

DRAFT LETTER OF OFFER

(Private and Confidential For Equity Shareholders of the Company Only)

DHANDAPANI FINANCE LIMITED

(Incorporated on 30th October 1986 as Dhandapani Finance and Investments Pvt Limited under the Companies Act, 1956 with Registration No.13626 and became a Public Limited Company on 4th May, 1988. The name of the Company was changed to M/s Dhandapani Finance Limited on 9th October 1996)

Registered office: 291/(old no:141), Linghi Chetty Street, Chennai - 600001, Tamil Nadu. Tel: (044) 25242831, Fax: (044) : 25231236 E-mail: dhanfin@vsnl.com , Website: www.dhandapanifinance.com	Corporate Office: 14/1, Ramakrishna Street, T.Nagar, Chennai-600017, Tamil Nadu. Tel: (044) 28141778,28142706,28142663,28141304 Fax: (044) 28141242 E-mail: dhanfin@vsnl.com , Website: www.dhandapanifinance.com
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Issue of 19,84,773 - 8.5 % Cumulative Convertible Preference Shares(CCPSs) of Rs10/- each for cash at par on Rights basis to the existing Equity Shareholders of the Company in the ratio of one CCPS for every three Equity Shares held as on Record Date i.e. -----aggregating Rs.1,98,47,730/-

GENERAL RISKS

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the Risk Factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The securities have not been recommended or approved by Securities and Exchange Board of India nor does Securities and Exchange Board of India guarantee the accuracy or adequacy of this document.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for, and confirms that this Letter of Offer contains all information with regard to the Issuer and the Issue, which is material in the context of Issue, that the information contained in this Letter of Offer is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The existing equity shares of the Company are listed on Madras Stock Exchange Limited (hereinafter referred to as 'MSE' or 'Designated Stock Exchange') and The Stock Exchange, Mumbai (herein after referred to as 'BSE'). The in-principle approvals for listing of the proposed CCPS from the MSE and BSE have been received on _____, 2003 and _____, 2003 respectively. The shares arising out of conversion will also be listed on these exchanges.

Note: The attention of investors is drawn to the statement of Risk Factors appearing on Page _____ of the Letter of Offer.

Lead Managers to the Issue Karvy Investor Services Ltd "Karvy House" 46, Avenue 4, Street No.1 Banjara Hills, Hyderabad 500 034 Tel: 040 23312454/23321840 Fax : 040 23374714 Email: mbd@karvy.com SEBI Registration No. MB/INM000008365	Registrars to the Issue Karvy Consultants Limited "Karvy House" 46, Avenue 4, Street No.1 Banjara Hills, Hyderabad 500 034 Tel: 040 23320251/23320751 Fax : 040 23311968 Email: mailmanager@karvy.com SEBI Registration No.: INR/000000221
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ISSUE OPENS ON	LAST DATE FOR RECEIVING REQUESTS FOR SPLIT FORMS	ISSUE CLOSES ON

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GLOSSARY OF TERMS/ ABBREVIATIONS

Act	The Companies Act, 1956 and amendments thereto
Articles	Articles of Association of the Company
Board	Board of Directors of Dhandapani Finance Ltd.
BSE	The Stock Exchange, Mumbai
CAF	Composite Application Form
CCPS	8.5% Cumulative Convertible Preference Shares
CDSL	Central Depository Services (India) Limited
Committee of Directors	Committee of the Board of Directors of Dhandapani Finance Ltd authorised to take decisions on matters related to /incidental to this Issue
Company/DFL FY	Dhandapani Finance Limited Financial Year
HY	Half Year
NSDL	National Securities Depository Limited
Rating Agency	ICRA, CRISIL
EGM	Extra-ordinary General Meeting
EPS Equity Shareholders	Earnings per share Equity shareholders whose names appear as <ul style="list-style-type: none"> ▪ Beneficial owners as per the list to be furnished by the depositories in respect of the shares held in the electronic form and ▪ On the Register of Members of the Company in respect of the shares held in physical form at the close of business hours on the Record Date i.e. _____ and to whom this Issue is being made.
FEMA	Foreign Exchange Management Act, 2000 read with rules and regulations there under and amendments thereto
FII(s)	Foreign Institutional Investors registered with SEBI under applicable laws
FY	Financial year
Rights Issue	Issue of up to 19,84,773- 8.5%CCPS of Rs.10/- each for cash at par on rights basis to the existing Equity Shareholders of the Company in the ratio of one CCPS for every three equity shares held on Record Date aggregating Rs1,98,47,730
IT Act	The Income Tax Act, 1961 and amendments thereto
ICD	Inter Corporate Deposit

