as at 31.3.2014

	CATEGORY	NO. OF SHARES HELD	% OF SHARE HOLDING
A	Promoter's holding Promoters & their relatives	1,16,43,778	65.12
B	Non Promoters Holding		
1	INSTITUTIONAL INVESTORS		
	Private Equity Investor	24,51,000	13.71
	Mutual Funds/UTI	3,96,458	2.22
	Financial Institutions/Banks	2,000	0.01

2	NON-INSTITUTIONAL INVESTORS		
a.	Bodies Corporate	4,65,320	2.60
b.	Indian Public	28,42,191	15.90
c.	NRIs	78,804	0.44
	GRAND TOTAL	1,78,79,551	100.00

xii. Distribution of shareholding as on 31.03.2014:

No. of Equity Shares held	No. of Shareholders	%	No. of Shares Held	%
1 - 500	12140	95.85	1111067	6.21
501 - 1000	231	1.82	193083	1.08
1001 - 2000	96	0.76	143136	0.80
2001 - 3000	41	0.32	101886	0.57
3001 - 4000	25	0.20	89146	0.50
4001 - 5000	25	0.20	116050	0.65
5001 - 10000	42	0.33	298079	1.67
Above 10000	65	0.51	15827104	88.52
TOTAL	12665	100.00	17879551	100.00
No. Shares held in physical form	9358	73.89	907593	5.08
No. Shares held in electronic mode	3307	26.11	16971958	94.92
TOTAL	12665	100.00	17879551	100.00

xiii. Dematerialisation of shares and liquidity: As on 31.03.2014, 94.92% of the paid-up capital has 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 locations :
- (i) 143, Pudupakkam Village, Vandalur-Kelambakkam Road, Kelambakkam - 603 103, Kancheepuram District, Tamil Nadu
 - (ii) No.41, Pudupakkam Village, Vandalur - Kelambakkam Road, Kanchipuram District - 603 103, Tamil Nadu
 - (iii) No.7, Karanai-Puducherry Village, Kattur - 603 202, Chengalpattu Taluk Kancheepuram Dist. 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. 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-603103, 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 year ended on 31st March, 2014, affirmed compliance with the Code of Conduct laid down by the Board of Directors in terms of the clause 49 of the Listing Agreement entered with the Stock Exchanges.

Place: Navalur-600130
Date: 04.06.2014

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

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.

For and on behalf of the Board

Navalur-600 130
Date:04.06.2014

V.M.Lakshminarayanan
Chairman & Managing Director

COMPLIANCE CERTIFICATE

To the Members of BUTTERFLY GANDHIMATHI APPLIANCES LIMITED

We have examined the compliance of conditions of Corporate Governance by Butterfly Gandhimathi Appliances Ltd., for the year ended on 31.3.2014 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 grievance(s) received during the year ended on 31.3.2014, no investor grievance(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.

Chennai - 600 017
Date : 28th May, 2014

For RUDHRAKUMAR ASSOCIATES
Chartered Accountants
Registration No:007033S
R.Rudhrakumar
Proprietor
Membership No.019444

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS
TO THE MEMBERS OF
BUTTERFLY GANDHIMATHI APPLIANCES LIMITED**

Report on the Financial Statements:

We have audited the accompanying financial statements of Butterfly Gandhimathi Appliances Limited (the "Company"), which comprise the Balance sheet as at 31st March 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the Financial Statements:

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ('the Act') read with the General Circular No. 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' responsibility:

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion:

In our opinion and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the 'Act' in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) In the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the 'Act', we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 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 purpose 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance sheet, Statement of Profit and Loss 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' read with the General Circular No. 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013; and
 - (e) On the basis of written representations received from the Directors as at March 31, 2014 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as at March 31, 2014 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the 'Act'.

For RUDHRAKUMAR ASSOCIATES

Chartered Accountants

Registration No:007033S

R.Rudhrakumar

Proprietor

Membership No.019444

Chennai - 600 017

Date : 28th May, 2014

**ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
BUTTERFLY GANDHIMATHII APPLIANCES LIMITED**

(Referred to in Paragraph 1 under 'Report on other Legal and Regulatory Requirements' section of our Report of even date)

1. In respect of the Company's fixed assets :
 - (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 year.
2. In respect of the Company's Inventories :
 - (a) The Inventory has been physically verified by the management during the year. 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. However, the discrepancies noticed on physical verification which were not material have been properly dealt with in the books of account.
3.
 - (a) The Company has not granted any loans, secured or unsecured, during the year 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 year 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 system 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 system.
5. In respect of contracts or arrangements entered in the Register maintained U/s 301 of the 'Act':
 - (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 in excess of ₹ 5,00,000/- in respect of each party 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. In our opinion and according to the information and explanations given to us, 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. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government U/s 209 (1) (d) of the 'Act' and are of the opinion that prima facie the prescribed cost records have been made and maintained. We have not, however made a detailed examination of the records with a view to determine whether they are accurate or complete.

9. (a). 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, Value Added Tax, Customs duty, Service Tax, Excise duty, Cess and other statutory dues applicable to it with the appropriate authorities.

(b) The details of disputed statutory dues which have not been deposited are as under:

Sl. No.	Name of the Statute	Nature of the dues	Amount [₹ in lakhs]	Forum where the dispute is pending
1.	Central Excise Act, 1944	Excise Duty, interest and penalty	2,182.57	CESTAT, Chennai
2.	VAT Acts.	Sales Tax	476.92	Deputy Commissioner [Appeals]
3.	ESI Act,	ESI contribution/interest /damages	14.54	Principal Labour Court, Chennai
4.	Labour Act	Additional Compensation	43.67	Principal Labour Court, Chennai

10. The Company has no accumulated losses and has not incurred cash losses during this financial year and in the immediately preceding financial year.
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 financial institutions/banks during the year.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures 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. The Company is not dealing or trading 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 year.
16. In our opinion the term loans were applied during the year 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 year have prima facie not been used during the year for long term investments.
18. The Company has not made any preferential allotment of shares during the year.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money by way of public issues during the year.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For RUDHRAKUMAR ASSOCIATES
Chartered Accountants
Registration No:007033S
R.Rudhrakumar
Proprietor
Membership No.019444

