



**Dhandapani Finance Ltd.**

**BOARD OF DIRECTORS**

**CHAIRMAN**

R NAGARAJAN

**DIRECTORS**

JAIDEEP KRISHNA  
DAVID CHUL KWON LEE  
SHING YAN CHAN  
R VASUDEVAN

**ALTERNATE DIRECTOR**

HUNG YAN TSENG  
(Alternate Director to Shing Yan Chan)

**MANAGING DIRECTOR**

R RAVICHANDRAN

**STATUTORY AUDITORS**

M/s. P B Vijayaraghavan & Co., Chartered Accountants.

**BANKERS**

: State Bank of India, Bank of India, The Catholic Syrian Bank Ltd., State Bank of Hyderabad, The Dhanalakshmi Bank Ltd., The Federal Bank Ltd., Bank of Baroda, Canara Bank, Indian Overseas Bank, ING Vysya Bank Ltd., State Bank of Travancore, Punjab National Bank, UCO Bank, The HSBC Ltd., YES Bank Ltd.

**FINANCIAL INSTITUTIONS**

: Tamilnadu Industrial Investment Corporation Limited  
Fullerton India Credit Company Limited

**SUBSIDIARIES**

: M/s. Dhandapani Holdings & Securities Limited  
M/s. Smartinvest Agency.com Private Limited

**BRANCHES**

: Tamil Nadu, Andhra Pradesh, Maharashtra, Karnataka & Madhya Pradesh

**REGISTERED OFFICE**

: No. 14, Ramakrishna Street, T. Nagar, Chennai – 600 017  
Phone: 2814 1778, 2814 2663, 2814 2706  
Fax: 2814 1612. Email: dhanfin@dhandapanifinance.com

## NOTICE TO THE SHAREHOLDERS

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Notice is hereby given that the Twenty Second Annual General meeting of the Company will be held on Tuesday the 23rd December 2008 at 10.00 am at Rani Seethai Hall, I Floor, No 603, Anna Salai, Chennai 600 006 to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as on 30th September 2008 and the Profit and Loss Account for the 18th months period ended on that date together with the reports of the Board of Directors' and Auditors' of the Company.
2. To appoint a Director in the place of Shri. Jaideep Krishna who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint statutory auditors to hold office till the conclusion of next annual general meeting and fix their remuneration.

### SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.  
**RESOLVED THAT** pursuant to the applicable provisions of the Companies Act, 1956, Mr. R Ravichandran, who was appointed as an Additional Director be and is hereby appointed as Director of the Company not liable to retire by rotation.
5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.  
**RESOLVED THAT** pursuant to the applicable provisions of the Companies Act, 1956, Mr. R Vasudevan, who was appointed as an Additional Director be and is hereby appointed as Director of the Company liable to retire by rotation.
6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.  
**RESOLVED THAT** pursuant to the applicable provisions of the Companies Act, 1956, Mr. Shing Yan Chan who was appointed as an Additional Director be and is hereby appointed as Director of the Company liable to retire by rotation.
7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.  
**RESOLVED THAT** pursuant to the applicable provisions of the Companies Act, 1956, Mr. David Chul Kwon Lee who was appointed as an Additional Director be and is hereby appointed as Director of the Company liable to retire by rotation.
8. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution.  
**RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, 311 and all other applicable provisions, if any, of the Companies Act, 1956, including Schedule XIII to the Companies Act, 1956 as amended up to date, consent of the shareholders of the Company be and is hereby accorded to the

appointment of Mr. R Ravichandran as Managing Director of the Company for a period of 3 years with retrospective effect from 12th October, 2007 to 11th October 2010 on the remuneration and other terms and conditions mentioned herein below and as set out in the Agreement entered into between the Company and Mr. R Ravichandran, a copy whereof initialed by the Chairman for the purposes of identification has been placed before this meeting, which Agreement is hereby specifically approved with liberty to the Board of Directors to increase, reduce, alter or vary the terms of remuneration and perquisites including monetary value thereof as set out in the Agreement, at any time(s) and from time to time and in such manner as the Board of Directors may deem fit, so as not to exceed the remuneration limits as specified in Schedule XIII of the Act or any amendments thereto:

a. Terms of Remuneration:

<b>Particulars</b>	<b>Amount (Rs.)</b>
Salary	1,50,000 per month
Perquisites:	
Housing	30,000 per month
Other Allowances / Reimbursements	92,417 per month
Medical	15,000 per annum
Leave Travel Allowance	1,00,000 per annum
Provident Fund	2,16,000 per annum
Gratuity	In accordance with Payment of Gratuity Act
Bonus	As per Company rules subject to a minimum of Rs.9,00,000 per annum

- b. Subject to the superintendence, control and directions of the Board, the Managing Director shall perform such duties and functions as would be commensurate with his position as Managing Director of the Company and as may be delegated to him by the Board from time to time.
- c. The Managing Director shall not be paid any sitting fees for attending the meetings of the Board or Committees thereof.
- d. Subject to provisions of the Companies Act, 1956, the Managing Director shall not while he continues to hold office of the Managing Director be subject to retirement by rotation but he shall ipso facto immediately cease to be Managing Director if he ceases to hold office of Director for any cause.

for and on behalf of the Board

Place: Chennai  
Date : 24.11.2008

**R RAVICHANDRAN**  
*Managing Director*

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES IN ORDER TO BE VALID MUST BE DULY STAMPED, EXECUTED AND RECEIVED AT THE REGISTERED/CORPORATE OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Please bring the admission slip duly filled in and handover at the entrance of the meeting hall.
3. The register of members and share transfer books of the Company will remain closed on from 20th December 2008 to 23rd December 2008 (both days inclusive), as per the requirements of the listing agreements.
4. Members are requested to notify any change of address:
  - i. To the Depository Participants (DPs) in respect of their electronic share accounts.
  - ii. To the Registered Office at No:14, Ramakrishna Street, T Nagar, Chennai – 600 017 in respect of their physical share folios.
5. In case the mailing address mentioned on this Annual Report is without the pin code, members are requested to kindly inform their pin code immediately.
6. Pursuant to the provisions of section 205A of the Companies Act, 1956, as amended, dividends for the financial year ended 31st March, 2002 and thereafter which remain unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund of the Central Government. Members who have not encashed their dividend warrants, so far for the financial year ended 31st March 2002 or any subsequent financial years are requested to make their claims to the share department of the Company. It may also be noted that once the unclaimed dividend is transferred to the Investor Education and Protection Fund, as above, no claims shall lie in respect of such amounts.
7. The Company has a designated E-mail ID for Investor Grievance. All the shareholders are requested to mail their Grievance to [investorcell@dhandapanifinance.com](mailto:investorcell@dhandapanifinance.com)
8. Members are requested to quote their folio numbers in all their correspondence.
9. Members are requested to bring their copies of the Annual report for the meeting.
10. As per the provisions of the amended Companies Act, 1956, facility for making nomination is now available to individuals holding shares in the Company. The nomination form 2B prescribed by the Government can be obtained from the Company.
11. As required under the Listing Agreement, the particulars of directors who are proposed to be re-appointed are given in the Report on Corporate Governance.

for and on behalf of the Board

Place: Chennai  
Date : 24.11.2008

**R RAVICHANDRAN**  
*Managing Director*

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

**SPECIAL BUSINESS:**

**Item No. 4**

**Mr. R Ravichandran** was appointed as an Additional director and Managing Director with effect from 28.09.2007 and 12.10.2007 respectively. He holds office only upto the date of the forthcoming Annual General meeting. In terms of section 257 of the Companies Act, 1956 the Company has received a notice in writing from a member signifying his intention to propose Mr. R Ravichandran as a candidate for the office of Director. The Board proposes to appoint him as a director, as per the relevant provisions of the Companies Act, 1956. The Board recommends the resolution for your approval.

**Memorandum of Interest:**

None of the Directors except Mr. R Ravichandran is deemed to be interested in the resolution.

**Item No. 5**

**Mr. R Vasudevan** was appointed as an Additional director with effect from 18.10.2008. He holds office only upto the date of the forthcoming Annual General meeting. In terms of section 257 of the Companies Act, 1956 the Company has received a notice in writing from a member signifying his intention to propose Mr. R Vasudevan as a candidate for the office of Director. The Board proposes to appoint him as a director liable to retire by rotation, as per the relevant provisions of the Companies Act, 1956. The Board recommends the resolution for your approval.

**Memorandum of Interest:**

None of the Directors except Mr. R Vasudevan is deemed to be interested in the resolution.

**Item No. 6 & 7**

The company has been acquired by D B Z Mauritius (DBZM) by virtue of share purchase agreement dated 04.05.2006 and the subsequent open offer made to the shareholders of the Company. In terms of the provisions of the share purchase agreement, D B Z M can have their representative directors on Board of the Company. Accordingly, Mr. David Chul Kwon Lee and Mr. Shing Yan Chan have been nominated by DBZM as Directors on Board of DFL. They have been appointed as directors with effect from 22.02.2008 and 12.10.2007 respectively and hold office only till the conclusion of the forthcoming annual general meeting. In terms of section 257 of the Companies Act, 1956 the Company has received notices in writing from members signifying their intention to propose Mr. David Chul Kwon Lee and Mr. Shing Yan Chan as candidates for the office of Director. The Board proposes to appoint them as directors liable to retire by rotation. The board recommends the resolution for your approval.

**Memorandum of Interest:**

Mr. David Chul Kwon Lee and Mr. Shing Yan Chan are deemed to be interested in this resolution, in their respective capacities.

**Item No. 8**

The Board of Directors, subject to the approval of members, have recommended appointment of Mr. R Ravichandran as the Managing Director of the Company, as per the terms of remuneration in accordance to the provisions of Section 198, 269, 309 read with Schedule XIII of the Companies Act, 1956.

Mr. R Ravichandran, a Cost Accountant with over 18 years of experience in NBFC Industry, has held senior positions in his previous assignments. His last assignment was with Cholamandalam DBS Finance Ltd for over 6 years and prior to that in Esanda Finance (Subsidiary of Grindlays Bank) for a period of 8 years. He has rich experience in asset backed lending business across various geographies of India. He had been appointed as Chief Executive officer of the Company with effect from 17th January 2007, on contractual terms.

His terms of remuneration were also approved by the Remuneration committee, in accordance with the provisions of Schedule XIII of the Companies Act, 1956.

The Board of Directors of your company recommends the resolution for your approval.

Mr. R Ravichandran will be deemed to be interested in the resolution and shall abstain from voting on the resolution. None of the other directors are interested in the resolution.

This may also be treated as an abstract of the Memorandum of Interest of the Managing Director pursuant to Section 302 of the Companies Act, 1956.

The terms and conditions of the Appointment and remuneration payable to him are in accordance with the provisions of Schedule XIII of the Companies Act, 1956 and are as follows:-

- (i) Mr. R Ravichandran to hold office and act as Managing Director of the company with effect from 12th October 2007 for a period of 3 years subject to reappointment every year on mutual consent.
- (ii) Mr. R Ravichandran comply with all the directions and regulations which may from time to time be given or made by the Board and to use his utmost endeavors to promote the interest of the Company

Explanatory statements as per Sch.XIII to the Companies Act, 1956

Sl.No.	Particulars	
1.	Nature of industry	Non-Banking Finance Company (NBFC)
2.	Date or expected date of commencement of commercial production	Already commenced the Business
3.	In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus	NA
4.	Financial performance based on given indicators	For the 18 months period ended 30th September 2008 the Company had a turn over of Rs.55 crores.
5.	Export performance and net foreign exchange collaborations, if any	NA

## II. Information about the appointee:

Sl.No.	Particulars	
1.	Background details	Having more than 18 years experience in NBFCs
2.	Past remuneration	Rs.22,00,000 per annum.
3.	Recognition or awards	NIL
4.	Job profile and his suitability	Managing Director- Having the required qualification and experience in the relevant field.
5.	Remuneration proposed	Rs.3,75,000/- p.m
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. the country of his origin)	The remuneration is in line with the existing pay structure of other comparable NBFCs.
7.	Pecuniary relationship with the managerial personal, if any	He is not related to other Directors.

## III. Other information:

Sl.No.	Particulars	
1.	Reasons of loss or inadequate profits	Difficulty in raising resources for the growth of business.
2.	Steps taken during the year for improvement.	The Company diversified its resource base by entering into bilateral assignment of receivables facilities with M/s. Fullerton India Credit Company Limited to the extent of Rs. 100 Crores.

## IV. Disclosures:

- (1) The amount of the remuneration payable to the Managing Director is Rs.3,75,000/- p.m.

for and on behalf of the Board

Place: Chennai  
Date : 24.11.2008

**R RAVICHANDRAN**  
*Managing Director*

**Introduction:**

Dhandapani Finance Limited (DFL) has been primarily engaged in the business of financing of tractors, construction equipments, commercial vehicles and other passenger carrying multi-utility vehicles and cars etc. The Company's main focus has been to finance used assets in the above segments at gross yields in the range of 24% to 26%. The Company operates through a network of 54 branches located in semi urban and rural markets of Tamil Nadu, Andhra Pradesh, Karnataka and Maharashtra. The company's main business philosophy lies in its ability to effectively lend and collect from chosen customer segments in semi-urban and rural markets for a variety of their asset financing needs.

**Significant developments during the period under review:**

DFL declared losses in FY 2006-07 as a result of extensive clean up of legacy issues in the Balance Sheet which had not been dealt with since 1997 by the erstwhile management. Due to this and also due to the adverse external market conditions, raising funds for carrying out regular business operations has become extremely difficult during the period under review. Your company approached various lending institutions with a view to raise money and the response was not very encouraging.

Without regular in flow of borrowings, further lending to our customers slowed down drastically and this resulted in size of the income earning assets of the company coming down. Situation became tougher post March'08, when the global financial crisis started showing its ugly face and within few months, NBFCs in India started facing further problems in raising funds for business operations.

Management of your company felt that it is not sustainable to carry on the present line of business, which is asset financing, profitably and decided to look at various other options. With a view to protect the interest of all stake holders of the company, your company looked at various options including that of merger or sale to another company.

The Board, as early as on May 26, 2008, had come to the conclusion that continuing business in the present form was not sustainable and had therefore resolved to explore the various options for reviving the prospects of the company and had appointed Keynote Financial Services Limited to value the business of the Company.

Pursuant to the above, Key Note Financial Services Limited conducted a detailed study of the company, its assets and its financial position and arrived at a value of Rs. 38.61 Crores for the company.

Pursuant to this valuation, your company received an offer from Zwirn Pragati Capfin Private Limited (ZP) for acquisition of business of DFL on a going concern basis by way of slump sale for a consideration of not less than Rs 41.10 Crores. ZP, a NBFC having its corporate office in New Delhi is wholly owned subsidiary of DBZ (Cyprus) Limited, which is a wholly owned subsidiary of D. B. Zwirn Special Opportunities Fund, Limited. The process of Slump Sale envisages the transfer of business enterprise of Dhandapani Finance Limited as a whole which will include its assets, liabilities, manpower, branch network, brand and goodwill.

Your company feels that the decision taken for the slump sale of business was the best option available to the company considering both the internal and external market conditions and also is in the interest of the share holders. The Board of directors had approved the slump sale and the approval of the share holders of the Company was also taken through a postal ballot.

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A Business Transfer Agreement was signed between your company and Zwirn Pragati Capfin Private Limited with effective date of transfer of business as September 30, 2008. After signing the Business Transfer Agreement (BTA) on September 30, 2008, ZP had carried out a due diligence exercise covering valuation of the assets of the Company and future business potential as given in the valuation report of Keynote. The exercise conducted by ZP revealed that there are certain assets which are impaired and ZP made substantial downward revision in the future business potential on account of rapid changes in the internal and external market conditions adversely affecting the viability of Non Banking Finance Companies. Keeping the above factors in mind, ZP indicated its inability to move forward on the slump sale arrangement on the basis of terms agreed earlier.

Thereafter, the Board of Directors of DFL discussed the situation and explored various possibilities including that of finding another buyer for the business. However, considering the prevailing adverse internal and external conditions for NBFCs, your company felt that it will be in the interest of all stake holders of DFL to engage in a discussion with ZP and to ensure their continued interest in the arrangement.

Your company thereafter held several negotiations with ZP and decided to conduct a valuation of your company jointly. Accordingly M/s S.Kannan & Associates, a leading firm of Chartered Accountants having expertise in corporate valuations were appointed jointly by ZP and DFL to conduct the valuation of DFL in light of observations from ZP arising out of the due diligence exercise conducted by them.

Based on the Valuation Report issued by M/s S.Kannan & Associates, your company negotiated and finalized with ZP a revised consideration of Rs.28 Crores for the slump sale subject to approval by shareholders through a postal ballot. The postal ballot will seek the approval of shareholders for the downward revision in the sale consideration from ZP from Rs. 41.10 Crores to Rs. 28.00 Crores.

Accordingly, the Board has decided to make a provision of Rs.13.10 Crores in the annual accounts for the period ended September 30, 2008 on account the above downward revision in the slump sale consideration by ZP.

#### **Future Outlook**

Pursuant to the slump sale of DFL's present line of NBFC business on a going concern basis to ZP, the Board of Directors of DFL is deliberating and considering possibility of carrying on various other business activities in order to maximize the value for shareholders and a decision on this will be taken at the appropriate time.

#### **Subsidiaries / consolidated results**

The financials of the subsidiaries and the consolidated financials of the company as a whole forms part of this annual report.

## REPORT ON CORPORATE GOVERNANCE

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### CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company lays great emphasis on the broad principles of Corporate Governance. Given below is the report on Corporate Governance.

#### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Transparency and accountability leading to management reliability are the touchstone of the Corporate Governance at your Company. The ultimate objective of the Corporate Governance at your Company is to enhance shareholders' value in the long term. However, the Corporate Governance at your Company recognizes all shareholders and decision-making process reflects this concern.

Dhandapani Finance Limited (DFL) believes in the principles of Corporate Governance and is committed to conduct its business in a manner, which will ensure long-term growth thereby maximizing value of its shareholders, customers, employees and society at large. Company's policies are in line with Corporate Governance guidelines prescribed under the Listing Agreements with the Stock Exchange and the Company ensures that various disclosures requirement are complied with for effective Corporate Governance.

The Company recognizes that good Corporate Governance is essential to build and retain the confidence of its shareholders. To this end, the Company's philosophy on Corporate Governance is to endeavor to ensure:

1. That system procedure which monitors compliance with laws, rules and regulations are in place in each area of its business.
2. That relevant information regarding the Company and its operations is disclosed, disseminated and easily available to its shareholders and
3. That the Board of Directors is kept fully informed of all material developments in the Company, the risks in its business and its operations and the rationale for management's decisions and recommendations so that the Board of Directors can effectively discharge its responsibilities to our shareholders.

#### CORPORATE CODE OF CONDUCT

The activities and conduct of the company and its employees are governed by the Code of Conduct of the Group. The major salutary principles prescribed by the Code of Conduct are:

- (a) conduct of business in consonance with national interest
- (b) fair and accurate presentation of financial statement
- (c) practicing politically non-alignment
- (d) Maintaining quality of product and services
- (e) being a good corporate citizen
- (f) Ethical conduct
- (g) Commitment to enhancement of shareholder value and statutory compliance

#### BOARD OF DIRECTORS

The Company has adopted the corporate governance principles to ensure that the Board functions with utmost transparency, independent and enable the stakeholders to take informed decisions. To this effect, steps

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have been taken to ensure that the Board consists of distinguished members with expertise in various fields. The board at Dhandapani is fully aware of its responsibilities to the company and to the stakeholders, to the regulatory authorities and is working towards achieving utmost transparency.

Pursuant to the acquisition, the new management strives to achieve the desired goals of good governance. The Company has an appropriate personnel in place to handle risk management, credit approval process, collections / sales management. The company is committed to ethical values and desires lawful business to be conducted by those at helm of the affairs. In connection with this, the company has formulated a code of conduct applicable to Board and Senior management. The company also adopted strict insider trading code for preventing insider trading within the company.

#### **Composition of Board**

The board has been constituted in such a way to have appropriate mix of the directors with expertise in banking, law, finance, education, etc. The company has two independent directors to comply with the provisions of the listing agreements. The directors are elected based on their qualification and expertise based on the company's needs.

The Board of Directors consists of seven members including an alternate director and the constitution of Board of Directors is given below:

<b>Director</b>	<b>Position</b>	<b>Designation</b>	<b>Directorships in other Indian Companies #</b>	<b>Membership in other Board Committees of Indian Companies</b>
R Nagarajan	Independent	Chairman	3	3
David Chul Kwon Lee	Non-Executive	Nominee Director	–	–
Jaideep Krishna	Non-Executive	Director	–	–
R Vasudevan	Independent	Director	–	–
Shing Yan Chan	Non-Executive	Director	–	–
Tseng Hung Yan (Alternate director to Shing Yan Chan)	Non-Executive	Alternate Director	–	–
R Ravichandran	Executive	Managing Director	–	–

# excludes private limited companies and membership in board and other committees of Dhandapani Finance Limited.

#### **Non-Executive Directors' compensation and disclosures**

The disclosure with respect to compensation to non-executive directors are disclosed in the clause pertaining to remuneration to directors elsewhere in this report.

## BOARD MEETINGS

The Board of directors meets at regular intervals and the dates for Board meetings are fixed well in advance. The Board is briefed on key parameters and activities of the business by way of briefings, business plan documents and presentations on need basis. The Board of the Company met on the following dates during the 18 months period ended 30th September 2008.