Pre-issue Lead Manager	Karvy Investor Services Limited
Post Issue Lead Manager	Canara Bank
Letter of Offer/ LOO	This Letter of Offer circulated to the Equity Shareholders of the Company
Memorandum	Memorandum of Association of the Company
MSE	Madras Stock Exchange
NA	Not applicable
NAV	Net Asset Value
NBFC	Non-Banking Financial Company
NCD	Non Convertible Debentures
NPA	Non-Performing Assets
NR	Non-resident
NRI(s)	Non-resident Indians
OCB(s)	Overseas Corporate Body (ies)
RBI	The Reserve Bank of India
Record Date	
Registrar to the Issue/ Registrar	Karvy Consultants Limited
Rights Entitlement	The number of Equity Shares that an Equity Shareholder is entitled to under this Letter of Offer in proportion to his/ her/ its existing shareholding in the Company as on the Record Date
ROC	Registrar Of Companies
SEBI	Securities and Exchange Board of India
SEBI Guidelines	SEBI (Disclosure & Investor Protection) Guidelines, 2000 read with amendments thereto
Security Certificates	Equity Share certificates
TOL	Total Outstanding Liabilities

In this Letter of Offer, all references to “Rs.” refers to Rupees, the lawful currency of India. References to the singular also refer to the plural and one gender also refers to any other gender wherever applicable.

RISK FACTORS ENVISAGED BY THE MANAGEMENT SPECIFIC TO THE PROJECT AND INTERNAL TO THE COMPANY AND THE PROPOSALS OF THE MANAGEMENT TO ADDRESS THE RISKS

Internal

1.Credit risk: Performance of the Company is dependant on the performance of its clients

Management’s Proposals to address the risk :

Over the years, the Company has evolved a credit appraisal and monitoring mechanism and a continuous recovery mechanism through direct contacts with the clients. The appraisal system of the Company before disbursements is scientific and professional. Hence the risk of defaults is minimum. Although the risk of default by the counter party is inherent in the business of the Company, the diversified retail nature of the business in terms of geographical locations, products, customer segments results in a low average exposure per customer. The Company’s NPA level as on 31 March,2003 and 30 June, 2003 was NIL.

2. Company’s performance depends on the judicious deployment of funds

Management Proposals to address the risk :

The Company has a sound infrastructure of 46 branches all over India and have over the years developed a strong system of funds monitoring and deployment. Hence the management does not perceive any bottlenecks.

3. Loss making Promoter/ Promoter group companies: K. Dhandapani & Co. Ltd belonging to the Promoter group has made losses of Rs.1.77 crores in the financial year ended 31st March 2003

Management Proposals to address the risk :

K.Dhandapani & Co Ltd (KD&Co Ltd) had incurred loss for the year ended 31st March 2003 due to the general sluggishness in the electrical industry. However, KD&Co Ltd is in the process of strengthening its existing line of activity and has also diversified into property development. For the six month period ended 30th September, 2003 (Unaudited Results) it has made a Net Profit of Rs.48.91 lakhs.

4. Credit Rating: The Company has to obtain the specified credit rating for fixed deposits from one of the approved credit rating agencies at least once a year and a copy of the rating is required to be filed with RBI. The rating is likely to vary depending on the performance of the company.

Management Proposals to address the risk :

The Company's FD programme has been rated FA+ by CRISIL in 2003 and MA+ by ICRA in 2001. The short term debt programme is rated P1 by CRISIL and the Commercial Paper has been rated A1+ by ICRA in 2002. The Company does not foresee any reasons that could lead to a downgrade in the rating .