Chennai - 600 017
Date : 28th May, 2014

BALANCE SHEET AS AT 31ST MARCH, 2014

BALANCE SHEET AS AT 31ST MARCH, 2014				₹ in lakhs	
Particulars	Note No	As at 31st March 2014		As at 31st March 2013	
I EQUITY AND LIABILITIES					
1 Shareholders' Funds					
a Share Capital	1	1,787.95		1,787.95	
b Reserves and Surplus	2	20,582.15	22,370.10	18,340.73	20,128.68
2 Non-Current Liabilities					
a Long-Term Borrowings	3	1,429.03		640.49	
b Other Long-Term Liabilities	4	387.02		409.31	
c Long-Term Provisions	5	328.30	2,144.35	222.27	1,272.07
3 Current Liabilities					
a Short-Term Borrowings	6	17,128.71		3,708.18	
b Trade Payables	7	20,720.20		22,040.49	
c Other Current Liabilities	8	2,214.07		4,470.39	
d Short-Term Provisions	9	2,690.12	42,753.10	2,536.63	32,755.69
TOTAL			67,267.55		54,156.44
II ASSETS					
1 Non-Current Assets					
a Fixed Assets					
i) Tangible Assets	10	10,583.15		9,302.60	
ii) Intangible Assets	10	5,336.95		504.43	
iii) Capital Work-in-Progress	11	450.44		383.95	
b Non-Current Investments		—		—	
c Deferred Tax Assets (Net)	12	31.88	16,402.42	337.25	10,528.23
2 Current Assets					
a Current Investments		—		—	
b Inventories	13	16,722.61		15,879.41	
c Trade Receivables	14	27,933.58		19,549.30	
d Cash and Bank Balance	15	1,999.19		4,625.74	
e Short-Term Loans and Advances	16	4,209.75	50,865.13	3,573.76	43,628.21
TOTAL			67,267.55		54,156.44

Contingent Liabilities & Commitments

(To the extent not provided for)

23

Other Notes to the Financial Statements

24

V.M.SESHADRI
Managing Director

A.BALASUBRAMANIAN
Director

D.KRISHNAMURTHY
Executive Director-cum-Company Secretary

As per our report attached of even date
for **Rudhrakumar Associates**

Chartered Accountants
Registration No: 007033S

R.Rudhrakumar

Proprietor

Membership No. 019444

Navalur (Kanchipuram District) - 600130.

Date: 28th May, 2014.

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED ON 31ST MARCH, 2014

				₹ in lakhs
Particulars	Note No	2013-14	2012-13	
1 INCOME				
a. Revenue from Operations (Gross)	17	83,886.82	80,699.66	
Less: Excise Duty		<u>7,468.69</u>	<u>8,163.47</u>	
Revenue from Operations (Net)		76,418.13		72,536.19
b. Other Income	18	654.68		513.76
TOTAL REVENUE		<u>77,072.81</u>		<u>73,049.95</u>
2 EXPENSES				
a. Cost of Materials Consumed	19	48,357.67		44,412.57
b. Purchases of Finished Goods				
Stock-in-Trade		5,587.53		7,348.51
c. Changes in Inventories of Finished Goods , Work-in-Progress and Stock-in-Trade		-1,923.46		-2,640.50
d. Employee Benefit Expenses	20	6,081.37		5,154.68
e. Other Expenses	21	13,367.87		11,982.74
f. Depreciation	10	493.26		400.59
g. Finance Cost	22	1,674.60		1,532.98
TOTAL EXPENSES		<u>73,638.84</u>		<u>68,191.57</u>
3 Profit before Exceptional and Extraordinary Items and Tax (1-2)		3,433.97		4,858.38
4 Exceptional Items				
Long Term Repayment Charges				-87.17
5 Profit Before Tax (3-4)		3,433.97		4,771.21
6 Tax Expenses				
a. Current Tax		887.18	1,450.71	
b. Deferred Tax		305.37	117.95	
7 Excess Provision for Taxation made for the Previous Year reversed		<u>-</u>	<u>-139.75</u>	1,428.91
8 Profit/(Loss) for the Year (5-6-7)		2,241.42		3,342.30

Other Notes to the Financial Statements 24

In respect of the impact on Profit consequent to change in method of valuation of Inventories, please refer to Foot Note to Note 13

V.M.SESHADRI
Managing Director

A.BALASUBRAMANIAN
Director

D.KRISHNAMURTHY
Executive Director-cum-Company Secretary

As per our report attached of even date
for **Rudhrakumar Associates**
Chartered Accountants
Registration No: 007033S
R.Rudhrakumar
Proprietor
Membership No. 019444

Navalur (Kanchipuram District) - 600130.
Date: 28th May, 2014.

CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31ST MARCH, 2014

Particulars	₹ in lakhs	
	2013-14	2012-13
CASH FLOW FROM OPERATING ACTIVITIES:		
PROFIT BEFORE TAX AND EXTRA ORDINARY ITEMS	3,433.97	4,771.21
Add:		
Depreciation	493.26	400.59
Charge of Intangible Assets	16.00	16.00
Finance Cost	1,674.59	1532.98
Interest Received	-170.36	-182.29
Loss on Sale of Asset	21.27	—
Exceptional/Extraordinary Income/Expenditure	—	87.17
Cash Generated From Operations Before Working Capital Changes	5,468.72	6,625.66
Adjustments For:		
Decrease/(Increase) In Trade Receivables	-8,384.28	-10,109.33
Decrease/(Increase) In Inventory	-843.20	-8,706.54
Decrease/(Increase) In Loans and Advances	309.01	-739.69
(Decrease)/Increase In Trade Payables and Provisions	-3,817.24	16,916.16
Cash Generated from Operations	-7,266.98	3,986.26
Less:		
Direct Taxes Paid	945.00	1,435.07
Deferred Tax Asset Transfer	—	—
Net Cash from Operating Activities (A)	-8,211.98	2,551.19
CASH FLOW FROM INVESTING ACTIVITIES		
(Purchase)/Sale of Fixed Assets	-1,720.98	-2,121.49
Intangible Assets	-4,901.32	-280.55
Decrease/(Increase) In Capital Work -in- Progress	-66.49	-177.05
Increase/(Decrease) In Long Term Assets	—	—
Interest Received	170.36	182.29
Loss on Sale of Asset	-21.27	—
Net Cash From Investing Activities (B)	-6,539.70	-2,396.80

CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31ST MARCH, 2014

Particulars	₹ in lakhs	
	2013-14	2012-13
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds of Long Term Borrowings	379.23	-2,488.96
Proceeds of Short Term Borrowings	13,420.52	-3,387.16
Finance Cost	-1,674.59	-1,620.15
Increase in Share Capital	—	245.10
Increase in Share Premium Account	—	9,502.39
Net Cash from Financing Activities (C)	12,125.15	2,251.22
NET INFLOW/(OUTFLOW) (A) + (B) + (C)	-2,626.54	2,405.61
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents (Opening)	4,625.74	2,220.13
Cash and Cash Equivalents (Closing)	1,999.19	4,625.74
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	-2,626.54	2,405.61

V.M.SESHADRI
Managing Director

A.BALASUBRAMANIAN
Director

D.KRISHNAMURTHY
Executive Director-cum-Company Secretary

As per our report attached of even date
for **Rudhrakumar Associates**
Chartered Accountants
Registration No: 007033S
R.Rudhrakumar
Proprietor
Membership No. 019444

Navalur (Kanchipuram District) - 600130.
Date: 28th May, 2014.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31ST MARCH, 2014