11.05.2007, 26.06.2007, 25.07.2007, 28.09.2007, 12.10.2007, 25.10.2007, 13.12.2007, 24.01.2008, 19.03.2008, 30.04.2008, 26.05.2008, 09.06.2008, 05.07.2008, 30.07.2008, 26.08.2008, 04.09.2008, 11.09.2008 and 19.09.2008.

The Company placed before the Board the annual operating plans, budgets, performance of various branches and other information including those specified under Annexure I of the Listing Agreement, from time to time.

### Details of Directors seeking appointment / re-appointment at the Annual General meeting:

Name	David Chul Kwon Lee	Shing Yan Chan	R Vasudevan	Jaideep Krishna
Age	42	39	43	47
Date of Appointment	22.02.2008	12.10.2007	18.10.2008	20.12.2006
Qualification	MBA	EMBA, BSS (Eco)	BE	MBA
Areas of Expertise	Finance	Asset Management	Education	Investment Management
Number of other Indian companies holding directorship	-	-	-	-
Name of membership in other committees	-	-	-	-
Number of shares held in the company	Nil	Nil	Nil	Nil

# excludes private limited companies and membership in board and other committees of Dhandapani Finance Limited.

## AUDIT COMMITTEE

The primary role of the Audit Committee includes overseeing the financial reporting process and disclosure of financial information, reviewing financial statements before submission to the Board, reviewing adequacy of internal control systems and reviewing findings of internal investigations. The committee holds discussions with Statutory Auditors and internal auditors.

The Committee was reconstituted on 18.10.2008. The composition of the committee includes Mr R Nagarajan, Mr R Vasudevan, and Mr. Jaideep Krishna. The Audit Committee of the Company met on 26.06.2007, 25.07.2007, 25.10.2007, 24.01.2008, 30.04.2008 and 30.07.2008 during the 18 months period ended 30th September 2008.

## **SHARE TRANSFER AND INVESTOR RELATIONS COMMITTEE**

The Share transfer & Investor Relations Committee approves and monitors transfers, transmission, splits and consolidation of shares of the Company, reviews Redressal of complaints from shareholders relating to transfer of shares, non-receipt of dividends and other grievances. The Committee also reviews the compliances with various statutory and regulatory requirements. For the 18 months period ended 30th September 2008 the committee met 33 times.

- All shares have been transferred within one month from the date of the receipt so long as the documents are clear in all respects.
- Total numbers of share transferred for the 18 months period ended 30th September 2008 were for 30,251 shares numbering to 102 share transfers.
- Total numbers of share transmission for the 18 months period ended 30th September 2008 were for 5,100 shares numbering to 32 share transmissions.
- Total numbers of Remat for the 18 months period ended 30th September 2008 were for 31 shares numbering to 3 remats.
- As on 30th September, 2008 there are Nil Equity shares pending for transfer.

The Composition of the Committee includes Mr. R Nagarajan, Mr. Jaideep Krishna and Mr. R Ravichandran. The Committee meets once a fortnight.

## **FINANCE COMMITTEE:**

The committee reviews the business proposals of the company, credit and investment policies, borrowings within the limits of the powers of the Board, authorization for purchase and sale of property, reviewing the risk management policies of the company. The reconstituted committee includes Mr. R Nagarajan, Mr. Jaideep Krishna and Mr. R Ravichandran. For the 18 months period ended 30th September 2008 the committee met 11 times.

## **REMUNERATION OF DIRECTORS**

The remuneration package of Managing Director has been calculated in accordance with the requirements of Schedule XIII of the Companies Act, 1956 and the Non-executive Directors have been remunerated by way of sitting fees. The reconstituted remuneration committee consists Mr. R Nagarajan, Mr. Jaideep Krishna and Mr R Vasudevan. For the 18 months period ended 30th September 2008 the committee met 3 times

The remuneration of the Managing Director comprises of salary, allowances and perquisites. The remuneration is within the limits prescribed under Schedule XIII to the Companies Act, 1956.

The non-executive directors are being remunerated by way of sitting fees. The details of remuneration paid to the Managing Director is disclosed in the Notes on Accounts.

**Remuneration paid for the 18 months period ended 30th September 2008**

**Rupees in Lakhs**

Name of the Director	Salary	Allowances / PF	Sitting fees	Total
Mr. Siddharth Bhargava +	–	–	–	–
Mr. Daniel Bernard Zwirn \$	–	–	–	–
Mr. Chirstopher Tung Suan ?	–	–	–	–
Mr. R Nagarajan	–	–	1.67	1.67
Mr. Anand Desai # (Alternate director to Chirstopher Tung Suan)	–	–	0.02	0.02
Mr. A Ramesh Kumar @	–	–	0.12	0.12
Mr. Karthik Seshadri &	–	–	0.03	0.03
Mr. Rajen Padukone *	–	–	0.04	0.04
Mr. Jaideep Krishna	–	–	–	–
Mr. David Chul Kwon Lee **	–	–	–	–
Mr. Shing Yan Chan %	–	–	–	–
Ms. Angela Ka Yee Chun ^ (Alternate director to Shing Yan Chan)	–	–	–	–
Mr. Hung Yan Tseng (Alternate director to Shing Yan Chan)	–	–	–	–
Mr. N Balasubramanian <	–	–	0.35	0.35
Mr. R Ravichandran ***	20.12	21.78	–	–
Mr. T N Soundararajan ~	2.07	11.66	–	–

+ Resigned on 23rd April 2007

\$ Resigned on 12th October 2007

? Resigned on 22nd February 2008

# Appointed with effect from 26th June 2007 and Resigned on 12th October 2007

@ Appointed with effect from 12th October 2007 and Resigned on 1st August 2008.

& Resigned with effect from 05th December 2007

\* Resigned with effect from 24th June 2008

\*\* Appointed with effect from 22nd February 2008. He was earlier appointed as Additional Director on 11th May 2007 and resigned with effect from 27th June 2007.

% Appointed with effect from 12th October 2007

^ Appointed on 12th October 2007 and replaced by Hung Yan Tseng with effect from 12th June 2008

< Appointed on 08th August 2008 and Resigned on 18th October 2008

\*\*\* Appointed on 28.09.2007 as Additional Director and appointed as MD on 12.10.2007

~ Originally resigned on 26.06.2007 and Resignation accepted on 28.09.2007

## DIRECTORS ATTENDANCE FOR THE BOARD AND COMMITTEE MEETINGS

Name of Director	Board Meeting	Audit Committee	Finance Committee	Share transfer/ Inv relations comm.	Remu- neration Committee	Attendance at the last AGM
Mr. Siddharth Bhargava +	–	–	–	–	–	–
Mr. Daniel Bernard Zwirn \$	1	–	–	–	–	–
Mr. Chirstopher Tung Suan ?	–	–	–	–	–	–
Mr. R Nagarajan	18	6	11	33	3	Yes
Mr. Anand Desai # (Alternate director to Chirstopher Tung Suan)	1	–	–	–	–	–
Mr. A Ramesh Kumar @	5	3	–	–	2	–
Mr. Karthik Seshadri &	5	2	3	4	1	–
Mr. Rajen Padukone *	5	1	–	–	1	Yes
Mr. Jaideep Krishna	6	2	1	–	1	Yes
Mr. David Chul Kwon Lee **	–	–	–	–	–	–
Mr. Shing Yan Chan %	–	–	–	–	–	–
Ms. Angela Ka Yee Chun ^ (Alternate director to Shing Yan Chan)	1	–	–	–	–	–
Mr. Tseng Hung Yan (Alternate director to Shing Yan Chan)	–	–	–	–	–	–
Mr. N Balasubramanian <>	4	–	–	–	–	–
Mr. R Ravichandran ***	14	–	5	10	2	–
Mr. T N Soundararajan ~	1	–	6	23	–	Yes

Note: Leave of Absence was granted to Directors based on their request obtained at the respective meetings.

+ Resigned on 23rd April 2007

\$ Resigned on 12th October 2007

? Resigned on 22nd February 2008

# Appointed with effect from 26th June 2007 and Resigned on 12th October 2007

@ Appointed with effect from 12th October 2007 and Resigned on 1st August 2008.

& Resigned with effect from 05th December 2007

\* Resigned with effect from 24th June 2008

\*\* Appointed with effect from 22nd February 2008. He was earlier appointed as Additional Director on 11th May 2007 and resigned with effect from 27th June 2007.

% Appointed with effect from 12th October 2007

^ Appointed on 12th October 2007 and replaced by Hung Yan Tseng with effect from 12th June 2008

<> Appointed on 08th August 2008 and Resigned on 18th October 2008

\*\*\* Appointed on 28.09.2007 as Additional Director and appointed as MD on 12.10.2007

~ Originally resigned on 26.06.2007 and Resignation accepted on 28.09.2007

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**GENERAL BODY MEETINGS**

Time and location of last three Annual General Meetings

<b>Year</b>	<b>Date</b>	<b>Time</b>	<b>Location</b>
2005	28.07.2005	10.00 am	Rani Seethai Hall, I Floor, No 603, Anna Salai, Chennai 600 006
2006	06.07.2006	10.00 am	Rani Seethai Hall, I Floor, No 603, Anna Salai, Chennai 600 006
2007	28.09.2007	02.00 pm	Rani Seethai Hall, I Floor, No 603, Anna Salai, Chennai 600 006

**Postal Ballot**

For the period ended 30th September 2008, the following postal Ballot were carried out.

1. A Special Resolution relating to amendment to the main objects clause to the Memorandum of Association was put through Postal Ballot on 12th October 2007.
2. Subsequently another Postal Ballot under section 293(1)(a) for the slump sale by the business of the Company by way of ordinary resolution was carried out on 09th June 2008. The details of the slump sale of the Company is provided elsewhere in the Annual Report.

**Compliance report:**

The Board reviews periodically all the compliance requirements and provide necessary directions.

**Code of Conduct**

The Board has laid down a code of conduct for the board and senior management of the company and is prominently displayed on the website. Annual declaration is obtained from every person covered by the code of conduct. A declaration to this effect signed by the Managing Director is attached to this report.

**CEO/CFO CERTIFICATION:**

CEO / CFO's certificate pursuant to Clause 49 of the listing agreement forms part of this Annual report.

**DISCLOSURES**

- i. There are no materially significant transactions with related parties, subsidiaries, promoters, directors or the management and their relatives conflicting with the Company's interests.
- ii. There were no instances of non-compliance by the Company on any matter related to Capital markets during the last three years, except for a communication from SEBI regarding non-submission of returns under Regulation 8 of SEBI (SAST) Regulations, 1997 on 16.11.2004. The Company has submitted the documentary evidence with respect to above and has replied to SEBI on 13.12.2004.
- iii. The Whistle Blower policy being a non mandatory requirement, the Company has not evolved any policy for the same. However, as a matter of internal check, the Company's inhouse Internal Audit

department is powered to bring to the notice of the management, by way of internal reporting of any occasion of unethical activities, which will be seriously discussed and deliberated upon in the Audit committee meetings.

- iv. The company has complied with all the mandatory requirements of the Clause 49 and has obtained a certificate from the statutory auditors of the company which forms part of this annual report. The extent of compliance of non mandatory requirements is specified later in this report.

#### MEANS OF COMMUNICATION

Quarterly and Annual Results were published in accordance with the Stock Exchange Listing Agreement in “Business Line/Trinity Mirror” (English) and “Makkal Kural” (Tamil).

The results were also displayed on the Company’s website @ [www.dflfinance.com](http://www.dflfinance.com)

#### GENERAL SHAREHOLDER INFORMATION

##### Annual General meeting

Date	Time	Venue
23.12.2008	10.00 am	Rani Seethai Hall I Floor, No 603, Anna Salai, Chennai 600 006

##### Calendar of events

Board Meeting for consideration of accounts	24.11.2008
Annual General Meeting	23.12.2008
Posting of Annual Report along with notice of AGM	27.11.2008
Book Closure dates	20.12.2008 to 23.12.2008 (Both day inclusive)
Last date for receipt of proxy forms	20.12.2008 (before 4 pm)
Unaudited results for the quarter ending 31st December 2008	End January 2009
Unaudited results for the quarter/half year ending 31st March 2008	End April 2009
Unaudited results for the quarter ending 30th June 2009	End July 2009

**Dividend:** In view of the losses posted by the Company, the Board does not propose to declare any dividend for the period of 18 months ended on 30th September 2008.

##### Listing on Stock Exchanges:

The Company’s shares are presently listed on the Bombay Stock exchange.

BSE Stock Code	ISIN No:
511393	ISINE 071C01019

The Company has paid the listing fees for the financial year 2008-09 to the Bombay Stock exchange.

**Stock Market data – High and Low quotations of Equity Shares for the 18 months period ended 30th September 2008 are:**

Month	BSE	
	HIGH	LOW
Apr 2007	63.25	51.00
May 2007	60.00	52.00
Jun 2007	61.75	41.60
Jul 2007	47.75	34.00
Aug 2007	41.00	34.00
Sep 2007	57.80	34.50
Oct 2007	58.80	38.00
Nov 2007	70.95	40.20
Dec 2007	67.80	51.15
Jan 2008	72.75	44.30
Feb 2008	44.30	36.00
Mar 2008	38.00	24.20
Apr 2008	34.40	28.70
May 2008	35.50	28.90
June 2008	31.75	19.05
July 2008	22.45	15.45
Aug 2008	23.00	18.00
Sep 2008	21.45	15.00

#### **SHARE TRANSFER SYSTEM**

Share transfers were processed and share certificates despatched within 30 days from the date of lodgment in accordance with the Stock Exchange listing agreement. The Company's shares are being compulsorily traded in dematerialised form. The share transfer and investor relations committee meets once in a fortnight.

#### **REGISTRAR AND TRANSFER AGENTS**

M/s. Cameo Corporate Services Ltd, have been appointed as the registrars and share transfer agents of the Company for both physical and electronic segment and have attended to the share transfer formalities regularly. The Registrar and Share transfer agent can be contacted by the investors at the following address:

M/s. Cameo Corporate Services Ltd, Subramanian Building, No.1, Club House Road, Chennai – 600 002	Phone No: 044 28460390 Fax: 044 28460129 Email: <a href="mailto:investor@cameoindia.com">investor@cameoindia.com</a> Contact persons: <b>Ms. K. Sreepriya</b>
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**Nomination facility:**

The nomination form 2B is available to all those shareholders desiring to make a nomination. The shareholders holding shares in demat form are requested to forward their nomination instructions to the respective depository participants. Nomination is only optional and can be cancelled or varied at any point of time.

**Payment of Unclaimed / Unpaid Dividend:**

The Company has remitted all the unclaimed /unpaid dividends upto the Financial year 2000 - 2001 to the central government account. The dividends lying unclaimed / unpaid in the account after the prescribed period of seven years are transferred to the IEPF regularly. The Company also sends reminders to the shareholders before such transfers.

Statement showing Shareholding Pattern						
Name of the Company		Dhandapani Finance Ltd.				
Scrip Code : 511393		Quarter ended : 30.09.2008				
Category Code	Category of Shareholder	Number of Shareholder	Total number of shares	Number of Shares in de materialised form	Total Shareholding as a percentage of total number of Share	
					As a percentage of (A+B)	As a percentage of (A+B+C)
<b>(A)</b>	<b>Shareholding of Promoter and Promoter Group</b>					
(a)	Individuals / Hindu Undivided Family	0	0	0	0.0000	0.0000
(b)	Central Government / State Governments(s)	0	0	0	0.0000	0.0000
(c)	Bodies Corporate	2	274200	0	4.6051	4.6051
(d)	Financial Institutions / Banks	0	0	0	0.0000	0.0000
(e)	Any other (Specify)	0	0	0	0.0000	0.0000
	<b>Sub-Total (A) (1)</b>	<b>2</b>	<b>274200</b>	<b>0</b>	<b>4.6051</b>	<b>4.6051</b>
<b>(2)</b>	<b>Foreign</b>					
(a)	Individuals (Non-Resident Individuals / Foreign)	0	0	0	0.0000	0.0000
(b)	Bodies Corporate	1	3036703	3036703	51.0000	51.0000
(c)	Institutions	0	0	0	0.0000	0.0000
(d)	Any other (Specify)	0	0	0	0.0000	0.0000
	<b>Sub-Total</b>	<b>1</b>	<b>3036703</b>	<b>3036703</b>	<b>51.0000</b>	<b>51.0000</b>

Category Code	Category of Shareholder	Number of Shareholder	Total number of shares	Number of Shares in de materialised form	Total Shareholding as a percentage of total number of Share	
					As a percentage of (A+B)	As a percentage of (A+B+C)
	<b>Total Shareholding of Promoter and Promoter Group A=(A)(1) + (A)(2)</b>	3	3310903	3036703	55.6051	55.6051
<b>(B)</b>	<b>Public Shareholding</b>					
<b>(1)</b>	<b>Institutions</b>					
(a)	Mutual Funds / UTI	1	1600	0	0.0269	0.0269
(b)	Financial Institutions / Banks	1	200	0	0.0034	0.0034
(c)	Central Government / State Government(s)	0	0	0	0.0000	0.0000
(d)	Venture Capital Funds	0	0	0	0.0000	0.0000
(e)	Insurance Companies	0	0	0	0.0000	0.0000
(f)	Foreign Institutional Investors	0	0	0	0.0000	0.0000
(g)	Foreign Venture Capital Investors	0	0	0	0.0000	0.0000
	<b>Sub-Total (B) (1)</b>	<b>2</b>	<b>1800</b>	<b>0</b>	<b>0.0302</b>	<b>0.0302</b>
<b>(2)</b>	<b>Non-Institutions</b>					
(a)	Bodies Corporate	93	604287	575837	10.1487	10.1487
(b)	Individuals					
	i. Individual shareholders holding nominal share capital upto Rs.1 Lakhs	6972	1847313	896368	31.0248	31.0248
	ii. Individual shareholders holding nominal share capital in excess of Rs.1 Lakhs	6	154641	154641	2.5971	2.5971
(c)	Any other (specify)					
	Clearing Member	11	7439	7439	0.1249	0.1249
	NRI	17	4278	4278	0.0718	0.0718
	Hindu Undivided family	53	23659	23659	0.3973	0.3973
	<b>Sub-Total (B) (2)</b>	<b>7152</b>	<b>2461617</b>	<b>1662222</b>	<b>44.3647</b>	<b>44.3647</b>
	<b>Total Public Shareholding (B) = (B) (1) + (B) (2)</b>	<b>7154</b>	<b>2643417</b>	<b>1662222</b>	<b>44.3949</b>	<b>44.3949</b>
<b>(C)</b>	<b>Shares held by Custodians and against which Depository Receipts have been issued</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Grand Total (A) + (B) + (C)</b>	<b>7157</b>	<b>5954320</b>	<b>4698925</b>	<b>100.0000</b>	<b>100.0000</b>

**DISTRIBUTION OF SHARE HOLDING AS ON 30.09.2008**

Shares of nominal value of Rs.10/- each	Share holders		Share Amount	
	Shares	Number	In Rupees	% to Total Amount
(1)	(2)	(3)	(4)	(5)
1 - 500	6546	91.4629	11035480	18.5335
501 - 1000	391	5.4631	3340300	5.6098
1001 - 2000	128	1.7884	1986880	3.3368
2001 - 3000	35	0.4890	875770	1.5044
3001 - 4000	13	0.1816	447580	0.7516
4001 - 5000	11	0.1536	522530	0.8775
5001 - 10000	21	0.2934	1508989	2.5342
10001 & ABOVE	12	0.1676	39805680	66.8715
<b>Total</b>	<b>7157</b>	<b>100.0000</b>	<b>59543200</b>	<b>100.0000</b>

**Online Information:**

The Company has been regularly filing the financial results, shareholding patterns and other results in EDIFAR of SEBI website. Shareholders can view the documents at the above website. The Company is not yet shortlisted by BSE to file under Corporate Information and Dissemination System(CIDS).

**Investor grievance redressal division:**

Further to the BSE circular on the exclusive designation of an email ID for investor grievance redressal, the Company designated an e-mail ID for the same and has displayed on the website of the company. Accordingly, the investors are requested to register their complaints in the email ID: [investorcell@dhandapanifinance.com](mailto:investorcell@dhandapanifinance.com).

**Redemption of 10% Redeemable Optionally convertible preference shares (ROCPS) to D B Zwirn Trading No.2 Ltd:**

The Company, at the extra ordinary general meeting held in 12th January 2007 issued 10% Redeemable Optionally convertible preference shares to D B Zwirn Trading No.2 Ltd to the extent of Rs.22.26 crores, after obtaining necessary regulatory approvals. The option shall be exercised within a period of 18 months, after which the shares shall be compulsorily converted into equity shares. However the company has redeemed ROCPS on 30th June 2008 as per their request.

**Issue of Redeemable preference shares to Zwirn Pragati Capfin Private Limited :**

The Company, at the extra ordinary general meeting held in 21st June 2008 issued Redeemable preference shares to Zwirn Pragati Capfin Private Limited to the extent of Rs.22.26 crores, after obtaining necessary regulatory approvals shares. The Redeemable Preference Shares are redeemable at their own option.

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**DEMATERIALIZATION / REMATERIALIZATION**

As on 30th September 2008, 46,98,925 shares of the Company held by the share-owners are held in dematerialized form, aggregating to 78.92% of the Equity share capital of the Company. There were 3 request for remat for 31 equity shares.

