



Dhandapani Finance Limited

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30th SEPTEMBER 2009

	SCH NO	Rs. In Lakhs	
		30.09.2009	31.03.2008 (18 Months)
1. INCOME			
a. Income from Financing Operations	12	2925.05	5511.88
b. Other income	13	150.12	1995.68
		3075.17	7507.56
A			
2. EXPENDITURE			
a. Finance Charges	14	2551.47	4046.38
b. Employee Cost	15	526.30	850.56
c. Administrative & Other expenses	16	434.70	919.44
d. Provisions and write off	17	820.18	1325.53
e. Provisions for contingencies on slump sale		0.00	1310.00
		4332.64	8451.91
B			
Profit before Depreciation & Tax & Prior period & Exceptional items	A - B	(1257.48)	(944.35)
Add: Prior Period Income		0.00	0.00
Less : Prior Period Expenses		0.00	0.00
Depreciation		(66.35)	(213.96)
Impairment loss		0.00	(287.78)
Exceptional Items		(5534.42)	0.00
Profit before Tax		(6858.25)	(1446.09)
Less: Provision for taxation			
Current Tax		0.00	(134.60)
Fringe Benefit Tax		(2.78)	(16.00)
Add: Deferred Tax		0.00	98.63
Net Profit		(6861.03)	(1498.06)
Profit available for appropriations		(6861.03)	(1498.06)
ADD Brought forward from previous year		(4155.23)	(2657.17)
		(11016.26)	(4155.23)
3. APPROPRIATION			
Dividend (Including Dividend Tax)		0.00	0.00
Transfer to Statutory Reserve		0.00	0.00
Transfer to General Reserve		0.00	0.00
Surplus balance carried to Balance Sheet		0.00	0.00
		(11016.26)	(4155.23)

Weighted average number of equity shares of Rs. 10/- each outstanding during the year

Nos. 5954320

Basic earning per share

Rs. (115.23)

Schedule Nos. 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

S K Rengarajan
Company Secretary

R Nagarajan
Director

Membership No. 12622

Place: Chennai
Date : 26.02.2010



Dhandapani Finance Limited

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 30th SEPTEMBER 2009**

	Rs. In Lakhs	
	30.09.2009	31.03.2008 (18 Months)
SCHEDULE 12 INCOME FROM FINANCING OPERATION		
1. Finance charges	2925.05	5511.77
2. Income from Bills Purchased	0.00	0.11
	<u>2925.05</u>	<u>5511.88</u>
SCHEDULE 13 OTHER INCOME		
1. Interest receipts	150.12	149.29
2. Profit / (Loss) on sale of assets/ investments	0.00	1846.39
	<u>150.12</u>	<u>1995.68</u>
SCHEDULE 14 INTEREST /FINANCE CHARGES		
1. On Deposits	0.00	0.00
2. On Working Capital Facility	2314.86	2729.59
3. On Other Credit Facility	231.59	1303.86
4. On Inter Corporate Deposits	5.02	12.93
	<u>2551.47</u>	<u>4046.38</u>
SCHEDULE 15 EMPLOYEE COST		
1. Salaries, allowances and Bonus	411.84	656.11
2. Staff Welfare expenses	80.49	143.43
3. Company's contribution to P F	33.97	51.01
	<u>526.30</u>	<u>850.56</u>
SCHEDULE 16 ADMINISTRATION AND OTHER EXPENSES		
1. Rent	38.10	49.77
2. Rate and Taxes	9.52	26.56
3. Electricity Charges	13.11	27.71
4. Insurance	12.21	7.71
5. Telephone Charges	31.24	65.64
6. Business Promotion Expenses	1.43	1.31
7. Advertisement	7.73	1.94
8. Loss on sale of Assets	0.09	4.56
9. Remuneration to Auditor	11.00	8.43
10. Professional Charges	98.39	180.00
11. Other Expenses	211.88	545.81
	<u>434.70</u>	<u>919.44</u>
SCHEDULE 17 BAD DEBTS WRITE OFFS		
Loss on sale of reposed asset	741.75	409.41
Bad Debts / loss on Securitisation	0.00	434.52
Provision for NPA	77.43	481.60
Provision for Investment	1.00	0.00
	<u>820.18</u>	<u>1325.53</u>

**NOTES FORMING PART OF ACCOUNTS FOR THE
PERIOD ENDED 30th SEPTEMBER 2009**

Schedule –: 18

A. 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, being the difference between the book value of the assets assigned and the sale consideration is booked as income in the year of contract, whereas in the previous year the same was amortized over the tenor of the assignment of receivable.
- c. Additional Finance Charges is accounted on accrual basis @18% pa whereas the contractual rate is 36%.
- 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 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.

B. Notes on accounts

2. EXCEPTIONAL ITEM

SLUMP SALE – EFFECT OF REVERSAL

During the FY 2007-08 the company sold its NBFC activities by way of slump sale on a going concern basis to Zwrin Pragati Capfin P Ltd, an NBFC for a lumpsum consideration of Rs.4110 lacs. Subsequently ZP made a downward revision of consideration to Rs.2800 lakhs by way of due diligence agreement. A provision for Rs.1310 lakhs towards reduction in consideration was made with approval of shareholders and a profit of Rs.404.88 was recognised.