₹ in lakhs

NOTE 1
SHARE CAPITAL
a Authorised

4,00,00,000 Equity Shares of Rs.10/- each

b Issued Subscribed and Fully Paid-up

1,78,79,551 Equity Shares of Rs.10/- each

As at 31st March 2014	As at 31st March 2013
4,000.00	4,000.00
1,787.95	1,787.95

c Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

There is no change in the holding of the Share Capital during the year 2013-14.

d Rights, Preferences and restrictions

The Company has only one class of equity shares having a par value of Rs.10/- per share. Each member is entitled to one vote by show of hands and while on poll, every shareholder is entitled to vote in proportion to their holdings.

e Shares in the company held by each shareholder holding more than 5 % shares as at

LLM Appliances Limited

Butterfly Marketing Private Limited

Reliance Alternative Investments Services Private Limited

Mr.V.M.Seshadri

Mr.V.M.Lakshminarayanan

As at 31st March 2014 (Number of Shares in lakhs)	As at 31st March 2014 (Number of Shares in lakhs)
30.47	30.47
28.35	28.35
24.51	24.51
12.51	12.51
10.01	10.01

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31ST MARCH, 2014

₹ in lakhs

NOTE 2
RESERVES AND SURPLUS
a General Reserve

As per last Balance sheet

Add: Transfer from Surplus

563.23

—

563.23

228.07

335.16

563.23

b Capital Profit
(i) Forfeited Shares (Transferred from Share Capital)

(No. of Shares 34,756)

1.73

1.73

(ii) On Redemption of Preference Shares issued by erstwhile Gangadharam Appliances Limited to IFCI

As per last Balance sheet

142.10

142.10

c Securities Premium Reserve (Share Premium Account)

As per last Balance sheet

9,701.53

9701.53

d Revaluation Reserve

As per last Balance sheet

80.08

80.08

e Surplus

As per last Balance sheet

7,852.06

5,367.87

Add: Profit after tax for the year

2,241.42

3,342.30

10,093.48

8,710.17

Less:

 i) Proposed equity Dividend @ Nil per share
 (Previous year @ ₹ 2.50 per share)

—

446.99

ii) Dividend Tax on proposed equity dividend

—

75.96

iii) Transfer to General Reserve

—

335.16

10,093.48

858.11

7,852.06

TOTAL
20,582.15
18,340.73

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31ST MARCH, 2014

₹ in lakhs

	As at 31st March 2014	As at 31st March 2013
NON CURRENT LIABILITES		
NOTE 3		
LONG TERM BORROWINGS		
A SECURED BORROWINGS		
a Term Loan from Banks	356.85	—
(Secured by first charge by way of hypothecation of specific Plant and Machinery purchased out of the loan and also by paripassu first charge on other fixed assets of the Company, Equitable Mortgage of land and building of the Company at Pudupakkam along with personal Guarantee of Promoter Directors)		
b Vehicle Loan	105.56	130.33
(Secured by hypothecation of Vehicles purchased under loan)		
c From Fullerton India Credit Company Limited	434.07	504.05
(Secured by Equitable Mortgage of land and building at Egattur)	896.48	634.38
B UNSECURED BORROWINGS		
a From Directors	—	6.11
b Aditya Birla Finance Limited *	285.87	—
c Religare Finvest Limited *	246.68	—
* (Refer para no.10 of Note 24)		
TOTAL	1,429.03	640.49

Note

(i) Terms of Repayment for Term loan from bank 5 years, for Vehicle Loan 3 to 5 years and for Fullerton India Credit Company Limited 6 years

(ii) There is no default as on Balance Sheet date on the repayment of term borrowings and the interest due thereon.

NOTE 4
OTHER LONG TERM LIABILITIES
UNSECURED

Security Deposit from Distributors

TOTAL

387.02

387.02

409.31

409.31
NOTE 5
LONG TERM PROVISIONS

Provision for Employee Benefits - Gratuity and Superannuation Payable

TOTAL

328.30

328.30

222.27

222.27

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31ST MARCH, 2014

₹ in lakhs

CURRENT LIABILITIES

NOTE 6

SHORT TERM BORROWINGS

A SECURED BORROWINGS

Loan repayable on demand

a Cash Credit

15,020.97

161.31

b Working Capital Loan

(Secured by hypothecation by way of first charge of present and future Inventories, 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)

750.00

15,770.97

3,015.92

3,177.23

c Term Loan

(Secured by first charge by way of hypothecation of specific Plant and Machinery purchased out of the loan and also by paripassu first charge on other fixed assets of the Company, Equitable Mortgage of land and building of the Company at pudupakkam along with personal Guarantee of Promoter Directors)

668.00

233.33

d Vehicle Loan

(Secured by hypothecation of Vehicles purchased under loan)

148.12

119.51

e Plant and Machinery Loan

(Secured by hypothecation of specific Plant and Machinery purchased out of loan)

0.83

19.72

f From Fullerton India Credit Company Limited

(Secured by Equitable Mortgage of land and building at Egattur)

158.39

158.39

B UNSECURED BORROWINGS

a Aditya Birla Finance Limited *

317.19

b Religare Finvest Limited *

65.21

* (Refer para no.10 of Note 24)

TOTAL

17,128.71

3,708.18

Note

i) Terms of Repayment for Term loan from bank 5 years, for Vehicle Loan 3 to 5 years and for Fullerton India Credit Company Limited 6 years

ii) There is no default as on Balance Sheet date on the repayment of term borrowings and the interest due thereon.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31ST MARCH, 2014

		₹ in lakhs	
		As at	As at
		31st March 2014	31st March 2013
NOTE 7			
TRADE PAYABLES			
A SECURED			
Sundry creditors under Letter of Credit		6,956.78	13,036.72
B UNSECURED			
a Sundry Creditors		13,363.96	8,269.06
b Associate Companies		399.46	734.71
TOTAL		20,720.20	22,040.49
NOTE 8			
OTHER CURRENT LIABILITIES			
a Unclaimed Dividend		28.41	17.95
b Institution Commission Payable		122.51	190.38
c Provisions for Expenses		1,383.82	3,588.23
d Statutory Dues		419.66	673.83
e Advance from Customers		259.67	—
TOTAL		2,214.07	4,470.39
NOTE 9			
SHORT TERM PROVISIONS			
UNSECURED			
a Due to Directors		137.92	398.40
b Employee Benefits		354.06	304.32
c Provision for Taxation		2,198.13	1,310.96
d Proposed Dividend		—	446.99
e Tax on Proposed Dividend		—	75.96
TOTAL		2,690.12	2,536.63