Details of complaints regarding shares for the 18 months period ended 30th September 2008:

<b>Nature of complaint</b>	<b>Received</b>	<b>Cleared</b>
Relating to Transfer, Transmissions, Dividend, Demat and Remat etc.	38	38

Address for correspondence and any assistance / clarification:

Dhandapani Finance Limited  
No:14, Ramakrishna Street  
T Nagar, Chennai – 600 017.  
Ph.Nos. 28141778/1304

**COMPLIANCE WITH NON-MANDATORY REQUIREMENTS**

The Company has fulfilled the following non-mandatory requirements.

**Remuneration Committee**

The compliance requirements with respect of Remuneration Committee has been mentioned earlier in this report.

**Shareholders Rights**

As the Company's financial results are published in an English newspaper and in a Tamil newspaper widely circulated, the same are not sent to the shareholders of the company individually. The Company's quarterly / half yearly / annual audited results are also posted on to the Company's website and also onto the SEBI's website under EDIFAR.

**Audit Qualifications**

The response by the Board to the remarks made by the Statutory Auditor in the Auditor's Report are given in the Directors' Report.

**Training of Board Members**

The necessary training will be provided to the Board members as and when required.

**Mechanism for evaluating Non-Executive Board Members**

The Mechanism of performance evaluation of Non-executive directors by peer group of directors is under process. This would help the company to determine any modifications in their terms of Appointment.

**Whistle Blower Policy**

The Company's stand on the whistle Blower policy has been mentioned under DISCLOSURE clause of this report.

## **ANNUAL DECLARATION OF CODE OF CONDUCT BY MANAGING DIRECTOR**

This is to confirm that the Board has laid down a Code of Conduct for all the board members and senior management of the company. The Code of Conduct has also been posted on the website of the Company. It is further confirmed that all directors and senior management of the company have affirmed compliance with the Code of Conduct of the company for the 18 months period ended 30th September 2008 as envisaged in Clause 49 of the Listing Agreement with the Stock Exchanges.

Place: Chennai  
Date : 24.11.2008

**R RAVICHANDRAN**  
Managing Director

## **CERTIFICATE ON CORPORATE GOVERNANCE**

To the members of Dhandapani Finance Ltd

We have examined the compliance of conditions of Corporate Governance of Dhandapani Finance Ltd for the 18 months period ended 30th September 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges(s).

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 no investor grievance(s) are pending exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

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

for and on behalf of

Place: Chennai  
Date : 24.11.2008

**P B VIJAYARAGHAVAN & CO.,**  
Chartered Accountants  
**P R KRISHNAMURTHY**  
Partner  
Membership Number: 12622

**CERTIFICATE BY CEO / CFO**

I, **R.RAVICHANDRAN**, Managing Director & Chief Executive Officer of Dhandapani Finance Limited, to the Best of our knowledge and belief, certify that:

1. I have reviewed the Balance Sheet and Profit and Loss Account and all its Schedules and Notes of Accounts, as well as the Cash Flow Statement, in respect of the 18 months period ended 30<sup>th</sup> September 2008
2. These Statements do not contain any materially untrue statement or omit any material fact nor do they contain statements that might be misleading.
3. These Statements together present true and fair view of the Company and are in compliance with the existing Accounting Standards and / or applicable laws / regulations.
4. We are responsible for establishing and maintaining internal controls for financial reporting and have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have also disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls for financial reporting, if any, and what we have done or propose to do to rectify these:
5. As there were no instances of fraud, that involves management or employees having a significant role in the Company's internal control systems for financial reporting, no disclosure were required to be made.
6. We have indicated to the Auditors, the Audit Committee and in the notes of accounts, whether or not there were significant changes in internal control for financial reporting and / or of accounting policies during the year.

Place: Chennai  
Date : 24.11.2008

**R. RAVICHANDRAN**  
Managing Director &  
Chief Executive Officer

**Note:** Due to the resignation of the CFO in mid of April 2008 the certificate from CFO does not form part of this Annual Report. The Company is in the process of identifying a suitable candidate as CFO of the Company.

## DIRECTORS' REPORT



Your Directors present the Twenty Second Annual Report together with the Audited accounts for the 18 months period ended September 30, 2008.

### 1. FINANCIAL RESULTS

(Rs. In Lakhs)

PARTICULARS	For the 18 Months ended 30.09.2008	For the 12 Months ended 31.03.2007
GROSS INCOME	7507.56	3578.91
PROFIT/(LOSS) BEFORE INTEREST & DEPRECIATION	3102.03	2035.61
LESS: INTEREST	4046.38	1656.13
PROFIT/(LOSS) BEFORE DEPRECIATION	(944.35)	379.48
ADD: PRIOR PERIOD ITEMS (Netted off)	Nil	(2028.05)
LESS: DEPRECIATION / IMPAIRMENT LOSS	(501.74)	1017.93
PROFIT / (LOSS) BEFORE TAX	(1446.09)	(2666.50)
PROVISION FOR TAXATION (including FBT / Deferred tax)	51.97	17.55
PROFIT / (LOSS) AFTER TAX	(1498.06)	(2684.05)
ADD: BALANCE FROM LAST YEAR	(2657.12)	26.93
PROFIT /(LOSS) AVAILABLE FOR APPROPRIATION	(4155.18)	(2657.12)
PROPOSED DIVIDEND (Including Dividend Tax)	Nil	Nil
TRANSFER TO STATUTORY RESERVE	Nil	Nil
TRANSFER TO GENERAL RESERVE	Nil	Nil
BALANCE CARRIED FORWARD	(4155.18)	(2657.12)

### 2. DIVIDEND

In view of the losses posted by your company, the Board decided not to recommend any dividend during the period under review.

### 3. OPERATIONS

During the 18 months period ended September 30, 2008, the company has disbursed an amount of Rs. 179.39 Crores as against a disbursement of Rs. 160.26 Crores during the 12 months ended 31st March 2007. It is to be noted here that your company managed to carry on fresh disbursements even though there were difficulties in raising enough funds. Continuous focus on recoveries from customers also helped in ensuring continuing disbursements.

### 4. INCREASE IN THE AUTHORISED SHARE CAPITAL

The company at the Extra Ordinary General Meeting held on November 15, 2007, increased the Authorised Share capital from Rs. 35 Crores to Rs. 50 Crores.

## **5. SLUMP SALE**

The company's business has been sold to Zwirn Pragati Capfin Private Limited (ZPCL) by way of "slump sale" (as defined in the Income Tax Act, 1961) on a 'going concern' basis, for a consideration of Rs. 41.10 Crores. However, the consideration has been revised to Rs 28 Crores by ZP and the approval of the shareholders of the Company would be obtained by way of a postal ballot and the Business Transfer Agreement dated September 30, 2008 would need to be accordingly modified.

A Business Transfer Agreement was signed between your company and Zwirn Pragati Capfin Private Limited with effective date of transfer of business as September 30, 2008. After signing the Business Transfer Agreement (BTA) on September 30, 2008, ZP had carried out a due diligence exercise covering valuation of the assets of the Company and future business potential as given in the valuation report of Keynote. The exercise conducted by ZP revealed that there are certain assets which are impaired and ZP made substantial downward revision in the future business potential on account of rapid changes in the internal and external market conditions adversely affecting the viability of Non Banking Finance Companies. Keeping the above factors in mind, ZP indicated its inability to move forward on the slump sale arrangement on the basis of terms agreed earlier.

Thereafter, the Board of Directors of DFL discussed the situation and explored various possibilities including that of finding another buyer for the business. However, considering the prevailing adverse internal and external conditions for NBFCs, your company felt that it will be in the interest of all stake holders of DFL to engage in a discussion with ZP and to ensure their continued interest in the arrangement.

Your company thereafter held several negotiations with ZP and decided to conduct a valuation of your company jointly. Accordingly M/s S.Kannan & Associates, a leading firm of Chartered Accountants having expertise in corporate valuations were appointed jointly by ZP and DFL to conduct the valuation of DFL in light of observations from ZP arising out of the due diligence exercise conducted by them.

Based on the Valuation Report issued by M/s S.Kannan & Associates, your company negotiated and finalized with ZP a revised consideration of Rs.28 Crores for the slump sale subject to approval by shareholders through a postal ballot. The postal ballot will seek the approval of shareholders for the downward revision in the sale consideration from ZP from Rs. 41.10 Crores to Rs. 28.00 Crores.

Accordingly, the Board has decided to make a provision of Rs.13.10 Crores in the annual accounts for the period ended September 30, 2008 on account the above downward revision in the slump sale consideration by ZP.

## **6. STATUS OF RIGHTS ISSUE**

The Company, at its EGM held on 15.11.2007 obtained approval from the shareholders to issue shares on Rights basis to its existing shareholders. Subsequently, your Company filed the draft letter of offer for the Rights issue with SEBI on 28.12.2007 SEBI also issued its observation letter dated 09.04.2008 and had given its nod subject to the compliance of conditions specified in the observation letter. However, in view of the market conditions and due to the slump sale, the Company has intimated to SEBI of its decision to shelve the Rights Issue.

#### **7. ISSUE OF REDEEMABLE PREFERENCE SHARES ON PREFERENTIAL ALLOTMENT BASIS**

The company, at the Extra Ordinary General Meeting held on June 21, 2008, issued Redeemable Preference Shares to the extent of Rs. 22,26,00,000 to Zwrn Pragati Capfin Private Limited after obtaining necessary regulatory approvals.

#### **8. REDEMPTION OF 10% REDEEMABLE OPTIONALLY CONVERTIBLE PREFERENCE SHARES (ROCPS)**

The ROCPS for Rs. 22,26,00,000, which were issued to D. B. Zwrn Mauritius Trading No.2 Ltd, were redeemed as per their request, on June 30, 2008. They had agreed to the redemption of the ROCPS at par and without any interest or dividend.

#### **9. RESOURCES DEPOSITS**

The Company has ceased taking deposits from 31.03.2005. In terms of the letter dated 28.12.2007 communicated by RBI, in response to the Company's application for conversion into Non deposit accepting company, all the outstanding deposits as on 07.03.2008 were transferred to an Escrow Account.

As on 30.09.2008, unclaimed deposits totaling to Rs. 1.82 Lakhs including interest, which matured for payment, were awaiting instructions for repayment. The Company sends periodical reminders to deposit holders before transferring the same to Investor Education and Protection Fund as per the provisions of Section 205C of the Companies Act, 1956.

#### **10. PRUDENTIAL NORMS**

Reserve Bank of India has prescribed prudential norms for registered Non Banking Financial Companies on various parameters. Your Company is in Category A indicating prompt and regular filing of returns.

#### **11. ASSET LIABILITY MANAGEMENT COMMITTEE**

The company has an efficient Asset Liability Management Committee, which continuously monitors the Asset Liability mismatch. The committee met at regular intervals.

#### **12. PROSPECTS**

The Indian economy continued to grow at an enormous pace and recorded a compounded annual growth rate (CAGR) of 8.6% between 2002-03 and 2006-07. But the recent developments in global and domestic markets seem to force this trend to reverse. As per the latest estimates, GDP growth for 2009 is expected to be only around 6.90% which is much lower compared to the previous years.

The severe liquidity crunch has effected the fresh disbursements of majority of asset financing NBFCs since these companies depend on regular inflow of funds mainly from Banks and other financial institutions. Experts believe that this may continue for few more months. Your company was already facing difficulty in raising borrowings, due to the results of cleaning up of legacy issues in the previous year, and added to that the depressed market situation made things difficult. Your management felt that it is not sustainable to continue to carry on the present line of business which is asset financing.

Pursuant to the slump sale of DFL's present line of NBFC business on a going concern basis to ZP, the board of DFL is deliberating and considering possibility of carrying on various other business activities in order to maximize the value for shareholders and a decision on this will be taken at the appropriate time.

**13. EXPLANATIONS TO THE REMARKS IN AUDITORS' REPORT:**

Your Company has decided to adopt a conservative approach on certain accounting aspects. As a result, the company reported losses for the 18 months period ended 30th September 2008. The statutory Auditor has made certain remarks in his Auditors report on the changes in the Accounting policies adopted by the Company and on certain transactions which had an impact on the financial results of the company. In response to the remarks made by the Statutory Auditor, the Board wishes to explain as follows.

Reference to the Auditors Report	Head of Account	Nature of change in the accounting policy adopted for the period ended on 30th Sept 2008	Accounting policy adopted in earlier year	Rs in Lakhs
3(a)	Going Concern	(Refer Note 1)		
3(b)	Company Secretary	(Refer Note 2)		NIL
5(f)	Income on account of assignment of receivables	Income amortised over tenor of the receivable assigned. (Refer Note 3)	Income booked upfront	669.96
5(g)	Depreciation on Intangibles	Depreciated over 5 Years (Refer Note 4)	Depreciated over 3 Years	17.00
5(h)	Change in recognition of NPA	Overdue over 180 Days (Refer Note 5)	Overdue over 365 Days	141.90
5(i)	Managing Directors Remuneration	(Refer Note 6)		23.50
5(j)	Provision for Slump sale of business for the possible reduction in price	(Refer Note 7)		1310.00

**Notes**

1. Even though the company has sold substantial part of its business, the board of DFL is deliberating and considering possibility of carrying on various other business activities on a going concern basis in order to maximize the value for shareholders.
2. The company has taken necessary steps to fill the casual vacancy caused by resignation of the Company Secretary.

3. Income on Assignment / amortization is the difference between the book value of assets assigned and the sale consideration and has been accounted under “Finance Charges”, in respect of assets assigned after April 1, 2007.
4. Expenditure incurred for creating / acquiring intangible assets from which future economic benefit will flow over a period of time was amortised till last year over a period of 3 years or the estimated useful life of the asset, whichever is lower, from the date of deriving the economic benefit from the asset. However, from this year, the company has decided to change the period of amortization from 3 years to 5 years as the benefit from the said assets will be for a minimum period of 5 years.
5. On analyzing the past trend of regular hire purchase assets above 180 days and less than 365 days from becoming NPA assets, it has been considered prudent to adopt a conservative approach and make provisioning for assets.
6. The Managing director’s remuneration is approved unanimously by the share holders in the Extra Ordinary General Meeting held on 15th November 2007 by way of an ordinary resolution and special business. But as per Schedule XIII to Companies Act, 1956, this should have been passed as a Special resolution and the company is taking necessary steps to ratify the above.
7. The Company has sold its current NBFC activities, including all its assets, non tax liabilities, brand and goodwill, branch network including leased premises by way of slump sale on a going concern basis, as defined in the Income Tax Act, 1961, to Zwirn Pragati Capfin Private Limited (ZP), a non banking financial company for a lump sum consideration of Rs. 41.10 Crores vide agreement dt. 30.09.2008. Subsequently, Zwirn Pragati Capfin Private Limited has asked for a downward revision in the consideration to Rs. 28.00 Crores, based on due diligence as per agreement. Hence the company has made a provision of Rs. 13.10 Crores towards possible reduction pending approval by the share holders.

#### **14. CORPORATE GOVERNANCE**

Your Company is complying with the Code of Corporate Governance introduced by SEBI. A detailed report on Corporate Governance together with a certificate from the Statutory Auditors in compliance of Clause 49 of the Listing Agreement is attached which forms part of the Director’s Report.

Management Discussion and Analysis

Management Discussion and Analysis report highlighting the performance of the company is attached forming part of the Director’s report.

#### **15. OTHER DISCLOSURES**

##### **a. SUBSIDIARIES**

The Annual Accounts for the Financial Year ended March 31, 2008 of the Subsidiaries Companies Dhandapani Holdings & Securities Ltd and Smartinvest Agency.Com Private Limited are annexed to your Company’s Annual Report.

## **b. CONSOLIDATED FINANCIAL STATEMENTS**

Consolidated financial statement for the period ended September 30, 2008 prepared in accordance with Accounting Standards 21 on Consolidated Financial Statements-issued by the Institute of Chartered Accountants of India, is also provided in this Annual Report in accordance with Clause 32 of the Listing Agreement.

## **16. DIRECTORS**

Mr. R Ravichandran, who was appointed as the additional director of the company on September 28, 2007, has been appointed as Managing Director of the company with effect from October 12, 2007, by the Board at their meeting held on October 12, 2007.

Mr. R Vasudevan, Mr. Shing Yan Chan and Mr. David Chul Kwon Lee were appointed as additional directors during the year. As per provisions of the Section 260 of the Companies Act, 1956, these directors hold office only up to the forthcoming coming Annual General Meeting. Resolutions seeking approval of Members for the appointment of Mr. R Ravichandran, Mr. R Vasudevan, Mr. Shing Yan Chan, Mr. David Chul Kwon Lee as directors of the Company have been incorporated in the Notice of the ensuing Annual General meeting.

Mr. Jaideep Krishna, director liable to retire by rotation, being eligible has offered himself for re-appointment.

Mr. Siddarth Bhargava, Mr. Christopher Tung Suan, Mr. Karthik Seshadri, Mr. Rajen Padukone and Mr. Daniel Bernard Zwirn, who were directors of the Company, have resigned on different dates during the period under scrutiny. Mr. Anand Desai (Alternate Director to Christopher Tung Suan), Mr. Aravamuthan Ramesh Kumar and Mr. N Balasubramanian, who were appointed as the additional directors of the company on June 26, 2007, October 12, 2007 and August 8, 2008, have resigned with effect from October 12, 2007, August 1, 2008 and October 18, 2008 respectively.

None of the Directors are disqualified to hold directorships under the provisions of Section 274(1) (g) of the Companies Act, 1956.

## **DIRECTORS RESPONSIBILITY STATEMENT**

Your Directors confirm:

1. That in the preparation of the annual accounts, the applicable accounting standards have been followed;
  2. That they 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 period and of the loss of the Company for the 18 months period ended 30th September 2008.
  3. That they have taken proper and sufficient care 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; and
  4. That they have prepared the annual accounts on a going-concern basis.
-

#### **17. AUDITORS**

M/s P. B. Vijayaraghavan & Co, Chartered Accountants, Statutory Auditors of the Company retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

A certificate under Section 224(1B) of the Companies Act, 1956 has been received from them.

#### **18. STATUTORY STATEMENT**

- A. Statement pursuant to Sec.212 (3) of the Companies Act, 1956 in respect of Subsidiary Companies is annexed.
- B. The equity shares of your Company are listed at the Bombay stock Exchange.
- C. The Company has paid the Listing fees to Bombay stock Exchange for the years 2007-08 & 2008-09.
- D. Information under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of employees) Rules, 1975 is given hereunder:

In term of the provisions of section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, the name and other particulars of employees are required to be set in the Director's report. However, as per the provisions of Section 219(1)(b)(iv) of the Act, the annual report. excluding the said information is being sent to all the shareholders. Members who are interested in obtaining such particulars may write to the company's registered office.

#### **19. INFORMATION AS PER SECTION 217 (1) (E) OF THE COMPANIES ACT, 1956**

- The Company is a Non Banking Finance Company and has no activity relating to Conservation of Energy or technology absorption.
- The Company does not have any Foreign Exchange earnings and Outgo.

#### **20. ACKNOWLEDGEMENTS**

Your Directors thank the Company's Bankers and the Financial Institutions for their valuable and timely support.

Your Directors also thank the customers, vehicle manufacturers, dealers and share-holders for their support

Your Directors sincerely appreciate the wholehearted effort and co-operation rendered by the employees at all levels.

for & On behalf of the Board

Place: Chennai  
Date : 24.11.2008

**R. NAGARAJAN**  
*Chairman*

**AUDITORS' REPORT TO THE MEMBERS OF  
DHANDAPANI FINANCE LIMITED, CHENNAI**



1. We have audited the attached Balance Sheet of *M/s. Dhandapani Finance Limited* as on September 30, 2008 and the related Profit And Loss Account and Cash Flow Statement for the period ended on that date annexed thereto which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. **Attention is invited to the following:**
  - a. We draw attention to Note no. 2 of Schedule – 18 in the financial statements. The Company has sold its NBFC activities on 30th September 2008 to Zwirn Pragati Capfin Private Limited for consideration of Rs 41.10 crores as a slump sale. Considering that the Company has sold a substantial part of the business and there are no other activities as on date we are of the opinion that the Company is no longer a going concern. The financial statements accordingly have been drawn up and the class of assets and liabilities as on 30th September 2008 have been adjusted as per the provisions of Engagements and Quality Control Standards - SA 570 - Going Concern issued by the Institute of Chartered Accountants of India.
  - b. The services of the whole time Secretary of the Company were available only for part of the year.
4. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure, a statement on the matters specified in paragraph 4 and 5 of the said Order.
5. Further to our comments in the Annexure referred to in paragraph 4 above, we report that:
  - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. In our opinion, the company has maintained proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. The balance Sheet and Profit and Loss Account dealt with by this are in agreement with the books of account;
  - d. In our opinion, the Balance Sheet, Profit and loss Account dealt with by this report complies with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 except as mentioned in paragraph 5. f.
  - e. We have received written representation from the directors as on September 30, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on September 30, 2008 from being appointed as a director in terms of clause (g) of Sub-section (I) of section 274 of the Act.