External:

1. Changes in Monetary policies

The operations of a Non-Banking Finance Company (NBFC) are governed by the Reserve Bank of India (RBI). Policy changes that have an impact on interest rates and other financial parameters are likely to affect the operations of the Company.

Management Proposals to address the risk :

The management is confident of meeting any policy changes that may be made by the regulatory authorities. Also Fixed Deposits do not form the major source of funds for the Company. The Company has been adapting well to changes in the monetary environment. It has evolved a good Asset-Liability Management (ALM) system hence any change in interest rates may not result in a squeeze in margins or have a major impact on the operations of the Company. Moreover the ALM Committee regularly monitors the liquidity and interest rate risks.

2. Changes in Regulatory policy

Major change in the RBI policies relating to the NPA provisioning norms, capital adequacy ratios (CAR) etc. may have an impact

Management Proposals to address the risk :

The policy changes may provide both opportunities and challenges to the Company. The Company has a sufficiently long presence of 18 years in the field and does not perceive policy change as a major threat.

3. Competition

Competition in the asset financing business has heightened especially from banks who have a lower cost of funds.

Management Proposals to address the risk :

The Company has a strong presence in the financial sector and has made inroads into urban and semi-urban areas with 46 branches. The Company has effective strategies to minimize the impact on profitability due to competitive pressure. The Company constantly strives to reduce its cost of funds and diversify its product range in various geographical locations. The management feels that healthy competition will only compel the company to improve the quality of its performance.

4. Fluctuation in Exchange rates

The exchange rate fluctuations may affect the Company's financial workings

Management Proposals to address the risk :

The Management perceives no significant impact as the foreign currency loans are sufficiently hedged against exchange fluctuations.

5. **Hire Purchase, Leasing and bills discounting** are subject to risks which may result in debts becoming bad or doubtful.

Management Proposals to address the risk :

The Company has a comprehensive process of evaluation of various risks inherent to the business before lending. Lending norms and exposure levels are monitored and amended continuously taking into account changes in environment. The Company's network of 46 branches, help monitoring defaults, achieving good recoveries and keeping the risk of bad debts to the minimum.

6. **Risk of economic slowdown**

The overall demand for the Company's products is linked to the overall economic growth, consumer demand and growth in the capital markets. A slowdown in India's economic growth will have an adverse impact on the demand for credit and on quality of borrowers.

7. **Risk of political instability**

The performance of the Company may be affected by political and economic developments both in India and worldwide.

Notes to Risk Factors

- Investors are advised to refer to "Basis of Issue Price" on Page _____ before investing in this Issue.
- Net worth before the Issue (as on 30th September 2003) is Rs.3369.91 lakhs and the Issue size is Rs.198.48 lakhs.
- The book value of the equity shares of the Company as on 30th September 2003 is Rs.56.60 per share.
- During the last six months, some members of the promoter group and directors have carried out transactions in equity shares of the Company. Details of such transactions are follows:

Sl. No	Name of transferee	Name of transferor	No. of shares	Price	Date
1	T N Sridharan	Subhash P Mandi	700	20	24.07.2003
2	T N Sridharan	K.Prasanna Kumar	700	20	24.07.2003

The maximum and minimum price paid has been Rs.20/- . There are no other purchases and sale of shares by the Promoters/Directors of the Company during the last six months.

The Company has entered into certain related party transactions. The related party transactions cover the financial transactions carried out in the ordinary course of business and/or in discharge of contractual obligations. The details of the transactions as certified by the auditors of the Company for the past 3 years are as follows:

Company	Nature of Transaction	Rs in lakhs			
		HY 30.09.03	FY 2002-03	FY 2001-02	FY 2000-01
Subsidiaries					
Dhandapani Holdings & Securities Ltd	Interest Paid	3.40	3.81	1.12	0.01
Smart Invest Agency.com Pvt Ltd	Interest Paid	0.10	0.19	0.01	
Dhandapani Insurance Services P Ltd	Interest Paid	0.11	0.08		
Associates					
K Dhandapani & Co. Ltd	Interest Paid	8.06	14.86	27.37	34.21
Cybervision Solutions Ltd	Interest Paid		4.28	3.28	2.92