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31ST MARCH, 2014

NON CURRENT ASSETS

NOTE: 10

FIXED ASSETS

₹ in lakhs

TANGIBLE ASSETS

Particulars	GROSS BLOCK - AT COST				DEPRECIATION			NET BLOCK	
	As at 1st April 2013	Additions	Deletions	As at 31st March 2014	As at 1st April 2013	Deductions	For the Year	As at 31st March 2014	As at 31st March 2013
Land (Freehold)	4,020.02	-	-	4,020.02	-	-	-	4,020.02	4,020.02
Buildings (Freehold)	1,571.30	604.54	15.38	2,160.47	245.75	9.36	52.29	1,871.80	1,325.55
Plant & Machinery	2,453.02	418.60	4.31	2,867.31	495.52	0.17	128.97	2,243.00	1,957.50
Dies & Tools	1,136.81	263.44	-	1,400.25	626.82	-	94.98	721.79	509.99
Electrical Machinery & Installations	251.33	16.08	-	267.41	63.05	-	10.89	193.46	188.28
Computers	227.15	41.52	-	268.67	117.41	-	31.78	149.18	109.74
Office Equipments	106.49	42.46	-	148.95	24.29	-	5.81	118.85	82.20
Vehicles	662.34	236.44	37.23	861.55	200.40	10.97	60.38	611.75	461.94
Furniture & Fittings	769.92	134.32	-	904.24	122.54	-	55.38	726.32	647.38
Total	11,198.38	1,757.40	56.92	12,898.86	1,895.79	20.50	440.46	2,315.72	9,302.60

INTANGIBLE ASSETS

Usage Right of Trade Mark	224.00	-	16.00	208.00	-	-	-	208.00	224.00
Trade Mark & Licence*	-	4,775.00	-	4,775.00	-	-	-	4,775.00	-
Computer Software	280.55	126.32	-	406.87	0.12	-	52.80	353.96	280.43
Total	504.55	4,901.32	16.00	5,389.87	0.12	-	52.80	5,336.95	504.43
Grand Total	11,702.93	6,658.72	72.92	18,288.73	1,895.91	20.50	493.26	2,368.64	9,807.03
Previous Year	9,329.74	2,408.06	34.88	11,702.93	1,508.16	12.84	400.59	1,895.91	7,821.58

Notes:

- Vehicles includes Assets acquired on 'Hire Purchase'
- Freehold Land includes an amount of ₹ 10,00,000/- in respect of which the transfer of title deeds to the name of the company is pending and the Building then acquired along with the said Land demolished at the end of the year is shown as deletion as on 31st March, 2014.
- Usage Right of Trade Marks represents assignment of trade marks for future usage and the amount written off during the year on account of amortisation is charged off to Profit and Loss Statement as 'Usage right of Trade Mark'.
- Additions to Plant & Machinery includes machineries purchased under term loan assistance from banks.
- In respect of additions made during the year as 'Trade Mark and Licence', please refer to para 10 of Note 24.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31ST MARCH, 2014

	As at 31st March 2014	₹ in lakhs As at 31st March, 2013
NON CURRENT ASSETS		
FIXED ASSETS		
NOTE 11		
CAPITAL WORK IN PROGRESS		
Machinery & Other assets	450.44	383.95
TOTAL	450.44	383.95
NOTE 12		
DEFERRED TAX ASSETS (NET)		
a Deferred Tax Asset		
Balance brought forward from last Balance Sheet	337.25	455.20
b Deferred Tax Liability	305.37	117.95
TOTAL	31.88	337.25
CURRENT ASSET		
NOTE 13		
INVENTORIES (As taken, valued and certified by the Managing Director)		
Raw Materials and Components (includes Goods-in Transit Nil - Previous year ₹ 759.41lakhs)	5,110.37	9,185.02
Stores and Spares	83.06	76.53
Packing Materials	156.57	119.00
Work in Progress	1,646.06	1,451.72
Finished Goods	3,325.81	2,911.18
Finished Goods - Traded (includes Goods-in Transit ₹13.99 lakhs - Previous year ₹ 85.38 lakhs)	3,450.44	2,135.96
Finished Goods - Traded (acquired out of 'slump sale' from M/s. LLM Appliances Limited)	2,950.30	—
TOTAL	16,722.61	15,879.41

Mode of valuation

The valuation of inventories is at cost or realisable value, whichever is lower as in previous years. As from 1st April, 2013 in ascertaining the cost for the current year, the Company has changed from FIFO method to Moving Weighted Average Method, as a result of which the inventory value reflected at the end of the current year as shown above is higher by ₹57 Lakhs. Consequently, the net profit of the Company for the current year is higher by ₹ 57 Lakhs.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31ST MARCH, 2014

	As at 31st March 2014		₹ in lakhs As at 31st March 2013	
NOTE 14				
TRADE RECEIVABLES				
UNSECURED CONSIDERED GOOD				
a Outstanding for a period more than six months from the date they became due for payment		322.04		413.40
b Others	22,527.67		14,798.42	
c Retention Money - Tamilnadu State Civil Supplies Corporation	<u>5,069.68</u>	27,597.35	<u>4,297.70</u>	19,096.12
d Amount due from Firms and Private Companies in which Directors of the Company are interested as Partner/Director/Member.		14.19		39.78
e Considered Doubtful	141.00		148.72	
Less: Provision for Doubtful Debts	<u>141.00</u>	—	<u>148.72</u>	—
TOTAL		<u>27,933.58</u>		<u>19,549.30</u>

NOTE 15
CASH AND BANK BALANCES

a Balance with Banks				
(i) In Current Accounts	448.17		1,440.21	
(ii) Term Deposit with Banks (Margin Money)	1,515.08		3,153.65	
(iii) Unclaimed Dividend account	<u>28.41</u>	1,991.66	<u>17.95</u>	4,611.81
b Cash on hand		7.53		13.93
TOTAL		<u>1,999.19</u>		<u>4,625.74</u>

NOTE 16
SHORT TERM LOANS AND ADVANCES
UNSECURED - CONSIDERED GOOD

a Balance with Government Authorities	2,818.76		2,179.54	
b Advance to PEC Limited	364.28		132.16	
c Advances on Capital Account	62.54		136.25	
d Advances to Related Parties	—		169.36	
e Other Advances	964.17		956.45	
TOTAL		<u>4,209.75</u>		<u>3,573.76</u>

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31ST MARCH, 2014

₹ in lakhs

NOTE 17
REVENUE FROM OPERATIONS

 Revenue from Operations - Gross
 Less: Excise duty

TOTAL
2013-14
2012-13

83,886.82

80,699.66

7,468.69
8,163.47
76,418.13
72,536.19
NOTE 18
OTHER INCOME

 a Interest on Bank Deposit & Others
 (Gross TDS ₹ 17.00 lakhs - Previous year
 ₹ 8.04 lakhs)