- f. *There is change in accounting policy in respect of recognition of Gain on assignment of receivables.*

*Up to the financial year ended March 2006, the gain on assignment of receivable was amortised over the tenor. In the financial year ended March 2007, the accounting policy was changed to reckon the gain upfront with retrospective effect. The said policy i.e. recognising the income upfront was followed upto June 2008. However, from the quarter ended 30.09.2008 the Company has changed its accounting policy to amortise the gain over the tenor with retrospective effect.*

*Had the previous year policy of recognising the gain upfront been followed, the profit would have increased to the extent of Rs. 669.96 lakhs.*

*The accounting policy in respect of recognition of gain on assignment of receivables is not in accordance with AS 1 – Disclosure of Accounting Policies – Para 9 b. as said policy is not consistent from one period to another. ( Refer Note No. 1.1 b)*

- g. *The Company during the year has changed its accounting policy in respect of the intangible assets from amortising over a period of 3 years to over a period of 5 years. The impact of the same is reduction in losses by Rs. 17 lakhs. (Refer Note No. 1.4)*
- h. *The Company during the period has considered 180 days or more for classifications of NPAs as against the norms prescribed by RBI of 365 days. Consequently, the income is recognised less by Rs. 81.65 lakhs and the provision is more by Rs. 60.25 lakhs thus reducing the profit by Rs. 141.90 lakhs.*
- i. *The managerial remuneration paid by the Company to the Managing Director during the year is in excess of the limits prescribed by Schedule XIII of the Companies Act 1956 by Rs. 23.50 Lakhs resulting in excess charge to the Profit and Loss Account in the absence of a special resolution as the approval is through an ordinary resolution in Extraordinary General Meeting held on 15th November 2007 though as a special business.*
- j. *The Company has sold its NBFC activities as on 30.09.2008 to Zwirn Pragati Capfin Private Limited by the agreement dated 30th September 2008 for a consideration of Rs. 41.10 crores as a slump sale (Refer Note No. 2 of Schedule 18). This consideration has since been revised to Rs. 28 crores and pending approval by the shareholders, a provision for Rs. 13.10 crores has been made.*

*Subject to the matters specified in the paragraphs f to j above, resulting in higher losses of Rs. 2128.36 Lakhs, in our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon give in the prescribed manner the information required by the Act, gives a true and fair view in conformity with the accounting principles generally accepted in India;*

- i) In the case of the Balance Sheet, of the state of affairs of the Company as at September 30, 2008;
- ii) In the case of Profit and Loss Account, of the **loss** for the year ended on that date;
- iii) In the case of Cash Flow Statements, the cash flow for the year ended on that date.

For **P B VIJAYARAGHAVAN & CO.,**  
Chartered Accountants  
**P R KRISHNAMURTHY**  
Partner  
Membership Number: 12622

Place: Chennai  
Date : 24.11.2008

## ANNEXURE TO THE AUDITORS' REPORT

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**(Referred to in paragraph 4 of our report of even date to the members of M/s. Dhandapani Finance Ltd.)**

- (i) (a) The company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.
- (b) As per the information and explanation given to us by the management fixed assets according to the practice of the company are physically verified by the management at reasonable intervals, which, in our opinion, is reasonable, looking at the size of the company and nature of the business. No material discrepancies were noticed on such verification.
- (c) All the fixed assets of the company have been disposed off during the year which affects the going concern basis.

As the company is a finance company, the provisions of sub clause (ii) a, b and c of the Companies (Auditor's Report) Order, 2003 are not applicable.

- (iii) (a) According to the information and explanations given to us the company has not granted unsecured loans to group companies, covered in the register maintained under Section 301 of the Companies Act, 1956.
- (b) The rate of interest and other terms and conditions of the loan are prima facie, not prejudicial to the interest of the company.
- (c) The above loans do not have any stipulation for payment of any principal and interest and hence no amount of outstanding as at 30th September 2008 is considered as overdue.
- (iv) In our opinion, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for purchase of fixed assets and sale of goods and services during the course of our audit; we have not observed any continuing failure to correct major weakness in such internal control system.
- (v) (a) According to the information and explanations given to us the company has taken unsecured loans from group companies, covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 99.86 lakhs and the year-end balance of loans taken from such parties was Rs 99.86 lakhs
- (b) The rate of interest and other terms and conditions of the loan are prima facie, not prejudicial to the interest of the company.
- (c) There is no stipulation for payment of any principal and interest.
- (vi) During the year Company has not accepted any deposits from the public. However, in the case of deposits accepted by the Company from the public in the earlier years, in our opinion and according to the information and explanations given to us, the directives issued by Reserve Bank of India and the provisions of sections 58A and of the Companies Act and the rules framed there under, wherever applicable to the Company have been complied with.
- (vii) In our opinion, the company's present internal audit system is commensurate with its size and nature of its business. However, the scope and coverage needs to be enlarged.

- (viii) The Central Government has not prescribed maintenance of cost records under Section 209 (1)(d) of the Act.
- (ix) (a) The company has been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities in India.
- (b) According to the information and explanations given to us and records of the Company examined by us the particulars of dues of Sales Tax, Income Tax, Wealth Tax, and Excise Duty, which have not been deposited on account of any dispute are as follows

<i>Asst. year</i>	<i>Tax Due Amount of Rs. in lakhs</i>	<i>Classification of Dispute</i>	<i>Remarks</i>
Interest Tax Act 1995-96 to 1999-2000	16.37	Tax and Interest	Appeal before CIT(A)
Service Tax 2001-02 to 2005-06	8.90	Tax	Madras High Court has awarded stay
Income Tax Assessment Year 1998-99	14.54	Interest	Chief Commissioner of Income Tax
Assessment Year 2001-02	196.90	Interest	Chief Commissioner of Income Tax
Assessment Year 2005-06	3.79	Interest	Chief Commissioner of Income Tax

- (x) In our opinion, the accumulated loss of the company at the end of the financial year is less than fifty percent of its networth. The company has incurred cash losses during the financial year under audit and in the immediately preceding financial year also.
- (xi) According to the records produced, the company has not defaulted in repayment of dues to any financial institution or bank during the year.
- (xii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The provisions of any special statute applicable to chit fund / Nidhi / mutual benefit fund / societies are not applicable to the Company.

- (xiv) In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- (xv) As per the information and explanations given to us the company has not given any guarantees for loans taken by others.
- (xvi) On the basis of review of utilization of funds on an overall basis, in our opinion, the term loans taken by company were applied for the purposes for which the loans were obtained.
- (xvii) On the basis of review of utilization of funds on an overall basis in our opinion, the funds raised on short-term basis have not been used for long-term investment or vice versa during the year.
- (xviii) During the year the Company had issued 2,22,60,000 Redeemable preference shares of face value Rs.10 each, as approved at the Extra ordinary General meeting of the Company to Zwirn Pragati Capfin Private Limited (ZP).
- (xix) The company has issued no Debentures.
- (xx) The company has not raised any money by public issues during the year.
- (xxi) During the course of our examination of the books of accounts carried out in accordance with the generally accepted auditing practices in India, we have not come across any instance of fraud on or by the company nor have we been informed by the management of any such instance being noticed or reported during the year.
- (xxii) In our opinion clauses (ii) to the Companies (Auditors Report) Order are not applicable to the company.

Place: Chennai  
Date : 24.11.2008

For **P B VIJAYARAGHAVAN & CO.,**  
*Chartered Accountants*  
**P R KRISHNAMURTHY**  
Partner  
Membership Number: 12622

**BALANCE SHEET AS ON 30th SEPTEMBER 2008**



I	SOURCE OF FUNDS	SCH NO	(Rs. in Lakhs)	
			30.09.2008	31.03.2007
	<b>1. Shareholders Funds</b>			
	a) Capital	1	2821.43	2821.43
	b) Reserves & Surplus	2	<u>850.06</u>	<u>2348.18</u>
			3671.49	5169.61
	<b>2. Deferred Tax Liability</b>	3	-	98.63
	<b>3. Loan Funds</b>			
	a) Secured Loans	4	-	20029.52
	b) Unsecured Loans	5	<u>1.82</u>	<u>107.14</u>
			1.82	20136.66
	<b>TOTAL</b>		<b>3673.31</b>	<b>25404.90</b>
<b>II</b>	<b>APPLICATION OF FUNDS</b>			
	<b>1. Fixed Assets</b>	6		
	a. Gross Block		-	4698.86
	b. Less Impairment of Assets		-	930.00
	c. Less Depreciation		<u>-</u>	<u>1590.78</u>
	Net Block		-	2178.08
	<b>2. Investments</b>	7	-	69.51
	<b>3. Current Assets</b>			
	<b>Loans &amp; Advances</b>			
	a) Current Assets	8	4137.91	20531.94
	b) Loans & Advances	9	<u>882.87</u>	<u>2972.65</u>
	(A)		<u>5020.78</u>	<u>23504.59</u>
	Less: Current Liabilities & Provisions			
	a) Current Liabilities	10	37.47	204.31
	b) Provisions	11	<u>1310.00</u>	<u>142.96</u>
	(B)		<u>1347.47</u>	<u>347.28</u>
	Net Current Assets (A-B)		3676.31	23157.31
	<b>TOTAL</b>		<b>3673.31</b>	<b>25404.90</b>

Schedules 1-11 and Notes to Accounts form part of this Balance Sheet

SUBJECT TO OUR REPORT OF EVEN DATE  
for P.B. VIJAYARAGHAVAN & CO.  
*Chartered Accountants*

R. RAVICHANDRAN  
*Managing Director*

P.R. KRISHNAMURTHY  
*Partner*

R. NAGARAJAN  
*Director*

Place : Chennai  
Date : 24.11.2008

**PROFIT & LOSS ACCOUNT FOR THE  
PERIOD ENDED 30th SEPTEMBER 2008**



		(Rs. in Lakhs)	
1. INCOME	SCH NO	30.09.2008 (18 months)	31.03.2007
a. Income from financing operations	12	5511.88	3463.14
b. Other income	13	1995.68	115.77
A		7507.56	3578.91
2. EXPENDITURE			
a. Finance charges	14	4046.38	1656.13
b. Employee cost	15	850.56	267.14
c. Administrative & Other expenses	16	919.44	360.52
d. Provisions and write off	17	1325.53	915.64
e. Provisions for contingencies on slump sale		1310.00	-
B		8451.91	3199.43
Profit before Depreciation, Tax & Prior period items A – B		(944.35)	379.48
Add: Prior period income		-	239.15
Less: Prior period expenses		-	(2267.20)
Depreciation		(213.96)	(87.93)
Impairment loss		(287.78)	(930.00)
Profit before Tax		(1446.09)	(2666.50)
Less: Provision for Taxation			
Current Tax		(134.60)	-
Fringe Benefit tax		(16.00)	(17.13)
Deferred tax Asset		98.63	(0.42)
Net Profit		(1498.06)	(2684.05)
<b>Profit available for appropriations</b>		(1498.06)	(2684.05)
<b>ADD Brought forward from previous year</b>		(2657.12)	26.93
		<b>(4155.18)</b>	<b>(2657.12)</b>
3. APPROPRIATION			
Dividend (inclgd Dividend Tax)		-	-
Transfer to Statutory Reserve		-	-
Transfer to General Reserve		-	-
Surplus balance carried to Balance sheet		-	-
		<b>(4155.18)</b>	<b>(2657.12)</b>

Weighted average number of equity shares of Rs.10/- each  
outstanding during the year Nos 5954320  
Basic earning per share (not annualised) Rs. (25.16)

Schedules 12-17 and Notes to Accounts form part of this Profit and Loss Account.

SUBJECT TO OUR REPORT OF EVEN DATE  
for P.B. VIJAYARAGHAVAN & CO.  
*Chartered Accountants*

R. RAVICHANDRAN  
*Managing Director*

P.R. KRISHNAMURTHY  
*Partner*

R. NAGARAJAN  
*Director*

Place : Chennai  
Date : 24.11.2008

**SCHEDULES FORMING PART OF THE  
BALANCE SHEET AS AT 30th SEPTEMBER 2008**



	(Rs. in Lakhs)	
	30.09.2008	31.03.2007
<b>SCHEDULE 1 SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
(2,50,00,000 Equity shares of Rs 10/- each and 2,50,00,000 Preference shares of Rs 10/- each)	2500.00 2500.00	1000.00 2500.00
	<b>5000.00</b>	<b>3500.00</b>
<b>ISSUED</b>		
(61,22,625 Equity shares of Rs 10/- each) (2,22,60,000 Preference shares of Rs 10/- each)	612.26 2226.00	612.26 2226.00
<b>SUBSCRIBED AND PAIDUP</b>		
(59,54,320 Equity shares of Rs.10/- each) <b>Out of the above the shares held by D.B.Zwirn Mauritius is 3036703 shares of Rs.10/- each</b> (2,22,60,000 Redeemable Preference Shares of Rs.10/- each) (See Note No. 3.1) <b>Fully held by Zwirn Pragati Capfin Pvt. Ltd.</b>	595.43  2226.00	595.43  2226.00
	<b>2821.43</b>	<b>2821.43</b>
<b>SCHEDULE 2 RESERVES &amp; SURPLUS</b>		
	850.06	2348.18
	<b>850.06</b>	<b>2348.18</b>
	850.06	2348.18
	<b>850.06</b>	<b>2348.18</b>
<b>SCHEDULE 3 DEFERRED TAX ASSETS</b>		
Opening Balance	98.63	98.21
Add: During the Year	–	0.42
	98.63	98.63
Less: Transfer to P& L During the Year	98.63	–
Closing Balance	–	98.63
<b>SCHEDULE 4 SECURED LOANS</b>		
From Banks secured by Assets under Hypothecation / Hire Purchase Assets and Specific Fixed Assets of the Company	–	8344.94
From Banks and others secured by way of specific charge on Assets under Hypothecation / Hire Purchase Assets	–	11684.58
	–	<b>20029.52</b>
<b>SCHEDULE 5 UNSECURED LOANS</b>		
Loans from Directors / Group Companies	1.82	107.14
<b>TOTAL</b>	<b>1.82</b>	<b>107.14</b>

**SCHEDULE 6 – FIXED ASSETS**

**Rs. in Lakhs**

PARTICULARS	RATE	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
		As on 01.04.07	Addns	Delns	As on 30.09.08	As on 01.04.07	Addns	With- drawn	As on 30.09.08	As on 30.09.08	As on 31.03.07
Land	–	1653.00	–	1653.00	–	–	–	–	–	–	1653.00
Building	5%	76.63	5.11	81.74	–	28.53	3.71	32.24	–	–	48.10
Typewriters	13.91%	1.07	–	1.07	–	0.90	0.03	0.93	–	–	0.17
Name Board	18.10%	1.54	0.03	1.57	–	1.28	0.09	1.37	–	–	0.26
Elec. Fittgs.	13.91%	22.40	13.11	35.51	–	13.47	11.46	24.93	–	–	8.93
Neon Sign	13.91%	2.41	–	2.41	–	1.70	0.14	1.84	–	–	0.71
Vehicles	25.89%	114.10	–	114.10	–	65.96	15.66	81.62	–	–	48.14
Computers	40%	148.14	31.72	179.86	–	98.75	38.63	137.38	–	–	49.39
Airconditioners	13.91%	15.83	11.51	27.34	–	11.68	2.37	14.05	–	–	4.15
Office Eqmt	13.91%	15.39	11.35	26.74	–	9.12	3.06	12.18	–	–	6.27
Fax & Xerox	13.91%	2.38	0.08	2.46	–	1.51	0.19	1.70	–	–	0.87
Frankg Mach.	13.91%	0.30	–	0.30	–	0.25	0.01	0.26	–	–	0.05
Furniture	18.10%	34.26	73.17	107.43	–	25.28	25.42	50.70	–	–	8.98
Leased Asset	–	1680.03	–	1680.03	–	1332.12	87.52	1419.64	–	–	347.91
Intangible Asset	20%	1.38	139.77	141.15	–	0.23	25.71	25.94	–	–	1.15
<b>Total</b>		<b>3768.86</b>	<b>285.85</b>	<b>4054.71</b>	–	<b>1590.78</b>	<b>214.00</b>	<b>1804.78</b>	–	–	<b>2178.08</b>
Previous Year		2304.77	2432.04	967.97	3768.84	1511.37	87.93	8.53	1590.77	2178.08	793.39

**SCHEDULES FORMING PART OF THE  
BALANCE SHEET AS AT 30th SEPTEMBER 2008**



	(Rs. in Lakhs)	
	30.09.2008	31.03.2007
<b>SCHEDULE 7 INVESTMENTS</b>		
<b>A) Quoted -Non Trade</b>		
Government Loan / Stocks	–	38.58
<b>B) UNQUOTED</b>		
In Shares Fully paid unquoted 299300 equity shares of Rs.10/- each in Dhandapani Holdings and Securities Ltd	–	29.93
9999 Equity shares of Rs.10/- each in Dhandapani Business Services Ltd.,	–	1.00
	<u>–</u>	<u>69.51</u>
<b>SCHEDULE 8 CURRENT ASSETS</b>		
A. Stock on Hire/Hypothecation including hire charges under Sundry debtors		
1. Assets on Hire/hypothecations (Agreement value less Instalments Received) Net off UMFC and write offs Includes Sundry debtors secured considered goods	–	18682.85
2. Repossessed Assets	–	202.68
3. Amount Receivable from ZP	4110.00	–
B. Trade Bills Purchased	–	0.84
C. Cash & Bank Balances with Scheduled banks		
In Current account	9.69	158.23
On Deposit account – Under lien	–	1343.01
– Free of lien	18.22	5.42
Cash on hand	–	138.91
	<u>4137.91</u>	<u>20531.94</u>

**SCHEDULES FORMING PART OF THE  
BALANCE SHEET AS AT 30th SEPTEMBER 2008**



	(Rs. in Lakhs)	
	30.09.2008 (18 months)	31.03.2007
<b>SCHEDULE 9 LOANS AND ADVANCES</b>		
Unsecured Considered good		
1. Advances recovered in cash or kind unsecured considered good	–	228.68
2. Secured Advances	–	1600.00
3. Advance payment of Tax (net of Provisions)	837.87	901.84
4. Income accrued but not due on investments	–	17.70
others	–	191.35
5. Deposits	–	9.67
6. Other advances	45.00	29.41
(Housing Loan given to Managing Director of Rs. 45.00 lakhs is shown under Other Advances)	882.87	2972.65
<b>SCHEDULE 10 CURRENT LIABILITIES</b>		
Sundry Creditors		
a. for expenses	11.38	135.83
b. Insurance and security deposit	–	39.23
Dividend payable	26.09	29.25
	37.47	204.31
<b>SCHEDULE 11 PROVISIONS</b>		
1. For Non performing asset	–	142.96
2. For contingencies on slump sale	1310.00	–
	1310.00	142.96
<b>SCHEDULES FORMING PART OF THE PROFIT &amp; LOSS ACCOUNT FOR THE PERIOD ENDED 30th SEPTEMBER 2008</b>		
<b>SCHEDULE 12 INCOME FROM FINANCING OPERATIONS</b>		
1. Finance charges	5511.77	3460.62
2. Income from Bills purchased	0.11	2.52
	5511.88	3463.14
<b>SCHEDULE 13 OTHER INCOME</b>		
1. Interest receipts	149.29	116.82
2. Profit / (Loss) on sale of assets/investments	1846.39	(1.05)
	1995.68	115.77

**SCHEDULES FORMING PART OF THE PROFIT & LOSS  
ACCOUNT FOR THE PERIOD ENDED 30th SEPT. 2008**



	(Rs. in Lakhs)	
	30.09.2008 (18 months)	31.03.2007
<b>SCHEDULE 14 INTEREST / FINANCE CHARGES</b>		
1. On Deposits	–	0.36
2. On Working Capital Facility	2729.59	1279.40
3. On Other Credit Facility	1303.86	363.30
4. On Inter Corporate Deposits	12.93	13.07
	4046.38	1656.13
<b>SCHEDULE 15 EMPLOYEE COST</b>		
1. Salaries, allowances and Bonus	656.11	172.88
2. Staff Welfare expenses	143.44	72.74
3. Company's contribution to PF	51.01	21.52
	850.56	267.14
<b>SCHEDULE 16 ADMINISTRATION AND OTHER EXPENSES</b>		
1. Rent	49.77	18.01
2. Rates and Taxes	26.56	30.95
3. Electricity charges	27.71	11.14
4. Insurance	7.71	2.19
5. Telephone charges	65.64	37.05
6. Business Promotion expenses	1.31	7.29
7. Advertisement	1.94	1.41
8. Loss on sale of assets	4.56	0.83
9. Remuneration to Auditor	8.43	8.17
10. Professional charges	180.00	–
10. Other expenses	545.81	243.48
	919.44	360.52
<b>SCHEDULE 17 PROVISIONS AND WRITE OFF</b>		
Loss on sale of repossessed asset	409.41	385.36
Bad Debts / Loss on securitisation	434.52	387.32
Provision for NPA	481.60	142.96
	1325.53	915.64

**NOTES FORMING PART OF ACCOUNTS FOR  
THE PERIOD ENDED 30th SEPTEMBER 2008**



**Schedule – 18:**

**A 1.0 Significant Accounting Policies**

The Company follows the directions prescribed by the Reserve Bank of India for Non-Banking Financial Companies with respect to income recognition, Asset classification, Provisioning norms and the applicable Accounting Standards issued by The Institute of Chartered Accountants of India.

**1.1 Income Recognition:** The Company's policy on income recognition is enumerated below:

- a. Income from Hire purchase and hypothecation loan transactions is accounted on the basis of Internal Rate of Return method.
- b. In respect of receivables assigned bilaterally with Banks/ Financial Institutions, the difference between the book value of the assets assigned and the sale consideration is amortised over the tenure of the assigned receivables.
- c. Additional Finance Charges is accounted on accrual basis
- d. Collection charges are accounted on cash basis
- e. Due date Missing charges are accounted on accrual basis

**1.2 Repossessed Assets:** Repossessed assets are valued at lower of the settlement value or realizable market value and 40% provision is uniformly made on the repossessed stock value

**1.3 Fixed Assets:** Fixed assets are stated at historical cost less accumulated depreciation.

**1.4 Depreciation:**

**On leased Assets:**

The cost of Leased Assets is amortized fully during the Primary lease period as per Accounting Standard – 19 issued by the Institute of Chartered Accountants of India

**On Own assets (Tangible):** Depreciation on assets for own use is provided on Written down value method at the rates prescribed in Schedule XIV to the Companies Act, 1956. Assets costing Rs.5,000/- or less acquired during the year are fully depreciated.