The Slump sale could not be proceeded with, as certain conditions precedent to the transfer could not be fulfilled by DFL. Consequently the effect of slump sale recognized during the FY 2007-08 were reversed and the assets and liabilities were brought back to original state.

PROVISION FOR IMPAIRMENT

The Company undertook a review of the receivables during the year and based on the review a sum of Rs.5129.54 lakhs being outstanding debtor balances are considered to be doubtful of realization. Hence a provision towards doubtful debts has been made in the books of accounts.

C. Balance Sheet:

3.1 Deposit account

The total deposit with bank as on 30.09.2009 includes Rs. 14.30 Lakhs towards deposits maintained for unclaimed dividend. As on 30.09.2009, there are no amounts outstanding to be transferred to Investor Protection Fund.

3.2 Deferred Tax Assets / liability Rs. in Lakhs

	30.09.2009	31.03.2008
Opening Balance	NIL	(98.63)
Less Reversal of Deferred tax asset	-	98.63
Add: Liability on account of depreciation	-	
Total	NIL	NIL

Deferred tax asset arising on account of carry forward loss and provisions has not been recognized in the books of accounts on a conservative basis.

3.3 Valuation of Investments

Provision of Rs.1 lakh has been made in the Profit & Loss a/c in respect of the investment in shares of Dhandapani Business Services Limited, as there is a permanent diminution in the value of the shares.

3.4 Current Assets

During the year the company has assigned a part of its receivable of loan assets portfolio on bilateral basis. The details are as follows:

	Rs. in Lakhs	
	During 2008 – 2009	AS at 30.09.2009
Total No of loan Contracts Assigned	508 (Nos)	2994 (Nos)
Total book value of loan assets Assigned	1652.88	4407.60
Total Value of loan assets assigned inclusive of UMFC	2132.49	5676.60
Cash Collateral Given	213.25	766.35

The cash collateral provided of Rs.766.35 Lakhs is shown under cash and bank balance under lien.

3.5 The Company's proposal to restructure its debts has been referred to CDR forum on 10th February 2010 by lenders having the requisite percentage of exposure.3

3.6 Secured Advances

Secured Advances include an amount of Rs. 720.02 lakhs due from Dhandapani Properties (P) Ltd. Steps are being taken by the management to recover the same. Hence it is not considered a doubtful debt and no provision has been made in the Profit & Loss account in respect of the same.

3.7 Secured Loans include an amount of Rs. 2050.60 lakhs which is subject to confirmation from State Bank of India.

4. Profit and Loss Account:

	Rs. in Lakhs	
	30.09.2009	30.09.2008 (18 months)
Salary	23.75	22.19
House Rent allowance	7.06	5.56
Company's Contribution to PF	2.85	2.42
Others	23.71	25.46
Total	54.53	55.63

Managerial remuneration is in excess of the limits prescribed under Schedule XIII and section 263 of the Companies Act, 1956. Central Government approval has been received vide their letter dated 17th August 2009, which is subject to approval of members, by Special Resolution.

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	(6858.25)
Add: Directors remuneration charged in the accounts	57.37
Net Profit	(6800.88)

4.2 Earnings per share

	Rs. in Lakhs
Profit after tax	(6861.03)
Weighted average number of equity shares	5954320
Earnings after tax (Basic) Rs.	(115.23)
Face value per share	10.00

4.3 Contingent Liability:

Disputed Income tax demand of Rs.496.4 lakhs together with interest pending in appeal/representation before various income tax authorities for the Assessment years 1997-98 to 2007-08

An amount of Rs. 1135.32 lakhs being corporate guarantee has been given to M/s. Fullerton India Credit Company Ltd for Assignment of Receivables.

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

4.6 Related parties Disclosures:

- a. Subsidiaries: Dhandapani Holdings & Securities Limited,
Smart Invest Agency.Com Private Limited.
- b. Group Company of D B Zwirn Mauritius – D B Zwirn Mauritius Trading No.2 Ltd.
– Zwirn Pragati Capfin Private Limited
- c. Key Management Personnel: R. Ravichandran, Managing Director,
Prakash Rayen, B Prakash and VS Murthy

Nature of Transaction	Subsidiaries	Key Management Personnel	D B Zwirn Mauritius / Group Cos	Total
Interest Paid on deposits	5.02	-	-	5.02
Deposits – Balance at the end of the year	102.28 Cr	-	-	102.28Cr
Redemption of 10% Redeemable optionally convertible preference shares	-	-	2226.00	2226.00
Remuneration to Key Management Personnel	48.21	57.37	-	105.58

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

R. RAVICHANDRAN
Managing Director

P.R. KRISHNAMURTHY
Partner
Partnership No. 12622

Place : Chennai
Date : 26.02.2010

S K Rengarajan
Company Secretary

R. NAGARAJAN
Director