170.36

182.29

b Scrap Sales

466.71

319.52

c Provisions for Doubtful Debts not required

4.82

2.90

d Profit on Sale of Assets

—

3.04

e Other Non-operating Income

12.79
6.01
TOTAL
654.68
513.76
NOTE 19
COST OF MATERIALS CONSUMED

a Raw material Consumption

Opening Balance

Raw materials and Components

9,185.03

3,161.87

Packing Material

119.00

131.73

Spares

68.28
16.96

3,310.56

9,372.31

Add: Purchases

Raw materials and Components

39,471.68

45,159.59

Packing Material

1,890.04

1,509.08

Processing Charges

1,838.21

2,448.04

Spares

653.77

531.64

Freight Inward

471.72
825.97

50,474.32

44,325.42

Less Closing Stock

Raw materials and Components

5,110.37

9,185.03

Packing Material

156.57

119.00

Spares

73.12
68.28
9,372.31

5,340.06

48,357.67
44,412.57
b Purchase of Finished Goods - Stock-in-trade

5,587.53

7,348.51

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31ST MARCH, 2014

₹ in lakhs

2012-13

c Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade
Opening Balance

Work in Progress

Stock-in-Trade - Finished Goods

Less: Closing Balance

Work in Progress

Stock-in-Trade - Finished Goods

TOTAL

2013-14

1,451.72

5,047.13

1,646.06

6,776.25

6,498.85

8,422.31

-1,923.46

52,021.74

1,483.18

2,375.17

1,451.72

5,047.13

3,858.35

6,498.85

-2,640.50

49,120.58
NOTE 20
EMPLOYEE BENEFIT EXPENSES

a Directors' Remuneration, Perquisites and

Commission

b Salaries and Wages

c Bonus and Others

d Contribution to Provident and Other Funds

e Contribution to Gratuity and

Superannuation Funds

f Staff Welfare Expenses

TOTAL

320.41

4,206.74

251.25

280.52

206.92

815.53

6,081.37

529.68

3,140.93

263.29

237.22

94.84

888.72

5,154.68
NOTE 21
OTHER EXPENSES

Consumption of Stores

Commission on Sales

Freight Outward

Advertisement, Publicity & Sales Promotion

Discount on Sales

Power and Fuel

Directors' Sitting fees

Rent

Trade Mark Usage Rights charges

Insurance

Rates & Taxes

70.03

1,106.33

1,518.64

4,860.28

206.62

691.92

17.79

825.96

16.00

58.00

143.33

66.26

1,087.72

1,082.77

4,943.98

166.79

575.13

10.05

633.54

16.00

51.70

100.86

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31ST MARCH, 2014

₹ in lakhs

Particulars	2013-14	2012-13
NOTE 21		
OTHER EXPENSES - Contd..		
Repairs and Maintenance		
Building	110.47	142.69
Plant & Machinery	93.36	115.31
Other Assets	<u>262.30</u>	<u>215.61</u>
	466.13	473.61
Auditors' Remuneration		
Statutory Audit fees	4.00	4.00
Company Law matters	3.50	3.50
Taxation matters	2.50	2.50
Other Services	<u>25.75</u>	<u>17.89</u>
	35.75	27.89
Cost Audit fees	1.88	1.80
Provision for doubtful debts	—	51.05
Loss on Sale of Asset (includes assets written off ₹ 6.01 lakhs - previous year. ₹ - Nil)	21.27	—
Travelling	958.26	820.47
Professional & Consultancy Charges	200.90	262.18
Other Expenses	2,168.78	1,610.95
TOTAL	<u>13,367.87</u>	<u>11,982.74</u>
NOTE 22		
FINANCE COST		
a On Term Loan from Banks	60.44	107.39
b On Cash Credit from Banks	953.89	570.01
c Interest Paid on Security Deposit	34.14	33.34
d Interest Paid on Others	414.21	595.39
e Processing Fees	211.92	226.85
TOTAL	<u>1,674.60</u>	<u>1,532.98</u>

V.M.SESHADRI
Managing Director

A.BALASUBRAMANIAN
Director

D.KRISHNAMURTHY
Executive Director-cum-Company Secretary

As per our report attached of even date
for **Rudhrakumar Associates**
Chartered Accountants
Registration No: 007033S
R.Rudhrakumar
Proprietor
Membership No. 019444

Navalur (Kanchipuram District) - 600130.
Date: 28th May, 2014.

NOTE 23
**CONTINGENT LIABILITIES AND COMMITMENTS
(TO THE EXTENT NOT PROVIDED FOR)**

₹ in lakhs

	As at 31st March, 2014	As at 31st March, 2013
(i) CONTINGENT LIABILITIES		
1 Claim against the Company not acknowledged as debts by the Company which are contested		
Central Excise	2,158.57	—
Sales Tax	476.92	—
Employee State Insurance matter.	2.30	2.30
Claims on merged erstwhile Gangadharam Appliances Limited not acknowledged as debts by the Company which are contested		
Central Excise	24.00	24.00
Employee State Insurance matter	12.24	12.24
Provident Fund matter	—	21.66
Labour matter	43.67	43.67
2 Guarantee		
Liabilities to banks on counter Guarantees given by the Company.	443.40	988.15
Guarantees issued to Deputy Commissioner of Commercial Tax	6.00	1.00
3 Other money for which the Company is contingently liable		
In term of the Memorandum of Compromise executed on 1.11.2000 between the Company and M/s. L.G.Varadarajulu & others, Coimbatore in the matter of patents/designs dispute in the manufacture of Table Top Wet Grinders, the Company is liable to pay to the latter such damages as may be determined by the Court, in the event of the suit C.S.No.613 of 1999 pending in the High Court of judicature at Chennai being decreed in their favour.	Amount Not determinable	Amount Not determinable
(ii) COMMITMENTS		
Estimated amount of contracts remaining to be executed on capital account and not provided for	72.33	343.16

NOTE: 24**OTHER NOTES TO FINANCIAL STATEMENTS****1. GENERAL:**

In accordance with the General Circular no.08/2014 issued vide Ref. No.1/19/2013-CL-V dated 4.4.2014 by Ministry of Corporate Affairs, the financial statements (and documents required to be attached thereto), auditors' report and Board's Report in respect of financial year ended on 31.3.2014 have been prepared as per the relevant provisions of the Companies Act, 1956.

2. SIGNIFICANT ACCOUNTING POLICIES:

(Forming part of the Financial Statements for the year ended on 31st March, 2014)

(i) Basis for Preparation of accounts:

The Financial Statements have been prepared on the historical cost convention to comply in all material aspects with generally accepted accounting principles in India and the applicable Accounting Standards notified under Section 211(3C) of the Companies Act, 1956:

(ii) 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 and VAT 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/deductions made during the year, depreciation is charged on pro-rata basis from the date of addition/up to the date of deletions in the financial year.

Usage Right of Trade Mark is amortized over the period of its Usage.

With regard to Trade Mark and Licences acquired by the Company under a Business Purchase Agreement dated 26th March, 2014 from LLM Appliances Limited arising from the 'Slump Sale' on a going concern basis at the close of transactions on 29th March 2014, for a net consideration of ₹ 47.75 Crores, treated as intangible assets in the form of Trade Mark and Licences are to be amortized over the estimated useful life of 20 years.

However, no amortization is considered necessary in the current financial year 2013-14 taking into account the said acquisition took place only at the end of the financial year viz on 29th March, 2014.