**On Own assets (Intangible):** Intangible assets comprising of Computer Software are depreciated on a straight-line basis over a period of five years.

**1.5 Investments:**

Long term Investments are carried at cost

Unquoted Equity shares are valued at cost.

**1.6 Foreign Currency transactions:**

Foreign currency loans are stated at contracted rates as per the Forward Exchange Contracts.

## B. Notes on accounts

### 2. Slump sale of business

During the year the Company has sold its current NBFC activities, including all its assets, investment, all liabilities excluding tax liabilities, brand and goodwill, and transferred its branch network including leased premises by way of slump sale on a going concern basis, as defined in the Income Tax Act, 1961, to Zwirn Pragati Capfin Private Limited (ZP), a non banking financial company for a lump sum consideration of Rs. 4110 lakhs vide agreement dt. 30.09.2008. Subsequently, Zwirn Pragati Capfin Private Limited has asked for a downward revision in the consideration to Rs. 2800 lakhs, based on due diligence as per agreement. Hence the company has made a provision of Rs. 1310 Lakhs towards possible reduction pending approval by the share holders.

### 3 Balance Sheet:

#### 3.1 Issue of Redeemable Preference Shares:

During the year, the Company has issued 2,22,60,000 Redeemable preference shares of face value Rs. 10 each, as approved at the Extra ordinary General meeting of the company dated 21st June 2008 to ZP, which is included in the schedule of preference share capital.

#### 3.2 Redemption of 10% Redeemable Optionally Convertible Preference Shares:

During the year the Company has Redeemed 10% Optionally Convertible preference shares amounting to Rs. 2,226 Lakhs held by D. B. Zwirn Mauritius Trading No. 2 Limited and the same is approved by the board of directors of the Company at the Board Meeting held on May 26, 2008.

#### 3.3 Fixed Assets – Impairment

During the year the company has written off Rs. 287.89 lakhs as impairment in the value of fixed assets including leased assets

#### 3.4 Deposit account

The total deposit with bank as on 30.09.2008 includes Rs. 16.40 Lakhs towards deposits maintained for unclaimed dividend. As on 30.09.2008, there are no amounts outstanding to be transferred to Investor Protection Fund.

#### 3.5 Deferred Tax Assets / liability

Rs. in Lakhs

	30.09.2008	31.03.2007
Opening Balance on account of depreciation	(98.63)	(98.21)
Less Reversal of Deferred tax liability On account of depreciation	98.63	
Add: Liability on account of depreciation Deferred tax asset on account of		(0.42)
<b>Total</b>	<b>NIL</b>	<b>(98.63)</b>

Since the assets for which deferred tax liability was created has been transferred, deferred tax liability created in earlier years is written back.

#### 4. Profit and Loss Account:

##### 4.1 (a) Remuneration to Managing Director

	Rs. In Lakhs	
	30.09.2008 (18 months)	31.03.2007
Salary	22.19	8.35
House Rent allowance	5.56	2.85
Company's Contribution to PF	2.42	1.00
Others	25.46	-
<b>Total</b>	<b>55.63</b>	<b>12.20</b>

The Managing director's remuneration is approved by the share holders in the Extra Ordinary General Meeting held on 15th November 2007 by way of a special business.

b) **Determination** of net profits in accordance with Sec 349 of the Companies Act, 1956 for remuneration payable to Directors

	Rs. In Lakhs
Loss before tax as per Profit & Loss Account	(1446.09)
Add: Directors remuneration charged in the accounts	55.63
Net Profit	<u>(1390.46)</u>

##### 4.2 Earnings per share

	Rs. In Lakhs
Profit after tax	(1498.06)
Weighted Average number of equity shares	59,54,320
Earnings per share (Basic)	(25.16)
Face value per share	10.00

##### 4.3 Contingent Liability:

Rs.451.6 lakhs representing Income tax together with interest, which is in dispute and pending in appeal with various income tax authorities for the Assessment years 1997-98 to 2005-06.

4.4 The Company is engaged primarily in the business of financing and accordingly there are no separate reportable segments as per Accounting Standard 17.

4.5 The company has extended its financial year by 6 months after obtaining prior permission from RBI and ROC. Accordingly, the current accounting period's figures are for 18 months ending 30th Sep 2008 and hence are not comparable with previous year's figures.

**4.6** Previous year's figures have been regrouped / reclassified to conform to current period's classification wherever necessary.

**4.7 Related parties Disclosures:**

- a. Subsidiaries: Dhandapani Holdings & Securities Limited, Smart Invest Agency.Com Private Limited.
- b. Companies with majority voting power assuming controlling interest:: D B Zwirn Mauritius (the acquirer)
- c. Group Company of D B Zwirn Mauritius – D B Zwirn Mauritius Trading No.2 Ltd.  
– Zwirn Pragati Capfin Private Limited
- d. Key Management Personnel: Mr.T.N.Soundararajan, Managing Director(till 28.09.2007)  
Mr.R.Ravichandran, Managing Director(From 12.10.2007)

(Rs. in Lakhs)

Nature of Transaction	Subsidiaries	Key Management Personnel	D B Zwirn Mauritius / Group Cos	Total
Interest Paid on deposits	7.56			7.56
Deposits – Balance at the end of the year	99.86 Cr			99.86 Cr
Subscription of Redeemable preference shares			2226.00	2226.00
Redemption of 10% Redeemable optionally convertible preference shares			2226.00	2226.00
Remuneration to Key Management Personnel		74.70		74.70

SUBJECT TO OUR REPORT OF EVEN DATE  
for P.B. VIJAYARAGHAVAN & CO.  
*Chartered Accountants*

P.R. KRISHNAMURTHY  
*Partner*

Place : Chennai  
Date : 24.11.2008

R. RAVICHANDRAN  
*Managing Director*

R. NAGARAJAN  
*Director*



Particulars	Principal	Interest accrued but not due	(Rs.in Lakhs)	
			Amount outstanding	Amount overdue
(4) Break up of Leased Assets and stock on hire and hypothecation loans counting towards EL/HP activities				
(i) Lease Assets including lease rentals under sundry debtors :				
(a) Financial lease	—	—	—	—
(b) Operating lease	—	—	—	—
(ii) Stock on hire including hire charges under sundry debtors:				
(a) Assets on hire	—	—	—	—
(b) Repossessed Assets	—	—	—	—
(iii) Hypothecation loans counting towards EL/HP activities				
(a) Loans where assets have been repossessed	—	—	—	—
(b) Loans other than (a) above	—	—	—	—
(5) Break-up of investments:				
Current Investments				
1. Quoted				
(i) Shares: (a) Equity	—	—	—	—
(b) Preference	—	—	—	—
(ii) Debentures and bonds	—	—	—	—
(iii) Units of mutual funds	—	—	—	—
(iv) Govt.Securities	—	—	—	—
(v) Others (please specify)	—	—	—	—
2. Unquoted				
(i) Shares: (a) Equity	—	—	—	—
(b) Preference	—	—	—	—
(ii) Debentures and bonds	—	—	—	—
(iii) Units of mutual funds	—	—	—	—
(iv) Govt.Securities	—	—	—	—
(v) Others (please specify)	—	—	—	—
<b>LONG TERM INVESTMENTS</b>				
1. Quoted				
(i) Shares: (a) Equity	—	—	—	—
(b) Preference	—	—	—	—
(ii) Debentures and bonds	—	—	—	—
(iii) Units of mutual funds	—	—	—	—
(iv) Govt.Securities	—	—	—	—
(v) Others (please specify)	—	—	—	—

Particulars	Principal	Interest accrued but not due	(Rs.in Lakhs)	
			Amount outstanding	Amount overdue
2. Unquoted				
(i) Shares: (a) Equity	–	–	–	–
(b) Preference	–	–	–	–
(ii) Debentures and bonds	–	–	–	–
(iii) Units of mutual funds	–	–	–	–
(iv) Govt.Securities	–	–	–	–
(v) Others (please specify)	–	–	–	–
Total	–	–	–	–
Less:Provision for Diminution for long term investments	–	–	–	–
Total	–	–	–	–
(6) Borrower group-wise classification of all leased assets,stock-on-hire and loans and advances:				
Category	Secured	Unsecured	Total	
(i) Related parties				
(a) Subsidiaries	–	–	–	–
(b) Companies in the same group	–	–	–	–
(c) Other related parties	–	–	–	–
(ii) Other than related parties	–	–	–	–
Total	–	–	–	–
(7) Investor groupwise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):				
Category	Market value/Break up value or fair value of NAV	Book value (Net of Provisions)		
(i) Related parties				
(a) Subsidiaries pending	–	–	–	–
(b) Companies in the same group	–	–	–	–
(c) Other related parties	–	–	–	–
(ii) Other than related parties pending	–	–	–	–
Total	–	–	–	–
(8) Other information				
(i) Gross Non Performing Assets				
(a) Related Parties	Nil	Nil	Nil	Nil
(b) Other than related parties	–	–	–	–
(ii) Net Non Performing Assets				
(a) Related Parties	Nil	Nil	Nil	Nil
(b) Other than related parties	–	–	–	–
(iii) Assets acquired in satisfaction of debt	–	–	–	–

**CASH FLOW STATEMENT FOR  
THE PERIOD ENDED 30th SEPTEMBER 2008**



	(Rupees in Lakhs)	
	30.09.2008 (18 months)	31.03.2007
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
NET PROFIT BEFORE INTEREST, TAX AND EXTRAORDINARY ITEMS	<b>2604.52</b>	<b>1254.95</b>
Adjustments for :		
Depreciation	501.75	1017.93
Provision for NPA	481.61	142.96
Provision for contingencies on slump sale	1310.00	-
Profit on slump sale of Business	(1849.48)	-
Finance charges	(4046.38)	(1656.13)
Loss on sale of Assets	3.42	1.88
	<hr/>	<hr/>
	(3599.09)	(493.36)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>(994.57)</b>	<b>761.59</b>
Adjustments for :		
Trade and other receivables	203.14	67.64
Increase in Stock on Hire	16598.21	(1527.15)
Increase in Trade bills Purchased	0.84	2.92
Trade Payables	(148.46)	(1526.03)
	<hr/>	<hr/>
	16653.73	(2982.62)
<b>CASH GENERATED FROM OPERATIONS</b>	<b>15659.16</b>	<b>(2221.03)</b>
Direct Taxes Paid	(70.64)	(477.70)
Cash Flow before Extraordinary Items	15588.52	(2698.73)
Extraordinary Items	-	(3368.03)
Net Cash Flow from Operating Activities	15588.52	(6066.76)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(285.85)	(165.14)
Sale of Fixed Assets	3151.61	3.71
Redemption of SLR Investments	34.34	28.08
Sale of Investments in Subsidiaries	30.93	-
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>2931.03</b>	<b>(133.35)</b>

	(Rupees in Lakhs)	
	30.09.2008 (18 months)	31.03.2007
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of Share Capital	–	2226.00
Proceeds from Term Borrowings	(11684.58)	8729.75
Proceeds from bank Borrowings	(8344.94)	(3167.64)
Proceeds from Deposits	(104.51)	(2468.63)
Dividend paid	(3.17)	(133.57)
<b>NET CASH FROM IN FINANCING ACTIVITIES</b>	<b>(20137.21)</b>	<b>5185.91</b>
<b>D. Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>	<b>(1617.66)</b>	<b>(1014.20)</b>
<b>E. Opening Cash &amp; Cash Equivalents</b>	<b>1645.57</b>	<b>2659.76</b>
<b>F. Closing Cash &amp; Cash Equivalents</b>	<b>27.91</b>	<b>1645.57</b>

SUBJECT TO OUR REPORT OF EVEN DATE  
for P.B. VIJAYARAGHAVAN & CO.  
*Chartered Accountants*

R. RAVICHANDRAN  
*Managing Director*

P.R. KRISHNAMURTHY  
*Partner*

R. NAGARAJAN  
*Director*

Place : Chennai  
Date : 24.11.2008

#### AUDITOR'S CERTIFICATE

We have examined the above Cash Flow Statement for the period ended 30th September 2008. The statement has been prepared in accordance with the requirements of Clause 32 of the listing agreement with the Bombay Stock Exchange and is based on and in agreement with the corresponding Profit and Loss account and Balance Sheet of the Company covered by our report to the Members of the Company.

For **P B VIJAYARAGHAVAN & CO.,**  
*Chartered Accountants*  
**P R KRISHNAMURTHY**  
Partner  
Membership Number: 12622

Place: Chennai  
Date : 24.11.2008



**STATEMENT PURSUANT OF SECTION 212 (3)  
OF THE COMPANIES ACT, 1956**



S.No.	Name of the Subsidiary Company	M/s. Dhandapani Holdings & Securities Ltd.	Smart Invest Agency.com (P) Ltd
1	Financial year of the Subsidiary Company	31.03.2008	31.03.2008
2	Holding Company's Interest in the Company	2,99,300 shares of Rs.10/- each (99.77%)	10,000 shares of Rs.10/- each (96.86%)
3	Net aggregate amount of the profits not dealt with in the Holding Company Accounts a. For the subsidiary's financial year on 31.03.08. b. For the previous financial year of the subsidiary company.	Rs.15.89 Lakhs Rs.6.11 Lakhs	Rs. 0.01 Lakhs Rs.0.23 Lakhs
4	Net aggregate amount of the profit of the subsidiary dealt with in the Holding Company's Accounts a. For the subsidiary's financial year on 31.03.08. b. For the previous year of the subsidiary company	Nil Nil	Nil Nil
5.	Changes of Interest or Holding Company in the subsidiary between the end of the financial year of the subsidiary and that of Holding Company	<b>DHSL Shares have been sold through slump sale to Zwirn Pragati Capfin Private Limited</b>	
6.	Material changes between the end of the financial year of the subsidiary and that Holding Company (a) Fixed Assets (b) Investments (c) Money lent by subsidiary (d) Moneys borrowed by Subsidiary for any purpose other than that of meeting current liabilities	Nil Nil Nil Nil	Nil Nil Nil Nil

SUBJECT TO OUR REPORT OF EVEN DATE  
for P.B. VIJAYARAGHAVAN & CO.  
*Chartered Accountants*

P.R. KRISHNAMURTHY  
*Partner*

Place : Chennai  
Date : 24.11.2008

R. RAVICHANDRAN  
*Managing Director*

R. NAGARAJAN  
*Director*

**BOARD OF DIRECTORS**

V S MURTHY  
B PRAKASH  
J PRAKASH RAYEN

**REGISTERED OFFICE**

: 141, Linghi Chetty Street, Chennai - 600 001

**CORPORATE OFFICE**

: 14, Ramakrishna Street, T. Nagar, Chennai – 600 017.

**AUDITORS**

: M/s. V. Krishnan & Associates, Chartered Accountants

**BANKERS**

: The South Indian Bank Limited  
T. Nagar, Chennai – 600 017.

## DIRECTORS' REPORT



Holdings and Securities Ltd.

Your Directors have pleasure in presenting the **FOURTEENTH ANNUAL REPORT** together with the audited accounts for the year ended 31st March 2008.

### FINANCIAL RESULTS

Rs. in Lakhs

Particulars	2007-08	2006-07
Gross Income	19.24	12.39
Profit before Depreciation & tax	18.35	6.27
Less: Depreciation	0.89	0.16
Profit before Tax	17.46	6.11
Provision for Taxation	1.57	—
Profit after Tax	15.89	6.11
Add: Balance from Last Year	87.26	81.14
Profit available for appropriation	103.15	87.26
Balance carried forward	103.15	87.26

### BUSINESS

Your Company's main source of income was from marketing of home loan products, non-life insurance and Western union money transfer.

### DIVIDEND

Your Director do not recommended any dividend for the year 2007-08, in order to conserve the resources.

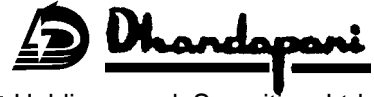
### PROSPECTS

Your Company has taken steps to tap the market potential to increase the fee based inform from insurance and home loan products and is confident of posting better results in the ensuing years.

### DIRECTORS

Mr. V S Murthy retires by rotation and, being eligible, offers himself for reappointment. Members are requested to re-appoint the retiring Director.

None of the Directors of the Company are disqualified to hold directorships under the provisions of the Companies Act, 1956.



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Holdings and Securities Ltd.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors confirm that in the preparation of annual accounts for the year ended 31st March 2008,

1. The applicable accounting standards have been followed along with proper explanations relating to material departures, if any.
2. The accounting policies framed in accordance with the statutory guidelines were consistently applied.
3. Reasonable and prudent judgment and estimates were made as to give a true and fair view of the state of affairs of the company as at the end of the financial year and of the Profit of the company for the year ended 31st March 2008.
4. Proper and sufficient care was taken for the maintenance of adequate account records in accordance with the provisions of law applicable to the company and for preventing and detecting fraud and other irregularities by evolving an internal audit system.
5. The accounts have been prepared on a going concern basis.

#### **INFORMATION UNDER SEC. 217(1)(e) OF THE COMPANIES ACT, 1956**

There is no activity relating to conservation of energy or technology absorption. The company has no foreign exchange earnings or outgo.

#### **PARTICULARS OF EMPLOYEES UNDER SEC. 217(2A) OF THE COMPANIES ACT, 1956**

There are no employees drawing the remuneration as stipulated under Sec. 217 (2A) of the Companies Act, 1956.

#### **SECRETARIAL COMPLIANCE CERTIFICATE**

In terms of Section 383(A) (1) of the Companies Amendment Act, 2000, the secretarial compliance certificate for the year ended 31st March 2008 has been obtained and the same is annexed.

#### **AUDITORS**

M/s. V Krishnan & Associates, Chartered Accountants, Chennai the Statutory Auditors of the Company retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. A certificate under Sec. 224(1)(B) of the Companies Act, 1956 has been obtained from them.

#### **ACKNOWLEDGEMENT**

Your directors wish to thank the company's bankers for their valuable support. Your Directors also wish to place on record the appreciation of the good work done by the employees of the company.

for & on behalf of the Board

Place : Chennai  
Date : 30.06.2008

**V S MURTHY**  
*Director*

## COMPLIANCE CERTIFICATE

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Holdings and Securities Ltd.

To

The Members

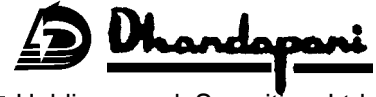
M/s. DHANDAPANI HOLDINGS AND SECURITIES LIMITED

Chennai.

I have examined the registers, records, books and papers of M/s. Dhandapani Holdings & Securities Limited as required to be maintained under the Companies Act, 1956, and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2008, for issue of Certificate under provision to Section 383A(1) of the Companies Act, 1956. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
2. The company has duly filed the Forms and Returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder.
3. The Company being a Public Limited Company, the provisions of Section 3(1) (iii) is not applicable.
4. The Board of Directors duly met 7 times on 09.04.2007, 26.06.2007, 27.06.2007, 25.07.2007, 25.10.2007, 24.01.2008 and 19.03.2008 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose. There were no circular resolutions passed during the year under review.
5. The Company was not required to close the Register of Members and / or Debenture holders during the financial year.
6. The Annual General Meeting for the financial year ended on 31.03.2007 was held on 28.09.2007 after giving due notice to the members of the company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. The company has convened two extra ordinary general meetings on 10/05/2007 and 25/08/2007 during the year under scrutiny and complied with provisions of the Act.
8. The Company has not advanced any loans to its Directors or persons or firms or Companies referred to under Section 295 of the Act.
9. The Company has not entered into any contracts falling within the purview of Section 297 of the Act.
10. The Company has made necessary entries in the register maintained under section 301 of the Act.
11. There were no instances falling within the purview of Section 314 of the Act, the company has not obtained any approvals from the Board of Directors, members and previous approval of the Central Government.
12. The Company has not issued any duplicate share certificates during the financial year.

13. The Company
- (i) Did not have any transfer/transmission during the year and there was no allotment of securities during the year.
  - (ii) Was not required to deposit any amount of dividend in a separate bank account as dividend was paid to the shareholders within the prescribed time limit during the financial year.
  - (iii) Was not required to post warrants to any member of the Company as no dividend was declared during the financial year.
  - (iv) Was not required to transfer any amount in unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund.
  - (v) Has duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the company is duly constituted and the Company has appointed Mr. V S Murthy, Mr. B Prakash and Mr. J Prakash Rayen as Additional Directors w.e.f. 27th June 2007 and there were no appointments of Alternate Directors and Directors to fill casual vacancies during the year under review.
15. The Company has not appointed any Managing Director/ Whole-time Director/Manager during the financial year.
16. The Company has not appointed any sole-selling agents during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies or such other authorities as may be prescribed under the various provisions of the Act during the financial year.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The company has not issued any shares/debentures/other securities during the financial year.
20. The company has not bought back shares during the financial year.
21. The company has not redeemed any preference shares/debentures during the year.
22. There were no transactions necessitating the Company to keep in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares in compliance with the provisions of the Act.
23. The company has not invited/accepted any deposits including any unsecured loans falling under the purview of sections 58A during the financial year.
24. The Company has not made any borrowings during the financial year.
25. The company has given loans to its holding Company M/s Dhandapani Finance Limited, Chennai with the approval of shareholders and made the necessary entries in the register kept for the purpose and there were investments or guarantees or provided securities to other bodies corporate.