(iii) Inventories:

Inventories are stated at lower of cost (net of CENVAT and VAT credits) or net realizable value. Cost includes all direct costs and other applicable manufacturing overheads and in ascertaining the cost, Moving Weighted Average Method (FIFO method in previous year) is adopted. In the case of work-in-progress and finished goods, cost represents materials (net of CENVAT and VAT credits), direct labour and appropriate portion of factory overheads. Adequate provision for defective, slow/non moving and obsolete stocks are made on the basis of technical evaluation.

(iv) 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. The excise duty is separately disclosed and deducted from sales. 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.

(v) Impairment of Assets:

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.

(vi) Research & Development Expenditure:

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

(vii) Staff Terminal Benefits:

- a) Accrued Liability for gratuity and superannuation has been provided in the accounts in accordance with the provisions of the Payment of Gratuity Act, 1972, calculated on the basis of Actuarial Valuation in accordance with the guidelines of the Institute of Chartered Accountants of India under Accounting Standard (AS15) for employees who are eligible for gratuity and superannuation funded by Life Insurance Corporation (LIC). For a few employees who are in service even after their Superannuation age as per LIC norms, Gratuity and Superannuation in such cases are calculated manually and necessary provision is made in the books of account.

The Company contributes to the said superannuation fund covering specified employees. The contributions are by way of annual premium payable in respect of superannuation policy issued by the LIC of India, which confers benefits to those specified employees based on policy norms.

- b) Contribution to Provident fund are accounted at the applicable rates and paid over to the Government authorities.
- c) Accrued liability for encashment of leave to employees is accounted on calendar year basis, in accordance with the Company's Rules and paid to the employees after the end of calendar year.

DEFINED CONTRIBUTION PLAN

	₹ in lakhs 2013-14	₹ in lakhs 2012-13
Employer's Contribution to Provident fund and Employees State Insurance Corporation	280.52	237.22
Employer's Contribution to Gratuity and Superannuation funds	206.92	94.84

2. Excise duty:

CENVAT credit/Service Tax credit on inputs and other capital goods is accounted fully and to the extent the sum availed is adjusted towards payment of excise duty on despatches leaving the unutilised balance being carried forward to subsequent year and kept under Loans and Advances

3. Disclosures required under the "Micro, Small and Medium Enterprises Development Act, 2006"

₹ in lakhs

Particulars	2013-14	2012-13
a. Principal amount due to Suppliers under the 'Act'	733.68	1,701.50
b. Interest accrued and due to Suppliers under the 'Act', on the above amount	-	-
c. Payment made to Suppliers (Other than interest) beyond the appointed day during the year	-	-
d. Interest paid to Suppliers under the 'Act' (Other than Section 16)	-	-
e. Interest paid to Suppliers under the 'Act' (Section 16)	-	-
f. Interest due and payable to suppliers under the 'Act', for payments already made	-	-
g. Interest accrued and remaining unpaid at the end of the year to Suppliers under the 'Act'	-	-

This information has been given in respect of such vendors to the extent they could be identified as 'Micro, Small and Medium Enterprises' on the basis of information available with the Company on which the Auditors have relied upon.

4. Taxes on Income:

Current tax is determined as the amount of Tax payable in respect of Taxable income for the year determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognised, subject to the consideration of prudence, on timing difference, being the difference between the taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets in respect of unabsorbed depreciation and unabsorbed losses are recognized only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Other deferred tax assets are recognized if there is reasonable certainty that there will be sufficient future taxable income available to realise such assets.

5. Foreign Currency transactions:

Transactions in foreign currency are recorded at exchange rates prevailing at the time of the transactions and exchange difference arising from foreign currency transaction are dealt with in the Profit and Loss Statement and capitalized where they relate to the Fixed Assets. Current Assets and Liabilities at the year end are being converted at closing rates and exchange gains / losses are dealt with in the Profit and Loss Statement, as per AS 11.

6. Imports (CIF Value)

	2013-14 ₹ in lakhs	2012-13 ₹ in lakhs
Raw material	4,144.35	5,347.88
Components and Spares	4,109.54	1,423.57
Capital goods	56.55	376.19
Finished Goods	3,266.55	5,310.13

7. Expenditure in Foreign Currency

Travelling	33.71	23.66
Salary and allowance	61.35	18.02

8. Earning in Foreign Exchange

Exports (on FOB basis)	742.91	647.41
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9. Disclosure on Related Party Transaction
1. Key Management Personnel

Mr.V.M.Lakshminarayanan, Chairman & Managing Director
 Mr.V.M.Seshadri, Managing Director
 Mr.V.M.Gangadharam, Executive Director
 Mr.V.M.Kumaresan, Executive Director- Technical
 Mr.D.Krishnamurthy – Executive Director-cum Company Secretary

2. Enterprises in which key management personnel and their Relatives have Significant influence

LLM Appliances Limited
 Butterfly Constructions Limited
 Butterfly Marketing Private Limited
 V.M.Chettiar & Sons India Private Limited
 Butterfly Quality Centre Private Limited
 Chrysalis Home Needs Private Limited
 Swaminathan Enterprises Private Limited
 Sivagurunathan Industries
 East West Combined Industries
 Vetrivel Transport
 Mrinalini Industries

3. Relatives of Key Management Personnel

Mr.V.M.Balasubramaniam
 Mr.V.M.L.Karthikeyan
 Mr.V.M.S.Namasivayam
 Mr.V.M.G.Viswanathan
 Mr.V.M.L.Senthilnathan
 Mr.V.M.S.Kumaraguru
 Mr.V.M.L.Ganesan
 Mr.V.M.S.Selvamuthukumaran
 Mr.V.M.G.Mayuresan
 Mr.V.M.K.Sivashanmugam
 Mrs.A.Gandhimathi
 Mr.R.Elansudar

₹ in lakhs

S.No	Particulars	2013-14	2012-13
	Transaction for year ended on 31st March, 2014		
	Key Management Personnel		
1	Executive Directors' remuneration, Perquisites and Commission.	365.66	578.20
2	Dividend paid during the year	80.84	86.07
Enterprises in which Key Management Personnel and their relatives have significant influence			
1	Purchase of goods	9,587.82	7,192.75
2	Sale of goods	1,585.24	564.49
3	Purchase of Assets – Fixed and Current Assets	9,264.58	-
4	Balance due to us – Sundry Debtors	14.19	39.78
5	Balance due from us – Sundry Creditors	399.46	734.71
6	Balance due to us – Loans and Advances	-	169.36
7	Dividend paid during the year	163.84	131.07
Relatives of Key Management Personnel			
1	Employee Remuneration	168.02	100.63
2	Others – Director Sitting Fees	0.50	0.30

10. The Company under a Business Purchase Agreement dated 26th March, 2014 has acquired Domestic Kitchen and Domestic Electrical Appliance, Trading Division with the Trade Mark 'Butterfly' from its Associate Enterprise, M/s.LLM Appliance Ltd. by way of 'Slump Sale' on a going concern basis at the close of transaction on 29th March, 2014, for a net consideration of ₹.47.75 Crores, treated as Intangible Asset in the form of Trade Mark and Licences.