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Holdings and Securities Ltd.

26. The company has not altered the provisions of the memorandum with respect to situation of the Company's registered office from one state to another during the year under scrutiny.
27. The company has not altered the provisions of the memorandum with respect to the objects of the company during the year under scrutiny.
28. The company has not altered the provisions of the memorandum with respect to name of the company during the year under scrutiny.
29. The company has not altered the provisions of the memorandum with respect to share capital of the company during the year under scrutiny.
30. The company has not altered its articles of association during the year.
31. No prosecution was initiated against or show cause notices received by the company for alleged offences under the Act and also no fines and penalties or any other punishment have been imposed on the company during the financial year under the Act.
32. The company has not received any security from its employees during the year under scrutiny.
33. The company is not covered by the provisions of Provident Fund during the financial year.

Place: Chennai  
Date : 30.06.2008

**S SUNDARARAJAN**  
*Company Secretary*  
C. P. No. : 19

#### **ANNEXURE A**

1. Register of Members under Section 150 of the Act.
2. Minutes of Board Meetings.
3. Register of Directors under Section 303 of the Act.
4. Register of Directors' shareholdings under Section 307 of the Act.
5. Register under Section 301 of the Act.
6. Register of Directors' Attendance under Regulation 71 of Table "A" of Schedule I of the Act.
7. Register of Shareholders' Attendance.
8. Register of Transfers.

**ANNEXURE – B**

Returns / Forms / Documents filed with Registrar of Companies, Regional Director, Central Govt. or other authorities during the financial year ended on 31st March 2008.

**I - REGISTRAR OF COMPANIES**

Sl. No.	Form No.	Relevant Section	Description of the Document	Date of filing	Whether filed within prescribed time Yes/No	If delay in filing, whether requisite additional fee paid Yes/No
1	Form 32	303(2)	Appointment of Mr. V S Murthy, B Prakash and Mr. Prakash Rayen J as director on 27.06.2007	23.01.2008	No	Yes
2	Form 32	303(2)	Resignation of Mr. T N Desikan, T N Kishore, T N Kothandapani, T N Sridharan, Mr. T N Soundararajan and Kumar K Swamy as director on 27.06.2007	11.02.2008	No	Yes
3	Form 66 for CCOM	383A	Secretarial Compliance Certificate for the year 2006-2007	22.02.2008	No	Yes
4	23AC & 23ACA for Sch-VI	220	Balance Sheet as on 31.03.2007 and the Profit and Loss Account for the year ended as on that date. (AGM held on 28.09.2007)	04.03.2008	No	Yes
5	Form 20B for Sch-V	159	Annual Return as on AGM held on 28.09.2007	11.03.2008	No	Yes

**II - REGIONAL DIRECTOR : NIL**

**III - CENTRAL GOVERNMENT AND OTHER AUTHORITIES : NIL**

Place: Chennai  
Date : 30.06.2008

**S SUNDARARAJAN**  
(Certificate of Practice No.19)

**AUDITORS' REPORT TO THE MEMBERS OF  
DHANDAPANI HOLDINGS AND SECURITIES LTD.**



Holdings and Securities Ltd.

1. We have audited the attached Balance Sheet of M/s. Dhandapani Holdings and securities Ltd, as at March 31, 2008 and also the profit and loss account for the year ended on that date annexed thereto which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (the 'Act) and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure, a statement on the matters specified in paragraph 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books;
  - c. The Balance Sheet and Profit and Loss Account dealt with by this are in agreement with the books of account;
  - d. In our opinion, the Balance Sheet and the Profit and loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act.
  - e. On the basis of written representation received from the directors as on March 31, 2008, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of Sub-section (I) of section 274 of the Act.
  - f. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2008;
    - ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date;

For V KRISHNAN & ASSOCIATES  
*Chartered Accountants*  
**V KRISHNAN**  
*Partner*

Place: Chennai  
Date : 30.06.2008

## ANNEXURE TO AUDITORS' REPORT



Holdings and Securities Ltd.

### **(Referred to in paragraph 3 of our report of even date to the Members of M/s. Dhandapani Holdings and Securities Limited)**

1. (a) The company has no fixed assets, as the Board of Directors have decided to write off all the assets as they have become obsolete.  
(b) Physically verification of fixed assets not applicable.
2. As the Company is engaged in Financial Services, the provisions of sub clause (ii) a, b and c of the Companies (Auditors' Report) are not applicable.
3. (a) The Company has granted loans to its Holding Company 'Dhandapani Finance Limited', the party covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding during the year is Rs. 92,13,700/-.  
(b) The rate of interest and other terms and conditions of the loan are, prima facie not prejudicial to the interest of the company.
4. In our opinion, there is an adequate internal control procedure commensurate with the size of the company and the nature of its business for purchase of inventories and fixed assets and for the sale of goods.
5. (a) In our opinion, the transactions that need to be entered in the register maintained under Section 301 of the Companies Act have been so entered.  
(b) In our opinion, the aforesaid transactions have been made at prices which are reasonable having regard to the prevailing market prices.
6. The Company has not accepted any Deposits from Public.
7. The Central Government has not prescribed maintenance of cost records under Section 209 (1)(d) of the Act.
8. The provisions of Provident Fund, Employee's State Insurance, Customs Duty, Excise Duty, Cess are not applicable to the Company.
9. According to the information and explanation given to us and records of the Company examined by us the Company has been regular in paying of Income Tax and Wealth Tax.
10. The company has no accumulated loss at the end of the financial year.
11. According to the records produced, the company has not defaulted in repayment of its dues to any financial institution, bank during the year.
12. The company has not granted any 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 chit fund/ Nidhi / Mutual Fund / Societies are not applicable to the Company.
14. In our opinion, the Company is a Stock Broker and regular in filing returns with the concerned authorities.



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Holdings and Securities Ltd.

15. The company has not given any guarantees for loans taken by others.
16. On the basis of review of utilization of funds on an overall basis, in our opinion, the term loans taken by Company were applied for the purpose for which the loans were obtained.
17. On the basis of review of utilization of funds on an overall basis, in our opinion, the funds raised on short-term basis have not been used for long-term investment or vice-versa during the year.
18. The company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under Section 301 of the Act.
19. The Company has issued no Debenture.
20. The Company has not raised any money by public issues during the year.
21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have not come across any instance of fraud on or by the company nor have we been informed by the management of any such instance being noticed or reported during the year.

**For V KRISHNAN & ASSOCIATES**  
*Chartered Accountants*

**V KRISHNAN**  
*Partner*

Place: Chennai  
Date : 30.06.2008

**BALANCE SHEET AS ON 31st MARCH 2008**

Holdings and Securities Ltd.

	Sch. No.	Rs.	31.03.2008 Rs.	31.03.2007 Rs.
<b>I. SOURCES OF FUNDS</b>				
1. Shareholders' Funds:	1			
a) Capital			3000000	3000000
b) Reserves & Surplus	2		10452983	8863631
2. Deferred Tax Credit			-	3310
3. Secured Loans:			-	-
4. Unsecured Loans:			-	-
Total			<b>13452983</b>	<b>11866941</b>
<b>II. APPLICATION OF FUNDS</b>				
1. Fixed Assets:	3			
Gross Block		935157		935157
Less: Depreciation		<u>935157</u>		<u>846333</u>
Net Block			-	88824
2. Investments	4		3823363	7335385
3. Current Assets, Loans and Advances				
Current Assets	5	841842		452262
Loans and Advances	6	<u>9813700</u>		<u>4860000</u>
A		10655542		5312262
Less: Current Liabilities & Provisions				
Current Liabilities	7	1025921		869531
B		<u>1025921</u>		<u>869531</u>
Net Current Assets	A-B		9629620	4442731
Total			<b>13452983</b>	<b>11866941</b>

Schedule Nos. 1-7 and Notes to Account form part of this Balance Sheet

SUBJECT TO OUR REPORT OF EVEN DATE

for V. KRISHNAN &amp; ASSOCIATES

*Chartered Accountants*

V. KRISHNAN

*Partner*

Place : Chennai

Date : 30.06.2008

V.S. MURTHY  
B. PRAKASH  
J. PRAKASH RAYEN  
*Directors*

**PROFIT AND LOSS ACCOUNT FOR THE  
YEAR ENDED 31st MARCH 2008**



Holdings and Securities Ltd.

	Sch. No.	31.03.2008 Rs.	31.03.2007 Rs.
<b>1. INCOME</b>			
Income from Operations	8	1924078	1239069
Total	A	<u>1924078</u>	<u>1239069</u>
<b>2. EXPENDITURE</b>			
1. Finance Charges	9	1382	7538
2. Administrative & Other Expenses	10	87452	604098
Total	B	<u>88834</u>	<u>611636</u>
Profit/(Loss) Before Depreciation and Tax A - B		1835244	627433
Less : Depreciation		88824	16565
Profit (Loss) Before Tax		1746420	610868
Less: Provision for Taxation			
Current Tax	160377		
Less: Deferred Tax	<u>3310</u>	<u>157067</u>	<u>-</u>
		1589353	610868
Less: Preliminary Expenses Written Off		-	-
Profit After Tax		1589353	610868
Add: Brought forward from Previous year		8725731	8114863
		<b>10315083</b>	<b>8725731</b>
<b>3. APPROPRIATION</b>			
Surplus Balance Carried to Balance Sheet		10315083	8725731
		<b>10315083</b>	<b>8725731</b>

Schedule Nos. 8-10 and Notes to Account form part of this Profit and Loss Account

SUBJECT TO OUR REPORT OF EVEN DATE

for V. KRISHNAN & ASSOCIATES

*Chartered Accountants*

V. KRISHNAN

*Partner*

Place : Chennai

Date : 30.06.2008

V.S. MURTHY  
B. PRAKASH  
J. PRAKASH RAYEN  
*Directors*

**SCHEDULES FORMING PART OF THE  
BALANCE SHEET AS AT 31st MARCH 2008**



Holdings and Securities Ltd.

		Rs. 31.03.2008	Rs. 31.03.2007
<b>SCHEDULE -1 SHARE CAPITAL</b>			
Authorised Capital			
500000 Equity shares of Rs.10/- each		5000000	5000000
Issued, Subscribed & Paid-up		<u>                    </u>	<u>                    </u>
300000 Equity shares of Rs.10/- each		3000000	3000000
<b>SCHEDULE -2 RESERVES AND SURPLUS</b>			
<b>General Reserve</b>			
Opening Balance	137900		
Add : Transfer from P & L A/c	<u>                    </u>		
Closing Balance		137900	137900
Surplus Balance in Profit & Loss A/c		10315083	8725731
		<u>10452983</u>	<u>8863631</u>
<b>SCHEDULE -4 INVESTMENTS</b>			
Name of the Scrip	No. of Shares		
Dhandapani Finance Ltd	274100	3563300	3563300
K. Dhandapani & Co. Limited	13400	160064	160064
Pal Puegeot Limited	300	-	2953
Carborandum Universal	800	-	6640
Syndicate Bank	1000	-	75030
Yes Bank	1000	-	72050
ITC Inds	6000	-	791127
Ultra Tech Cement	500	-	229587
ICICI Bank Ltd	2000	-	1064300
Ranbaxy Lab	1000	-	390835
Bank of Baroda	1650	-	379500
SBI Blue Chip Fund	50000	-	500000
		<u>3723364</u>	<u>7235386</u>
<b>UNQUOTED SHARES</b>			
Smart Invest Agency.com Pvt Ltd	10000	100000	100000
<b>GRAND TOTAL</b>		<u><b>3823364</b></u>	<u><b>7335386</b></u>

**SCHEDULE -3 FIXED ASSETS**

(Figures in Rs.)

PARTICULARS	GROSS BLOCK			DEPRECIATION BLOCK			NET BLOCK	
	Cost as on 01.04.2007	Addn.during the year	Cost as on 31.03.2008	Upto 01.04.2007	For 2007-08	Upto 31.03.2008	As on 31.03.2008	As on 31.03.2007
Airconditioner	177149	–	177149	149309	27480	177149	–	27480
Computers	192574	–	192574	192204	370	192574	–	370
Furnitures	397457	–	397457	363346	34111	397457	–	34111
Electrical Fittings	88793	–	88793	74828	13965	88793	–	13965
Telephones	74856	–	74856	63025	11831	74856	–	11831
Name Board	4328	–	4328	3621	707	4328	–	707
<b>Total</b>	935157	–	935157	846333	88824	935157	–	88824
Previous Year	935157	–	935157	829768	16565	846333	88824	105389

**SCHEDULES FORMING PART OF THE  
BALANCE SHEET AS AT 31st MARCH 2008**



Holdings and Securities Ltd.

	Rs. 31.03.2008	Rs. 31.03.2007
<b>SCHEDULE -5 CURRENT ASSETS</b>		
Bank A/c	160968	221647
Interest Accrued but not due	450259	-
Tax Deducted at source	230615	230615
	<u>841842</u>	<u>452262</u>
<b>SCHEDULE - 6 LOANS AND ADVANCES</b>		
Deposits - Telephone	-	30000
Coimbatore Stock Exchange	600000	600000
Term Deposits – BOB - CBE	-	5000
ICD - DFL	9213700	4225000
	<u>9813700</u>	<u>4860000</u>
<b>SCHEDULE -7 CURRENT LIABILITIES</b>		
Sundry Creditors	1001	1641
Provision for Taxation	1014920	854544
For Audit Fee	10000	13346
	<u>1025921</u>	<u>869531</u>
<b>SCHEDULES FORMING PART OF THE P&amp;L A/C FOR THE YEAR ENDED 31ST MARCH 2008</b>		
<b>SCHEDULE -8 INCOME FROM OPERATIONS</b>		
Service Charges - Others	2182	4588
Dividend Income	44450	633105
Finance Charges - Others	615898	597310
Profit on sale of Shares	1261548	-
W U Comm	-	4066
	<u>1924078</u>	<u>1239069</u>
<b>SCHEDULE - 9 FINANCE CHARGES</b>		
Bank Charges	1382	7538
	<u>1382</u>	<u>7538</u>

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS  
ACCOUNT FOR THE YEAR ENDED 31st MARCH 2008**



Holdings and Securities Ltd.

	Rs. 31.03.2008	Rs. 31.03.2007
<b>SCHEDULE - 10 ADMINISTRATIVE AND OTHER EXPENSES</b>		
Service Charges	2298	554203
Telephone Charges	30000	-
Service Tax Paid	8006	-
Auditors' Remuneration	25281	10000
Rates & Taxes	20213	3000
Bad Debts Written Off	-	31070
Repairs & Maintenance	1654	5825
	87452	604098

**NOTES FORMING PART OF ACCOUNTS**

**A) Accounting Policies**

**1. Income Recognition:**

- a. Service Charges are accounted on accrual basis.
- b. Dividend Incomes are accounted on receipt basis.
- c. Finance Charges receipts are accounted on receipt basis.

**2. Depreciation:**

Depreciation on Own Assets:

Board of directors has decided to write off all the assets as they have become obsolete and have no resale value.

**3. Fixed Assets:**

No Fixed assets. Since, Board of directors has decided to write off all the assets as they have become obsolete and have no resale value.

**4. Investments:**

Investments are carried at cost.

**B) Notes on Accounts:**

1. Contingent Liabilities not provided for: Nil
2. Previous year's figures have been regrouped / reclassified to confirm to current year classification whenever necessary.

**INFORMATION AS REQUIRED UNDER PART IV OF  
SCHEDULE VI OF THE COMPANIES ACT, 1956**



Holdings and Securities Ltd.

**Balance Sheet Abstract and Company's General Business Profile**

**I. Registration Details**

Balance Sheet Date 

2	8	7	0	3
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 State Code 

1	8
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3	1	0	3
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0	8
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Date Month Year

**II. Capital Raised during the year**

Public Issue 

N	I	L
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 Rights Issue 

N	I	L
---	---	---

  
Bonus Issue 

N	I	L
---	---	---

 Private Placement 

N	I	L
---	---	---

**III. Position of Mobilisation and deployment of Funds (Amount in Thousands)**

<p><b>Source of Funds</b></p> <p>Total Liabilities <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>1</td><td>3</td><td>4</td><td>5</td><td>3</td></tr></table>  Paid-up Capital <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>3</td><td>0</td><td>0</td><td>0</td></tr></table>  Secured Loans <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>N</td><td>I</td><td>L</td></tr></table></p> <p><b>Application of Funds</b></p> <p>Net Fixed Assets <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>N</td><td>I</td><td>L</td></tr></table>  Net Current Assets <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>9</td><td>6</td><td>3</td><td>0</td></tr></table>  Accumulated Losses <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>N</td><td>I</td><td>L</td></tr></table></p>	1	3	4	5	3	3	0	0	0	N	I	L	N	I	L	9	6	3	0	N	I	L	<p>Total Assets <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>1</td><td>3</td><td>4</td><td>5</td><td>3</td></tr></table>  Reserves &amp; Surplus <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>1</td><td>0</td><td>4</td><td>5</td><td>3</td></tr></table>  Unsecured Loans <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>N</td><td>I</td><td>L</td></tr></table></p> <p>Investments <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>3</td><td>8</td><td>2</td><td>3</td></tr></table>  Misc. Expenditure <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>N</td><td>I</td><td>L</td></tr></table></p>	1	3	4	5	3	1	0	4	5	3	N	I	L	3	8	2	3	N	I	L
1	3	4	5	3																																							
3	0	0	0																																								
N	I	L																																									
N	I	L																																									
9	6	3	0																																								
N	I	L																																									
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1	0	4	5	3																																							
N	I	L																																									
3	8	2	3																																								
N	I	L																																									

**IV. Performance of the Company**

<p><b>Turnover</b> <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>1</td><td>9</td><td>2</td><td>4</td></tr></table>  <b>Profit before tax</b> <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>1</td><td>7</td><td>4</td><td>6</td></tr></table>  <b>Earning per Share Rs.</b> <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>5</td><td>.</td><td>3</td><td>0</td></tr></table></p>	1	9	2	4	1	7	4	6	5	.	3	0	<p><b>Total Expenditure</b> <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>8</td><td>8</td><td>9</td></tr></table>  <b>Profit after Tax</b> <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>1</td><td>5</td><td>8</td><td>9</td></tr></table>  <b>Dividend Rate %</b> <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>N</td><td>I</td><td>L</td></tr></table></p>	8	8	9	1	5	8	9	N	I	L
1	9	2	4																				
1	7	4	6																				
5	.	3	0																				
8	8	9																					
1	5	8	9																				
N	I	L																					

**V. Generic Names of Three Principal Products / Services of the Company**

Item Code No. (ITC Code) 

N	A
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Service 

S	E	R	V	I	C	E	A	G	E	N	C	Y	B	U	S	I	N	E	S	S
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

SUBJECT TO OUR REPORT OF EVEN DATE  
for V. KRISHNAN & ASSOCIATES  
*Chartered Accountants*

V. KRISHNAN  
*Partner*

V.S. MURTHY  
B. PRAKASH  
J. PRAKASH RAYEN  
*Directors*

Place : Chennai  
Date : 30.06.2008

**BOARD OF DIRECTORS**V S MURTHY  
B PRAKASH**REGISTERED OFFICE**

: 14, Ramakrishna Street, T. Nagar, Chennai – 600 017.

**AUDITORS**

: M/s. V. Krishnan &amp; Associates, Chartered Accountants

**BANKERS**: STATE BANK OF HYDERABAD  
T. Nagar, Chennai – 600 017.

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**DIRECTORS' REPORT**

Your Directors have pleasure in presenting the **SEVENTH ANNUAL REPORT** together with the audited accounts for the year ended 31st March 2008.

**FINANCIAL RESULTS**

The accompanying Profit and Loss Account shows a profit after tax of Rs. 0.16 Lakhs. The profit for the year is transferred to the Balance Sheet.

**BUSINESS**

The Company would pursue its objectives in investment broking, Insurance Agency and allied areas to concentrate on fee-based activities.

**DIVIDEND**

Your Directors do not propose dividend for the year 2007-2008 with a view to conserve resources.

**PROSPECTS**

Your Directors are confident of increased turnover during the current year with the increase in Fee based activities.

**DIRECTORS**

Mr. V S Murthy and Mr. B Prakash retire by rotation and, being eligible, offer themselves for reappointment. Members are requested to re-appoint the retiring Directors.

**DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors confirm that in the preparation of annual accounts for the year ended 31st March 2008,

1. The applicable accounting standards have been followed along with proper explanations relating to material departures, if any.
2. The accounting policies framed in accordance with the statutory guidelines were consistently applied.
3. Reasonable and prudent judgment and estimates were made as to give a true and fair view of the state of affairs of the company as at the end of the financial year and of the Profit of the company for the year ended 31st March 2008.
4. Proper and sufficient care was taken for the maintenance of adequate account records in accordance with the provisions of law applicable to the company and for preventing and detecting fraud and other irregularities by evolving an internal audit system.
5. The accounts have been prepared on a going concern basis.

**INFORMATION UNDER SEC. 217(1)(e) OF THE COMPANIES ACT, 1956**

There is no activity relating to conservation of energy or technology absorption. The company has no foreign exchange earnings or outgo.

**PARTICULARS OF EMPLOYEES UNDER SEC. 217(2A) OF THE COMPANIES ACT, 1956**

There are no employees drawing the remuneration as stipulated under Sec. 217 (2A) of the Companies Act, 1956.