Consequent to the said Business Purchase Agreement, the vehicles, current assets and liabilities taken over by the Company as on 29th March, 2014 have been incorporated in the books of the Company at their respective book values.

11. Segment Information in accordance with AS17 issued by ICAI.
The Company operates in only one segment viz. Domestic Appliances.

12. Earnings per Share in accordance with AS20 issued by ICAI:

	2013-14 ₹ in Lakhs	2012-13 ₹ in Lakhs
Net Profit as per Profit and Loss Statement	₹ 2,241.42	₹ 3342.30
No. of Equity Shares	1,78,79,551	1,78,79,551
Face Value per Share	₹ 10.00	₹ 10.00
Basic earnings per share	₹ 12.54	₹ 18.69

13. Previous year's figures have been regrouped and reclassified wherever necessary to conform to this year's classification.

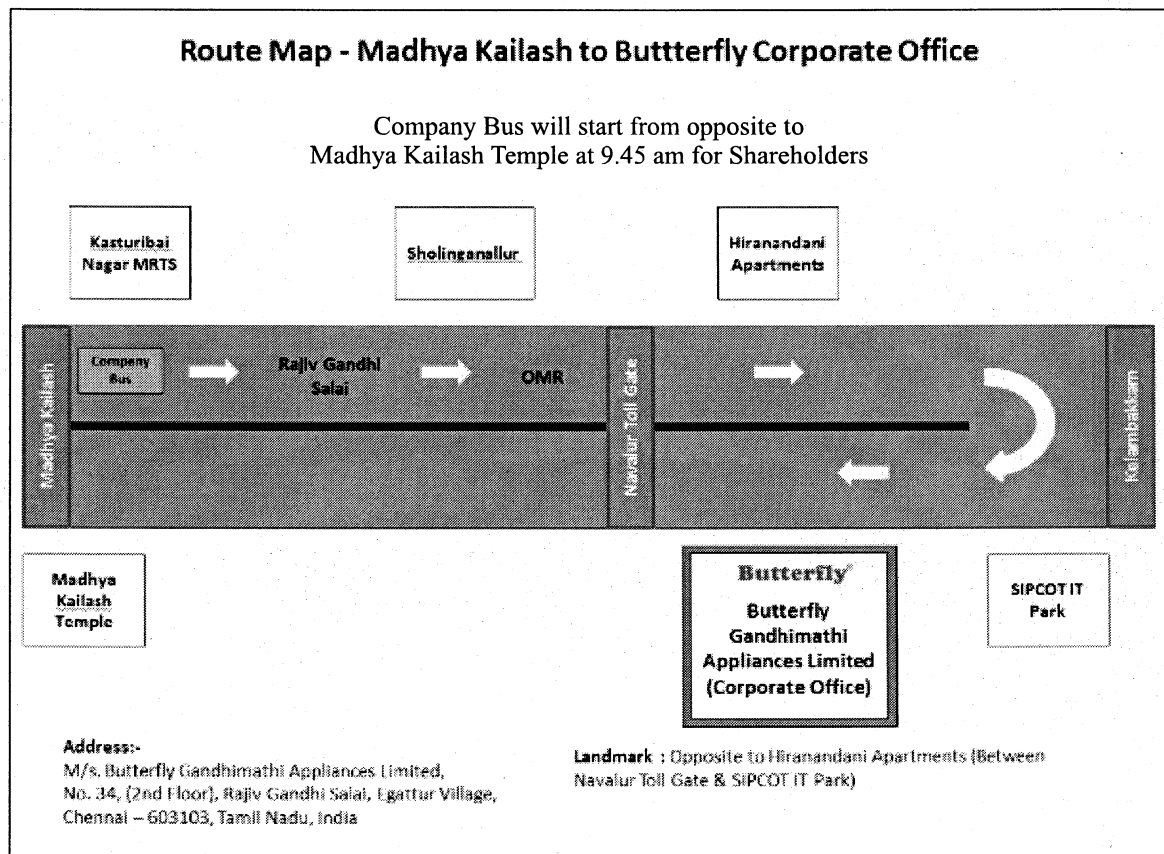
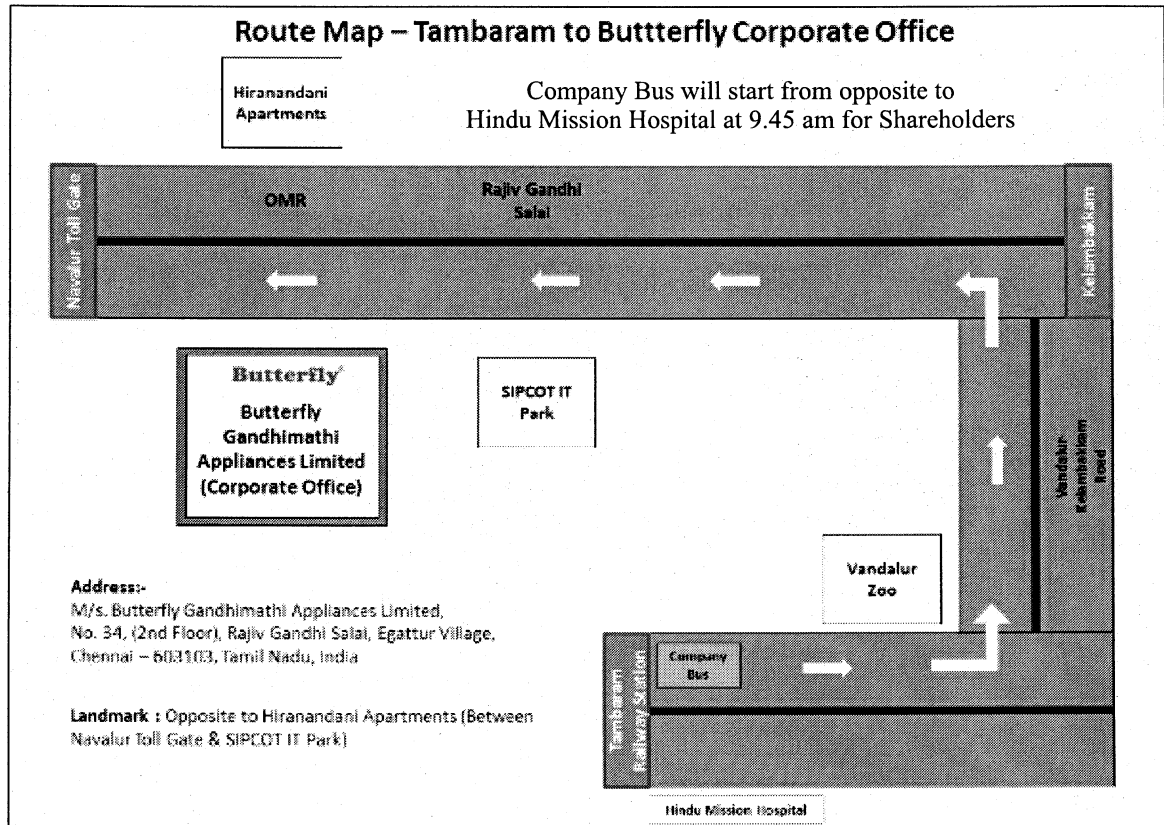
V.M.SESHADRI
Managing Director

A.BALASUBRAMANIAN
Director

D.KRISHNAMURTHY
Executive Director-cum-Company Secretary

As per our report attached of even date
for **Rudhrakumar Associates**
Chartered Accountants
Registration No: 007033S
R.Rudhrakumar
Proprietor
Membership No. 019444

Navalur (Kanchipuram District) - 600130.
Date: 28th May, 2014.