**AUDITORS**

M/s. V Krishnan & Associates, Chartered Accountants, Chennai the Statutory Auditors of the Company retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. A certificate under Sec. 224(1)(B) of the Companies Act, 1956 has been obtained from them.

**ACKNOWLEDGEMENT**

Your directors wish to thank the company's bankers for their valuable support. Your Directors also wish to place on record the appreciation of the good work done by the employees of the company.

for & on behalf of the Board

Place: Chennai  
Date : 30.06.2008

**V S MURTHY**  
*Director*

**AUDITOR'S REPORT TO THE MEMBERS OF  
SMARTINVEST AGENCY.COM PRIVATE LIMITED**

**Smartinvest**

**AGENCY.COM PRIVATE LIMITED**

We have audited the attached Balance Sheet of M/s. Smartinvest Agency.com Private Limited, as at March 31, 2008 and also the profit and loss account for the year ended on that date annexed thereto which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure, a statement on the matters specified in paragraph 4 and 5 of the said Order.
3. Further to our comments in the Annexure referred to in paragraph 2 above, we report that:
  - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books;
  - c. The Balance Sheet and Profit and Loss Account dealt with by this are in agreement with the books of account;
  - d. In our opinion, the Balance Sheet and the Profit and loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act.
  - e. On the basis of written representation received from the directors as on March 31, 2008, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of Sub-section (I) of section 274 of the Act.
  - f. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2008;
    - ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date;

**For V KRISHNAN & ASSOCIATES**

*Chartered Accountants*

**V KRISHNAN**

*Partner*

Place: Chennai  
Date : 30.06.2008

## ANNEXURE TO AUDITOR'S REPORT

**Smartinvest**

AGENCY.COM PRIVATE LIMITED

**(Referred to in paragraph 2 of our report of even date to the Members of M/s. Smartinvest Agency.com Private Limited)**

1. (a) The company has no fixed assets.  
(b) Physically verification, disposal of fixed assets not applicable.
2. As the Company is engaged in Insurance and other Financial Services, the provisions of sub clause (ii) a, b and c of the Companies (Auditors' Report) are not applicable.
3. (a) The Company has granted loans to its Holding Company 'Dhandapani Finance Limited', the party covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding during the year is Rs. 1,97,505/-.  
(b) The rate of interest and other terms and conditions of the loan are, prima facie not prejudicial to the interest of the company.
4. In our opinion, there is an adequate internal control procedure commensurate with the size of the company and the nature of its business for purchase of inventories and fixed assets and for the sale of goods.
5. (a) In our opinion, the transactions that need to be entered in the register maintained under Section 301 of the Companies Act have been so entered.  
(b) In our opinion, the aforesaid transactions have been made at prices which are reasonable having regard to the prevailing market prices.
6. The Company has not accepted any Deposits from Public.
7. The Central Government has not prescribed maintenance of cost records under Section 209 (1)(d) of the Act.
8. The provisions of Provident Fund, Employee's State Insurance, Customs Duty, Excise Duty, Cess are not applicable to the Company.
9. According to the information and explanation given to us and records of the Company examined by us the Company has been regular in paying of Income Tax and Wealth Tax.
10. The company has no accumulated loss at the end of the financial year.
11. According to the records produced, the company has not defaulted in repayment of its dues to any financial institution, bank during the year.
12. The company has not granted any 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 chit fund/ Nidhi / Mutual Fund / Societies are not applicable to the Company.
14. In our opinion, the Company is not a Stock Broker or a dealer in shares, securities, debentures and other investments.
15. The company has not given any guarantees for loans taken by others.
16. On the basis of review of utilization of funds on an overall basis, in our opinion, the term loans taken by Company were applied for the purpose for which the loans were obtained.

**Smartinvest**

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**AGENCY.COM PRIVATE LIMITED**

17. On the basis of review of utilization of funds on an overall basis, in our opinion, the funds raised on short-term basis have not been used for long-term investment or vice-versa during the year.
18. The company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under Section 301 of the Act.
19. The Company has issued no Debenture.
20. The Company has not raised any money by public issues during the year.
21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have not come across any instance of fraud on or by the company nor have we been informed by the management of any such instance being noticed or reported during the year.

**For V KRISHNAN & ASSOCIATES**  
*Chartered Accountants*

Place: Chennai  
Date : 30.06.2008

**V KRISHNAN**  
*Partner*

**BALANCE SHEET AS ON 31st MARCH 2008****Smartinvest**

AGENCY.COM PRIVATE LIMITED

	Sch. No.	Rs.	31.03.2008 Rs.	Rs.	31.03.2007 Rs.
<b>I. SOURCES OF FUNDS</b>					
1. Shareholders' Funds:					
a) Capital	1	103000		103000	
b) Reserve & Surplus	2	<u>113822</u>		<u>108153</u>	
			216822		211153
2. Secured Loans			—		—
3. Unsecured Loans			—		—
			<u>216822</u>		<u>211153</u>
Total			<u>216822</u>		<u>211153</u>
<b>II. APPLICATION OF FUNDS</b>					
1. Fixed Assets			—		—
2. Investments			—		—
3. Current Assets, Loans and Advances					
Current Assets	3	<u>216482</u>		<u>212033</u>	
		216482		212033	
Less: Current Liabilities & Provisions	4	<u>2000</u>		<u>4000</u>	
			214482		208033
4. Miscellaneous Expenditure (to extent not written off)	5		2340		3120
			<u>216822</u>		<u>211153</u>
Total			<u>216822</u>		<u>211153</u>

Schedule Nos. 1-5 and Notes to Account form part of this Balance Sheet

SUBJECT TO OUR REPORT OF EVEN DATE  
for V. KRISHNAN & ASSOCIATES  
*Chartered Accountants*

V. KRISHNAN  
*Partner*

V.S. MURTHY  
B. PRAKASH  
*Directors*

Place : Chennai  
Date : 30.06.2008

**PROFIT AND LOSS ACCOUNT FOR THE  
YEAR ENDED 31st MARCH 2008**

**Smartinvest**

AGENCY.COM PRIVATE LIMITED

	Sch. No.	31.03.2008 Rs.	31.03.2007 Rs.
<b>I. INCOME</b>			
Income from Operations		16281	30879
<b>II. EXPENDITURE</b>			
a. Finance Charges		–	5110
b. Administrative & Other Expenses		4600	400
c. Audit Fees		1932	2000
		6532	7510
Profit/(Loss) Before Depreciation and Tax		9749	23369
Depreciation		–	–
Profit (Loss) Before Tax		9749	23369
Less: Provision for Taxation		3300	–
		6449	23369
Less: Preliminary Expenses Written Off		780	780
		5669	22589
Balance Transferred from Previous Year		108153	85564
Balance Transferred to Balance Sheet		113822	108153

SUBJECT TO OUR REPORT OF EVEN DATE  
for V. KRISHNAN & ASSOCIATES  
*Chartered Accountants*

V. KRISHNAN  
*Partner*

V.S. MURTHY  
B. PRAKASH  
*Directors*

Place : Chennai  
Date : 30.06.2008

**SCHEDULES FORMING PART OF THE  
BALANCE SHEET AS ON 31st MARCH 2008**

**Smartinvest**

**AGENCY.COM PRIVATE LIMITED**

	<b>31.03.2008</b>	<b>31.03.2007</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>SCHEDULE -1 SHARE CAPITAL</b>		
Authorised Capital		
20000 Equity shares of Rs.10/- each	<u>200000</u>	<u>200000</u>
Issued, Subscribed & Paid-up		
10300 Equity shares of Rs.10/- each	<u>103000</u>	<u>103000</u>
<b>SCHEDULE -2 RESERVES AND SURPLUS</b>		
Opening Balance	108153	85564
Add: Additions	5669	22589
Closing Balance	<u>113822</u>	<u>108153</u>
<b>SCHEDULE -3 CURRENT ASSETS</b>		
Cash and Bank Balances	6076	5634
ICD - DFL	197505	199000
Advance Tax	12901	7399
	<u>216482</u>	<u>212033</u>
<b>SCHEDULE -4 CURRENT LIABILITIES &amp; PROVISIONS</b>		
For Expenses	2000	4000
	<u>2000</u>	<u>4000</u>
<b>SCHEDULE -5 MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF</b>		
Preliminary Expenditure	3120	3900
Less: Written off in P&L A/c	780	780
	<u>2340</u>	<u>3120</u>

**NOTES FORMING PART OF ACCOUNTS**

**A) Accounting Policies**

**1. Income Recognition:**

Finance Charges Receipts are accounted on receipts basis.

**B) Notes on Accounts:**

- Contingent Liabilities not provided for: Nil
- Previous year's figures have been regrouped / reclassified to confirm to current year classification whenever necessary

**INFORMATION AS REQUIRED UNDER PART IV OF  
SCHEDULE VI OF THE COMPANIES ACT, 1956**

**Smartinvest**

AGENCY.COM PRIVATE LIMITED

**Balance Sheet Abstract and Company's General Business Profile**

**I. Registration Details**

4 5 9 2 0

State Code 1 8

Balance Sheet Date

3 1 0 3

0 8

Date

Month

Year

**II. Capital Raised during the year**

Public Issue

N I L

Rights Issue

N I L

Bonus Issue

N I L

Private Placement

N I L

**III. Position of Mobilisation and deployment of Funds (Amount in Thousands)**

Total Liabilities

2 1 7

Total Assets

2 1 7

**Source of Funds**

Paid-up Capital

1 0 3

Reserves & Surplus

1 1 4

Secured Loans

N I L

Unsecured Loans

N I L

**Application of Funds**

Net Fixed Assets

N I L

Investments

N I L

Net Current Assets

2 1 4

Misc. Expenditure

0 0 2

Accumulated Losses

N I L

**IV. Performance of the Company**

Turnover

1 6

Total Expenditure

7

Profit before tax

1 0

Profit after Tax

6

Earning per Share Rs.

0 . 6 3

Dividend Rate %

N I L

**V. Generic Names of Three Principal Products / Services of the Company**

Item Code No. (ITC Code) N A

Service

S E R V I C E A G E N C Y B U S I N E S S

SUBJECT TO OUR REPORT OF EVEN DATE

for V. KRISHNAN & ASSOCIATES

Chartered Accountants

V. KRISHNAN

Partner

V.S. MURTHY

B. PRAKASH

Directors

Place : Chennai

Date : 30.06.2008

## AUDITORS' REPORT

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### AUDITORS REPORT TO THE MEMBERS OF DHANDAPANI FINANCE LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF DHANDAPANI FINANCE LIMITED AND ITS SUBSIDIARIES

We have audited the attached Consolidated Balance Sheet of *M/s. Dhandapani Finance Limited* and its subsidiaries as at **30th September 2008**, the Consolidated Profit And Loss Account and the Consolidated Cash Flow Statement for the year ended on that date.

1. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. We did not audit the Financial Statements of the subsidiaries whose Financial Statements reflect total assets of Rs. 136.70 lakhs as at 31st March 2008 and total revenue of Rs.19.41 lakhs for the year ended 31st March 2008. These Financial Statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it is related to the amounts included in respect of the subsidiaries, is based solely on the report of other auditors.
3. **Attention is invited to the following:**
  - a) We draw attention to Note no. 2 of Schedule – 19 in the financial statements. The Company has sold its NBFC activities on 30th September 2008 to Zwrn Pragati Capfin Private Limited for consideration of Rs 41.10 crores as a slump sale. Considering that the Company has sold a substantial part of the business and there are no other activities as on date we are of the opinion that the Company is no longer a going concern. The financial statements accordingly have been drawn up and the class of assets and liabilities as on 30th September 2008 has been adjusted as per the provisions Engagement and Quality Control Standards - SA 570 - Going Concern issued by the Institute of Chartered Accountants of India.
  - b) The services of the whole time Secretary of Dhandapani Finance Limited were not available for a part of the year.
4. We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of accounting standard 21, on Consolidated Financial Statements, issued by the Institute Of Chartered Accounts Of India and on the basis of separate audited financial statements of Dhandapani Finance Limited and its subsidiaries included in the Consolidated Financial Statements.
  - a. *As stated in Note No.1.1 b. of Dhandapani Finance Limited, consequent to change in accounting policy, gain on assignment of receivables is now amortized over the tenor. Previously, the same was recorded upfront with retrospective effect. Had the previous year policy of recognizing the gain upfront been followed, the profit would have increased to the extent of Rs.669.96 lakhs.*

- b. *As stated in Note No 1.4 of Dhandapani Finance Limited, the Company during the year has changed its accounting policy in respect of the intangible assets. Previously the same was amortized over a period of 3 years. However, now it is being amortized over a period of 5 years. The impact of the same is reduction in losses by Rs. 17 lakhs.*
- c. *In the case of Dhandapani Finance Limited, the Company during the period has considered 180 days or more for classifications of NPAs as against the norms prescribed by RBI of 365 days. Consequently, the income is recognised less by Rs. 81.65 lakhs and the provision is more by Rs. 60.25 lakhs thus reducing the profit by Rs. 141.90 lakhs.*
- d. *The managerial remuneration paid by the Company to the Managing Director during the year is in excess of the limits prescribed by Schedule XIII of the Companies Act 1956 by Rs. 23.50 Lakhs resulting in excess charge to the Profit and Loss Account in the absence of a special resolution as the approval is through an ordinary resolution in Extraordinary General Meeting held on 15th November 2007 though as a special business.*
- e. *Attention is invited to Note No. 2.0 of Dhandapani Finance Limited - The Company has sold its NBFC activities as on 30.09.2008 to Zwirn Pragati Capfin Private Limited by the agreement dated 30th September 2008 for a consideration of Rs. 41.10 crores as a slump sale ( refer Note No. 2 of Schedule 19). This consideration has since been revised to Rs. 28 crores pending approval by the shareholders. A provision for Rs. 13.10 crores has been made.*

*Subject to the matters specified in paragraph 4 (a to e) above the net effect of which has resulted in higher losses of Rs. 2128.36 lakhs, and on the basis of the information and explanation given to us and on the consideration of separate audit reports on individual audited Financial Statements of Dhandapani Finance Limited and its subsidiaries, we are of the opinion that:*

- i) *The consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of the Company and its subsidiaries as at September 30, 2008;*
- ii) *The consolidated Profit and Loss Account gives a true and fair view of the of consolidated loss of Dhandapani Finance Limited and its subsidiaries for the year ended on that date;*
- iii) *The consolidated Cash Flow Statements gives a true and fair view of the consolidated cash flow of Dhandapani Finance Limited and its Subsidiaries for the year ended on that date.*

For **P B VIJAYARAGHAVAN & CO.,**  
*Chartered Accountants*

**P R KRISHNAMURTHY**

Partner

Membership Number: 12622

Place: Chennai  
Date : 24.11.2008

**CONSOLIDATED BALANCE SHEET  
AS ON 30th SEPTEMBER 2008**



		SCH NO	(Rs.in Lakhs)	
I	SOURCE OF FUNDS		30.09.2008	31.03.2007
	1. Shareholders Funds			
	a) Capital	1	2794.02	2794.02
	b) Reserves & Surplus	2	<u>947.23</u>	<u>2429.45</u>
			3741.25	5223.47
	2. Minority Interest		0.36	0.32
	3. Deferred Tax Liability	3	–	98.66
	4. Loan Funds			
	a) Secured Loans	4	–	20029.52
	b) Unsecured Loans	5	<u>1.82</u>	<u>62.90</u>
			1.82	20092.42
	<b>TOTAL</b>		<b><u>3743.43</u></b>	<b><u>25414.87</u></b>
II	APPLICATION OF FUNDS			
	1. Fixed Assets			
	a. Gross Block		9.31	4708.21
	b. Impairment of assets		–	930.00
	c. Less Depreciation		<u>9.31</u>	<u>1599.24</u>
	Net Block	6	–	2178.97
	2. Investments	7	2.60	76.30
	3. Current Assets			
	Loans & Advances			
	a) Current Assets	8	4139.58	20534.21
	b) Loans & Advances	9	<u>958.97</u>	<u>2972.81</u>
	(A)		<u>5098.55</u>	<u>23507.02</u>
	Less: Current Liabilities & Provisions			
	a) Current Liabilities	10	37.60	204.49
	b) Provisions	11	<u>1320.14</u>	<u>142.96</u>
	(B)		<u>1357.74</u>	<u>347.45</u>
	Net Current Assets (A-B)		3740.81	23159.57
	4. Miscellaneous Expenditure (to the extent not written off or adjusted)	12	<u>0.02</u>	<u>0.03</u>
	<b>TOTAL</b>		<b><u>3743.43</u></b>	<b><u>25414.87</u></b>

Schedules 1-12 and Notes to Accounts form part of this Balance Sheet

SUBJECT TO OUR REPORT OF EVEN DATE  
for P.B. VIJAYARAGHAVAN & CO.  
*Chartered Accountants*

R. RAVICHANDRAN  
*Managing Director*

P.R. KRISHNAMURTHY  
*Partner*

R. NAGARAJAN  
*Director*

Place : Chennai  
Date : 24.11.2008

**CONSOLIDATED PROFIT & LOSS ACCOUNT  
FOR THE PERIOD ENDED 30th SEPTEMBER 2008**



		(Rs. in Lakhs)	
1. INCOME	SCH NO	30.09.2008	31.03.2007
a. Income from financing operations	13	5524.97	3475.84
b. Other income	14	1995.68	115.77
A		<u>7520.65</u>	<u>3591.61</u>
<b>2. EXPENDITURE</b>			
a. Finance charges	15	4040.07	1656.27
b. Employee Cost	16	850.56	266.21
c. Administrative & Other expenses	17	920.38	367.22
d. Provisions & Write off	18	1325.53	915.95
e. Provision for contingencies for slump sale		1310.00	-
B		<u>8446.54</u>	<u>3205.65</u>
Profit before Depreciation & Tax A-B		(925.89)	385.97
Add: Prior period income		-	239.15
Less: Prior period expenses		-	(2267.20)
Depreciation		(214.85)	(88.09)
Impairment of Assets		(287.78)	(930.00)
Profit before Tax		(1428.52)	(2660.17)
Less: Provision for Taxation			
Current Tax		(136.24)	-
Fringe Benefit Tax		(16.00)	(17.13)
Add: Deferred Tax		98.66	(0.42)
Profit After Tax		(1482.11)	(2667.72)
ADD Brought forward from previous year		(2658.78)	108.94
		<u>(4050.89)</u>	<u>(2568.78)</u>
<b>3. APPROPRIATION</b>			
Dividend (includg Dividend Tax)		-	-
Transfer to Statutory Reserve		-	-
Transfer to General Reserve		-	-
Surplus balance carried to Balance sheet		(4050.89)	(2568.78)
		<u>(4050.89)</u>	<u>(2568.78)</u>

Weighted average number of equity shares of Rs.10/- each

Outstanding during the year Nos 5680220

Basic and diluted earning per share Rs. (26.09)

Schedules 13-18 and Notes to Accounts form part of this Profit and Loss Account.

SUBJECT TO OUR REPORT OF EVEN DATE

for P.B. VIJAYARAGHAVAN & CO.

*Chartered Accountants*

R. RAVICHANDRAN

*Managing Director*

P.R. KRISHNAMURTHY

*Partner*

R. NAGARAJAN

*Director*

Place : Chennai

Date : 24.11.2008

**SCHEDULES FORMING PART OF THE CONSOLIDATED  
BALANCE SHEET AS AT 30th SEPTEMBER 2008**



		(Rs. in Lakhs)						
		30.09.2008	31.03.2007					
<b>SCHEDULE 1 SHARE CAPITAL</b>								
<b>AUTHORISED</b>								
(2,50,00,000 equity shares of Rs 10/- each and		2500.00	1000.00					
(2,50,00,000 preference shares of Rs 10/- each)		<u>2500.00</u>	<u>2500.00</u>					
<b>ISSUED</b>								
(61,22,625 equity shares of Rs 10/- each)		612.26	612.26					
(2,22,60,000 preference shares of Rs.10/- each)		<u>2226.00</u>	<u>2226.00</u>					
<b>SUBSCRIBED AND PAIDUP</b>								
(59,54,320 equity shares of Rs 10/- each)	595.43							
Less shares held by DHSL	<u>27.41</u>	568.02	568.02					
Out of the above The shares held by DB Zwirn Mauritius is 3036703 equity shares of Rs.10/- each								
(2,22,60,000 Redeemable Preference shares of Rs.10/ each)		2226.00	2226.00					
Fully held by Zwirn Pragati Capfin Pvt. Ltd. (See Note 3.1)		<u>2794.02</u>	<u>2794.02</u>					
<b>SCHEDULE 2 RESERVES &amp; SURPLUS</b>								
	<b>General Reserve</b>	<b>Security Premium</b>	<b>Statutory Reserve</b>	<b>Capital Reserve</b>	<b>Revaluation Reserve</b>	<b>P&amp;L Account</b>		
Opening balance	2535.09	134.07	961.97	30.66	1336.90	(2569.23)		
Additions:	1336.90	-	-	-	(1336.90)	(1482.20)		
Deductions (minority interest)	-	-	-	-	-	0.04		
	<u>3871.99</u>	<u>134.07</u>	<u>961.97</u>	<u>30.66</u>	<u>-</u>	<u>(4051.47)</u>	<u>947.23</u>	<u>2429.68</u>
<b>SCHEDULE 3 DEFERRED TAX ASSETS</b>								
Opening Balance		98.66	98.24					
Add: During the year		-	0.42					
		98.66	98.66					
Less: Transfer to P&L during the year		<u>98.66</u>	<u>-</u>					
		-	<u>98.66</u>					
<b>SCHEDULE 4 SECURED LOANS</b>								
From Banks secured by Assets under Hypothecation/Hire Purchase Assets and specific Fixed Assets of the Company		-	8344.94					
From Financial Institutions secured by way of specific charge on Assets under Hypothecation / Hire Purchase Asset		-	11684.58					
		<u>-</u>	<u>20029.52</u>					
<b>SCHEDULE 5 UNSECURED LOANS</b>								
Loans from Directors and Relatives		1.82	62.90					
		<u>1.82</u>	<u>62.90</u>					

**SCHEDULE 6 – FIXED ASSETS**

(Rs. in Lakhs)

PARTICULARS	RATE	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
		As on 01.04.07	Addns	Delns	As on 30.09.08	As on 01.04.07	Addns	With- drawn	As on 30.09.08	As on 30.09.08	As on 31.03.07
Land	–	1653.00	–	1653.00	–	–	–	–	–	–	1653.00
Building	5%	76.63	5.11	81.74	–	28.53	3.71	32.24	–	–	48.09
Typewriters	13.91%	1.07	–	1.07	–	0.90	0.03	0.93	–	–	0.17
Name Board	18.10%	1.54	0.03	1.57	–	1.32	0.09	1.41	–	–	0.26
Elec. Fittgs.	13.91%	23.29	13.11	35.51	0.89	14.22	11.60	24.93	0.89	–	9.07
Neon Sign	13.91%	2.41	–	2.41	–	1.70	0.14	1.84	–	–	0.71
Vehicles	25.89%	114.10	–	114.10	–	65.96	15.66	81.62	–	–	48.12
Computers	40%	150.07	31.72	179.86	1.93	100.67	38.64	137.38	1.93	–	49.38
A/C	13.91%	17.60	11.51	27.34	1.77	13.17	2.65	14.05	1.77	–	4.42
Office Eqmt	13.91%	16.14	11.35	26.74	0.75	9.75	3.18	12.18	0.75	–	6.37
Fax & Xerox	13.91%	2.38	0.08	2.46	–	1.51	0.19	1.70	–	–	0.94
Frankg Mach.	13.91%	0.30	–	0.30	–	0.25	0.01	0.26	–	–	0.05
Furniture	18.10%	38.23	73.17	107.43	3.97	28.91	25.76	50.70	3.97	–	9.33
Leased Asset	–	1680.03	–	1680.03	–	1332.12	87.52	1419.64	–	–	347.91
Intangible Assets	20%	1.38	139.77	141.15	–	0.23	25.71	25.94	–	–	1.15
<b>Total</b>		<b>3778.17</b>	<b>285.85</b>	<b>4054.71</b>	<b>9.31</b>	<b>1599.24</b>	<b>214.89</b>	<b>1804.82</b>	<b>9.31</b>	<b>–</b>	<b>2178.97</b>
Previous Year		2314.13	2432.05	967.97	3778.21	1519.70	88.10	8.53	1599.24	2178.97	794.43

**SCHEDULES FORMING PART OF THE CONSOLIDATED  
BALANCE SHEET AS AT 30th SEPTEMBER 2008**



		(Rs. in Lakhs)	
		30.09.2008	31.03.2007
<b>SCHEDULE 7 INVESTMENTS AT COST</b>			
<b><u>Long Term</u></b>			
<b>A) Quoted -Non Trade</b>			
Government Loan / Stocks		–	38.58
Name of the Scrip		No. of Shares	
K. Dhandapani & Co. Limited	13400	1.60	1.60
Pal Puegeot Limited		–	0.04
Carborandum Universal		–	0.07
Syndicate Bank		–	0.75
Yes Bank		–	0.72
ITC Inds		–	7.91
Ultra Tech Cement		–	2.29
Ranbaxy Lab		–	3.91
ICICI Bank Ltd		–	10.64
Bank of Baroda		–	3.79
SBI Blue Chip Fund		–	5.00
Dhandapani Business Services Ltd.	10000	1.00	1.00
		<u>2.60</u>	<u>76.30</u>
<b>SCHEDULE 8 CURRENT ASSETS</b>			
<b>A. Stock on Hire including hire charges under Sundry debtors</b>			
1. Assets on Hire (Agreement value less Instalments Received) Net off UMFC		–	18682.85
2. Repossessed Stock on Hire		–	202.68
3. Amount receivable from ZP		4110.00	–
<b>B. Trade Bills Purchased</b>			
		–	0.84
<b>C. Cash &amp; Bank Balances with Scheduled banks</b>			
Current account		11.36	160.50
Deposit account		18.22	1348.43
Cash on hand		–	138.91
		<u>4139.58</u>	<u>20534.21</u>

**SCHEDULES FORMING PART OF THE CONSOLIDATED  
BALANCE SHEET AS AT 30th SEPTEMBER 2008**



	(Rs. in Lakhs)	
	30.09.2008	31.03.2007
<b>SCHEDULE 9 LOANS AND ADVANCES</b>		
Unsecured Considered goods		
1. Advances recoverable in cash or kind unsecured considered good	63.16	222.68
2. Secured Loans	–	1600.00
3. Advance payment of Tax (net of Provisions)	840.31	895.66
4. Income accrued but not due on investments	–	17.70
Others	4.50	191.34
5. Deposits	6.00	10.02
6. Other advances	45.00	35.41
	958.97	2972.81
<b>SCHEDULE 10 CURRENT LIABILITIES</b>		
Sundry Creditors		
a. for expenses	11.51	136.00
b. Insurance and others	–	39.23
Dividend payable	26.09	29.26
	37.60	204.49
<b>SCHEDULE 11 PROVISIONS</b>		
1. For non performing assets	–	142.96
2. For contingencies on slump sale	1310.00	–
3. For Taxation	10.14	–
	1320.14	142.96
<b>SCHEDULE 12 MISCELLANEOUS EXPENDITURE</b> (to the extent not written off or adjusted)		
Miscellaneous expenses	0.02	0.03
	0.02	0.03
<b>SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30th SEPT. 2008</b>		
<b>SCHEDULE 13 INCOME FROM FINANCING OPERATIONS</b>		
1. Finance charges earned	5511.78	3460.62
2. Income from Bills purchased	0.11	2.52
3. Service Charges - Others	0.02	0.04
4. Dividend Income	0.44	6.34
5. Finance Charges - Others	–	5.97
6. W U Comm	–	0.04
7. Income from other operations	–	0.31
8. Profit on Sale of Shares	12.62	–
	5524.97	3475.84

**SCHEDULES FORMING PART OF CONSOLIDATED PROFIT  
AND LOSS ACCOUNT FOR THE PERIOD ENDED 30th SEPT. 2008**



	(Rs. in Lakhs)	
	30.09.2008	31.03.2007
<b>SCHEDULE 14 OTHER INCOME</b>		
1. Interest receipts on Investments	149.29	116.82
2. Profit on sale of assets	1846.39	(1.05)
	1995.68	115.77
<b>SCHEDULE 15 INTEREST ON LOANS / FINANCE CHARGES</b>		
1. On Deposits	–	0.36
2. On Bank Limits	2729.59	1279.54
3. On Financial Institution	1303.87	363.30
4. On Inter corporate deposits	6.61	13.11
5. Brokerage	–	(0.04)
	4040.07	1656.27
<b>SCHEDULE 16 EMPLOYEE COST</b>		
1. Salaries, allowances and Bonus	656.12	172.88
2. Staff Welfare expenses	143.43	71.81
3. Company's contribution to PF	51.01	21.52
	850.56	266.21
<b>SCHEDULE 17 ADMINISTRATION AND OTHER EXPENSES</b>		
1. Rent	49.77	18.01
2. Rates and Taxes	26.81	30.95
3. Electricity charges	27.71	11.14
4. Insurance	7.71	2.19
5. Telephone charges	65.94	37.05
6. Business Promotion expenses	1.31	7.29
7. Advertisement	1.94	1.41
8. Loss on sale of assets	4.56	0.83
9. Remuneration to Auditors	8.70	8.27
10. Professional charges	180.00	–
11. Other expenses	545.93	250.08
	920.38	367.22
<b>SCHEDULE 18 PROVISIONS AND WRITE OFF</b>		
1. Loss on sale of repossessed asset	409.41	385.36
2. Bad Debts / Loss on securitisation	434.52	387.63
3. Provision for NPA	481.61	142.96
	1325.53	915.95

**Schedule – 19:**

**A 1.0 Significant Accounting Policies**

The Group Company's follows the directions prescribed by the Reserve Bank of India for Non-Banking Financial Companies with respect to income recognition, Asset classification, Provisioning norms and the applicable Accounting Standards issued by The Institute of Chartered Accountants of India.

**1.1 Income Recognition:** The Group Company's policy on income recognition is enumerated below:

- a. Income from Hire purchase and hypothecation loan transactions is accounted on the basis of Internal Rate of Return method.
- b. In respect of receivables assigned bilaterally with Banks/ Financial Institutions, the difference between the book value of the assets assigned and the sale consideration is amortised over the tenure of the assigned receivables.
- c. Additional Finance Charges is accounted on accrual basis
- d. Collection charges are accounted on cash basis
- e. Due date Missing charges are accounted on accrual basis
- f. Services charges are accounted on accrual basis. Dividend and finance charges are on receipt basis

**1.2 Repossessed Assets:** Repossessed assets are valued at lower of the settlement value or realizable market value and 40% provision is uniformly made on the repossessed stock value

**1.3 Fixed Assets:** Fixed assets are stated at historical cost less accumulated depreciation.

**1.4 Depreciation:**

**On leased Assets:** The cost of Leased Assets is amortized fully during the Primary lease period as per Accounting Standard – 19 issued by the Institute of Chartered Accountants of India.

**On Own assets (Tangible):** Depreciation on assets for own use is provided on Written down value method at the rates prescribed in Schedule XIV to the Companies Act, 1956. Assets costing Rs.5,000/- or less acquired during the year are fully depreciated.

**On Own assets (Intangible):** Intangible assets comprising of Computer Software are depreciated on a straight-line basis over a period of five years.

**1.5 Investments:**

Long term Investments are carried at cost

Unquoted Equity shares are valued at cost.

**1.6 Foreign Currency transactions:**

Foreign currency loans are stated at contracted rates as per the Forward Exchange Contracts.

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**B. Notes on accounts**

**2. Slump sale of business**

During the year the Company has sold its current NBFC activities, including all its assets, investment, all liabilities excluding tax liabilities, brand and goodwill, and transferred its branch network including leased premises by way of slump sale on a going concern basis, as defined in the Income Tax Act, 1961, to Zwirn Pragati Capfin Private Limited (ZP), a non banking financial company for a lump sum consideration of Rs. 4110 lakhs vide agreement dt. 30.09.2008. Subsequently, Zwirn Pragati Capfin Private Limited has asked for a downward revision in the consideration to Rs. 2800 lakhs, based on due diligence as per agreement. Hence the company has made a provision of Rs. 1310 Lakhs towards possible reduction pending approval by the share holders.

**3 Balance Sheet:**

**3.1 Issue of Redeemable Preference Shares:**

During the year, the Company has issued 2,22,60,000 Redeemable preference shares of face value Rs. 10 each, as approved at the Extra ordinary General meeting of the company dated 21st June 2008 to ZP, which is included in the schedule of preference share capital.

**3.2 Redemption of 10% Redeemable Optionally Convertible Preference Shares:**

During the year the Company has Redeemed 10% Optionally Convertible preference shares amounting to Rs. 2,226 Lakhs held by D. B. Zwirn Mauritius Trading No. 2 Limited and the same is approved by the board of directors of the Company at the Board Meeting held on May 26, 2008.

**3.3 Fixed Assets – Impairment**

During the year the company has written off Rs. 287.89 lakhs as impairment in the value of fixed assets including leased assets

**3.2 Deposit account**

The total deposit with bank as on 30.09.2008 includes Rs. 16.40 Lakhs towards deposits maintained for unclaimed dividend. As on 30.09.2008, there are no amounts outstanding to be transferred to Investor Protection Fund.

**3.3 Deferred Tax Assets / liability**

**Rs. in Lakhs**

	<b>30.09.2008</b>	<b>31.03.2007</b>
Opening Balance on account of depreciation	(98.63)	(98.21)
Less Reversal of Deferred tax liability On account of depreciation	98.63	
Add: Liability on account of depreciation Deferred tax asset on account of		(0.42)
<b>Total</b>	<b>NIL</b>	<b>(98.63)</b>

Since the assets for which deferred tax liability was created has been transferred, deferred tax liability created in earlier years is written back.

#### 4. Profit and Loss Account:

##### 4.1 (a) Remuneration to Managing Director

	Rs. In Lakhs	
	30.09.2008 (18 months)	31.03.2007
Salary	22.19	8.35
House Rent allowance	5.56	2.85
Company's Contribution to PF	2.42	1.00
Others	25.46	-
<b>Total</b>	<b>55.63</b>	<b>12.20</b>

The Managing director's remuneration is approved by the share holders in the Extra Ordinary General Meeting held on 15th November 2007 by way of a special business.

b) **Determination** of net profits in accordance with Sec 349 of the Companies Act, 1956 for remuneration payable to Directors

	Rs. In Lakhs
Loss before tax as per Profit & Loss Account	(1428.53)
Add: Directors remuneration charged in the accounts	55.63
Net Profit	<u>(1372.90)</u>

##### 4.2 Earnings per share

	Rs. In Lakhs
Profit after tax	(1482.11)
Weighted Average number of equity shares	56,80,220
Earnings per share (Basic)	(25.09)
Face value per share	10.00

##### 4.3 Contingent Liability:

Rs.451.6 lakhs representing Income tax together with interest, which is in dispute and pending in appeal with various income tax authorities for the Assessment years 1997-98 to 2005-06.

4.4 The Company is engaged primarily in the business of financing and accordingly there are no separate reportable segments as per Accounting Standard 17.

4.5 The company has extended its financial year by 6 months after obtaining prior permission from RBI and ROC. Accordingly, the current accounting period's figures are for 18 months ending 30th Sep 2008 and hence are not comparable with previous year's figures. However the accounting period for subsidiaries is for 12 months ended on 31st March 2008 and there are no business activities after 31st March 2008.

**4.6** Previous year's figures have been regrouped / reclassified to conform to current period's classification wherever necessary.

**4.7 Related parties Disclosures:**

- a. Subsidiaries: Dhandapani Holdings & Securities Limited, Smart Invest Agency.Com Private Limited.
- b. Companies with majority voting power assuming controlling interest:: D B Zwirn Mauritius (the acquirer)
- c. Group Company of D B Zwirn Mauritius – D B Zwirn Mauritius Trading N0.2 Ltd.  
– Zwirn Pragati Capfin Private Limited
- d. Key Management Personnel: Mr.T.N.Soundararajan, Managing Director(till 28.09.2007)  
Mr.R.Ravichandran, Managing Director(From 12.10.2007)

(Rs. in Lakhs)

Nature of Transaction	Subsidiaries	Key Management Personnel	D B Zwirn Mauritius / Group Cos	Total
Interest Paid on deposits	7.56			7.56
Deposits – Balance at the end of the year	99.86 Cr			99.86 Cr
Subscription of Redeemable preference shares			2226.00	2226.00
Redemption of 10% Redeemable optionally convertible preference shares			2226.00	2226.00
Remuneration to Key Management Person		74.70		74.70

SUBJECT TO OUR REPORT OF EVEN DATE  
for P.B. VIJAYARAGHAVAN & CO.  
*Chartered Accountants*

P.R. KRISHNAMURTHY  
*Partner*

Place : Chennai  
Date : 24.11.2008

R. RAVICHANDRAN  
*Managing Director*

R. NAGARAJAN  
*Director*

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 30th SEPTEMBER 2008**



	(Rupees in Lakhs)	
	30.09.2008 (18 months)	31.03.2007
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
NET PROFIT BEFORE INTEREST, TAX AND EXTRAORDINARY ITEMS	2628.39	1262.24
Adjustments for :		
Depreciation	502.63	1018.09
Provision for NPA	481.61	142.96
Provision for contingencies on slump sale	1310.00	-
Profit on slump sale of business	(1849.48)	-
Loss on sale of assets	3.42	-
Finance Charges	(4040.07)	(1656.27)
	(3604.50)	(495.22)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	(976.12)	767.02
Adjustments for :		
Trade and other receivables	198.97	73.57
Increase in Stock on Hire	16535.05	(1527.16)
Increase in Trade bills Purchased	0.84	2.93
Trade Payables	(148.52)	(1526.04)
	16586.34	(2976.70)
<b>CASH GENERATED FROM OPERATIONS</b>	15610.22	(2209.68)
Direct Taxes Paid	(83.35)	(462.53)
Cash Flow before Extraordinary Items	15526.87	(2672.21)
Extraordinary Items Issue expenses	-	(3385.00)
Net Cash Flow from Operating Activities	15526.87	(6057.21)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(285.85)	(165.15)
Sale of Fixed Assets	3151.61	3.71
Purchase of Investments	-	(0.01)
Redemption of SLR Investments	34.34	-
Sale of Investments	47.73	28.08
<b>NET CASH FROM INVESTING ACTIVITIES</b>	2947.84	(133.37)

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	(Rupees in Lakhs)	
	30.09.2008 (18 months)	31.03.2007
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of Share Capital	–	2226.10
Proceeds from Term Borrowings	(11684.58)	8729.75
Proceeds from Bank Borrowings	(8344.94)	(3167.64)
Proceeds from Deposits	(60.28)	(2478.34)
Dividend paid	(3.17)	(133.57)
<b>NET CASH FROM IN FINANCING ACTIVITIES</b>	(20092.97)	5176.30
<b>D. Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>	(1618.26)	(1014.28)
<b>E. Opening Cash &amp; Cash Equivalents</b>	1647.84	2662.12
<b>F. Closing Cash &amp; Cash Equivalents</b>	29.58	1647.84

SUBJECT TO OUR REPORT OF EVEN DATE  
for P.B. VIJAYARAGHAVAN & CO.  
*Chartered Accountants*

P.R. KRISHNAMURTHY  
*Partner*

Place : Chennai  
Date : 24.11.2008

R. RAVICHANDRAN  
*Managing Director*

R. NAGARAJAN  
*Director*

#### AUDITOR'S CERTIFICATE

We have examined the above Cash Flow Statement for the period ended 30th September 2008. The statement has been prepared in accordance with the requirements of Clause 32 of the listing agreement with the Mumbai Stock Exchange and is based on and in with agreement with the corresponding Profit and Loss account and Balance Sheet of the Company covered by our report to the Members of the Company.

For **P B VIJAYARAGHAVAN & CO.,**  
*Chartered Accountants*

**P R KRISHNAMURTHY**

*Partner*

Membership Number: 12622

Place: Chennai  
Date : 24.11.2008



**Dhandapani Finance Ltd.**

Regd. Office : 14, Ramakrishna Street, T. Nagar, Chennai 600 017

**ATTENDANCE SLIP**

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT ENTRANCE OF THE MEETING HALL. ONLY MEMBERS OR THEIR PROXIES ARE ENTITLED TO BE PRESENT AT THE MEETING.

FOLIO NO:

I hereby record my presence at the TWENTY-SECOND ANNUAL GENERAL MEETING, held at Rani Seethai Hall, 603, Anna Salai, 1st Floor, Chennai – 600 006 on Tuesday the 23rd December 2008 at 10.00 a.m. as a Shareholder / Proxy\*

NAME OF PROXY IN BLOCK LETTERS  
\*Strike whichever is not applicable

SIGNATURE OF THE SHAREHOLDER / PROXY



**Dhandapani Finance Ltd.**

Regd. Office : 14, Ramakrishna Street, T. Nagar, Chennai 600 017

**PROXY**

Folio No:

I / We.....of..... in the district of ..... being a Member(s) of DHANDAPANI FINANCE LIMITED here by appoint.....of in the district of .....or failing him.....of.....in the district of.....as my / our proxy to vote for me / us on my / our behalf, at the TWENTY-SECOND ANNUAL GENERAL MEETING of the Company to be held held at Rani Seethai Hall, 603, Anna Salai, 1st Floor, Chennai – 600 006 on Tuesday the 23rd December 2008 at 10.00 a.m. and at any adjournment thereof.

Signed this..... Day of.....2008

Signature.....

Rs.1.00  
Revenue  
Stamp

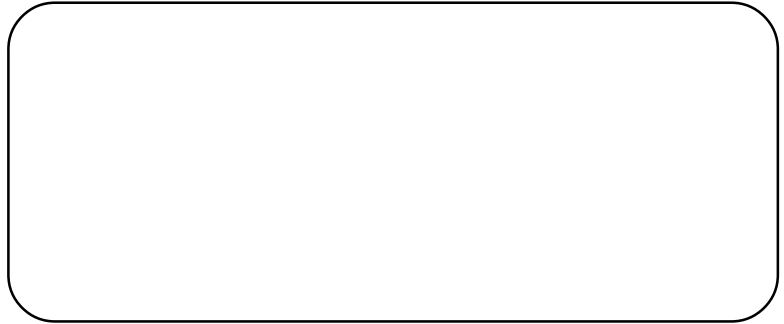
- Note : 1. In the case of a corporation this Proxy shall be either given under the Common seal or signed on its behalf by an attorney or officer of the Corporation.
- 2. Proxies to be valid must be deposited at the Regd. Office of the Company at 14, Ramakrishna Street, Off. North Usman Road, T. Nagar, Chennai 600 017, not less than 48 hours before the time for holding the meeting.

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