BUTTERFLY GANDHIMATHI APPLIANCES LIMITED
CIN No.L28931TN1986PLC012728
Regd. Office: 143, Pudupakkam Village, Vandalur-Kelambakkam Road,
Kelambakkam – 603 103, Kancheepuram District, Tamil Nadu

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

*DP Id:	Folio No.
*Client Id:	No. of shares:

NAME AND ADDRESS OF THE SHAREHOLDER:

I hereby record my presence at the Twenty Seventh Annual General Meeting of the Company held on Thursday, 31st July 2014 at 11.00 a.m. at its Corporate Office premises E-34, Rajiv Gandhi Salai, Egattur Village, Navalur – 600 130, Kancheepuram District.

*Applicable for investors holding shares in electronic form.

Signature of Shareholder/proxy

PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules 2014]

BUTTERFLY GANDHIMATHI APPLIANCES LIMITED
CIN No.L28931TN1986PLC012728
Regd. Office: 143, Pudupakkam Village, Vandalur-Kelambakkam Road,
Kelambakkam – 603 103, Kancheepuram District, Tamil Nadu

Name of the Member(s): Registered address:	Email Id : Folio No./ *Client Id: *DP Id:
---	--

I/We, being the member(s) of shares of Butterfly Gandhimathi Appliances Ltd, hereby appoint :

Name:	<i>or failing him</i>	<i>or failing him</i>
	Name	Name
Address	Address	Address
Email Id:	Email Id:	Email Id:
Signature:	Signature:	Signature:

and whose signature(s) are appended below as my/our Proxy to attend and vote (on a poll) for me/us and on my/our-behalf at the 27th Annual General Meeting of the Company, to be held on Thursday, 31st July, 2014 at 11.00 a.m. at its Corporate Office premises at E-34, Rajiv Gandhi Salai, Egattur Village, Navalur - 600 130, Kancheepuram Dist. and at any adjournment thereof in respect of such resolutions as are indicated below:

** I wish my above Proxy to vote in the manner as indicated in the box below:

S. No.	Resolutions	Type of Resoluton	For Y/N	Against Y/N
1.	Consider and adopt Audited Financial Statement, Reports of the Board of Directors and Auditors	Ordinary		
2.	Reappointment of Mr.V.M.Balasubramaniam, Director, who retires by rotation	Ordinary		
3.	Reappointment of Mr.D.Krishnamurthy, Director and Executive Director-cum-Company Secretary, who retires by rotation	Ordinary		
4.	Appointment of M/s.Rudhrakumar & Associates as Statutory Auditors	Ordinary		
5.	Amendment to Articles of Association of the Company	Special		
6.	Reappointment of Mr.V.M.Lakshminarayanan, Chairman & Managing Director	Special		
7.	Appointment of Mr.V.M.Balasubramaniam, Director as Managing Director	Special		

* Applicable for investors holding shares in electronic form

S. No.	Resolutions	Type of Resoluton	For Y/N	Against Y/N
8.	Change in terms of appointment of Mr.V.M.Seshadri, Managing Director	Ordinary		
9.	Change in terms of appointment of Mr.V.M.Gangadharam, Executive Director	Ordinary		
10.	Change in terms of appointment of Mr.V.M.Kumaresan, Executive Director - Technical	Ordinary		
11.	Appointment of Mr. V.R.Lakshminarayanan, Director, as an Independent Director	Ordinary		
12.	Appointment of Mr.K.Ganesan, Director, as an Independent Director	Ordinary		
13.	Appointment of Mr.M.Padmanabhan, Director, as an Independent Director	Ordinary		
14.	Appointment of Mr.A.Balasubramaniam, Director, as an Independent Director	Ordinary		
15.	Appointment of Mr.K.J.Kumar, Director, as an Independent Director	Ordinary		
16.	Appointment of Mr. G.S.Samuel, Director, as an Independent Director	Ordinary		
17.	Appointment of Mr.T.R.Srinivasan, Director, as an Independent Director	Ordinary		
18.	Appointment of Mr.V.M.B Shanmuganathan, relative of Mr.V.M.Balasubramaniam, Director, as General Manager Marketing	Special		
19.	Appointment of Mr.V.M.K.Sivashanmugam, relative of Mr.V.M.Kumaresan, Executive Director - Technical as Deputy General Manager - Designs	Special		
20.	Redesignation of Mr.V.M.L Ganesan, relative of Mr.V.M.Lakshminarayanan, Chairman & Managing Director - as General Manager - Finance	Special		
21.	Approval of remuneration of the Cost Auditors	Ordinary		
22.	Approval of Borrowing Powers to the Board of Directors	Special		

Signed this day of July 2014

Signature of Shareholder

Affix
Re.1/-
Revenue
Stamp

Signature of Proxy holder(s)

Note: This form of Proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company or at the Office of its Registrar & Share Transfer Agents at GNSA Infotech Ltd, STA Department, Nelson Chambers, 115, Nelson Manickam Road, Aminjikarai, Chennai – 600 029, not less than 48 hours before the commencement of the meeting.

Electric
Chimney



LPG Stove



Hand
Blender



Mixer
Grinder



Juicer
Mixer Grinder



Table Top
Wet grinder



Non-stick
Cookwares



Pressure
Cooker



Power Hob



Water Heater



Electric Kettle



Washer



Electric Rice Cooker



Washing Machine



Sandwich Maker



Ceiling Fan



Pop-up Toaster



A Moment of pride for Butterfly



Chief Guest DR. MANMOHAN SINGH PRIME MINISTER

1st March 2014, New Delhi



The Ministry of Micro small and Medium Enterprises has bestowed us with the National Award for outstanding performance in the year 2012. Mr. V.M. Kumaresan, Executive Director-Technical, Butterfly Gandhimathi Appliances Limited, was handed over the trophy by the Honourable MSME Minister at the National Awards function held on 1st March, 2014.

To

If undelivered return to :

GNSA Infotech Ltd,
STA Dept., Nelson Chambers, 4th Floor, F-Block,
No.115, Nelson Manickam Road,
Aminjikarai, Chennai - 600 029.
Tel : 044-42962025
E-mail : sta@gnsaindia.com