Rs. in lakhs					
	Nature of Transaction	HY 30.09.03	FY 2002-03	FY 2001-02	FY 2000-01
Subsidiaries					
Dhandapani Holdings & Securities Ltd	ICD	40.16	20.70	9.55	1.25
Smart Invest Agency.com Pvt Ltd	ICD	1.30	0.00	1.00	0.00
Dhandapani Insurance Services P Ltd	ICD	1.39	0.90	0.00	0.00
Associates					
K Dhandapani & Co. Ltd	ICD	180.00	49.50	85.00	199.80
Cybervision Solutions Ltd	ICD	0.00	0.00	4.65	9.73

Rs. in lakhs			
	Nature of transaction	HY 30.09.03	FY 2002-03
Subsidiaries			
Dhandapani Holdings & Securities Ltd	RENT	0.02	0.06
Associates			
Cybervision Solutions Ltd	RENT	0.04	0.18

Rs in lakhs					
	Nature of Transaction	HY 30.09.03	FY 2002-03	FY 2001-02	FY 2000-01
Associates					
K Dhandapani & Co. Ltd	HP Contracts	2.31	2.25	0.43	0.00
Dhandapani Exports		2.98			

Highlights

1. Existing profit making and dividend paying company for the last 17 years of operations.
2. Promoted by the Dhandapani Group, a diversified group with over 50 years of standing.
3. The company has a high capital adequacy ratio (CAR) of 23.42% as on 31st March 2003 which is well above the statutory requirement of 12%.

Dhandapani Finance Limited

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E-mail: dhanfin@vsnl.com, Website: www.dhandapanifinance.com

Dear Equity Shareholder(s),

Pursuant to the resolution passed by the Board of Directors of the Company at their meeting held on 12th September 2003, Special Resolution passed at Extraordinary General Meeting held on 8th October, 2003, and resolution passed by the Board of Directors at their meeting held on 27th Novemebr,2003 it has been decided to make the following offer to the Equity Shareholders of the Company:

Issue of up to 19,84,773 - 8.50% CCPS of Rs.10/- each for cash at par on rights basis to the existing equity shareholders of the Company in the ratio of one CCPS for every three equity shares held as on Record Date i.e. _____ aggregating Rs.1,98,47,730/-

I. GENERAL INFORMATION

Statutory Declaration

i. The Issuer Company accepts full responsibility for the accuracy of the information given in this Letter of Offer and confirm that to the best of their knowledge and belief, there are no other facts, the omission of which make any statement in this Letter of Offer misleading and further confirm that they have made all reasonable inquiries to ascertain such facts. The Issuer further declare that the Stock Exchanges to which an application for listing has been made do not take any responsibility for the financial soundness of this Offer or for the price at which the CCPS that are offered, or for the correctness of the statements made or opinions expressed in this Letter of Offer.

ii. In the opinion of the Directors of the Company, there are no circumstances that have arisen since the date of the last financial statement disclosed in the Letter of Offer, that materially or adversely affect or are likely to affect the performance or profitability of the Company or value of its assets or its ability to pay its liabilities, within the next twelve months.

iii. The funds received against the Rights Issue will be kept in separate bank account(s) and the Company will not have any access to such funds unless it satisfies The Stock Exchange,

Chennai(Designated Stock Exchange) with suitable documentary evidence that the minimum subscription of 90 per cent of the Issue has been received by the Company.

Important

i. The present Rights Issue to the Equity Shareholders of the Company is made pursuant to the resolutions passed by the Board of Directors of the Company at their meetings held on 12th September 2003 and 27th Novemeber, 2003 and Special Resolution passed at Extraordinary General Meeting held on 8th October, 2003 at the Registered Office of the Company

This Offer is being made on a Rights basis in the ratio of 1(One) CCPS of Rs 10/- for cash at par, for every 3 (Three) Equity Shares (fractional entitlement, if any, rounded off to the next higher integer) held to those Equity Shareholders/Beneficial Owners whose names appear on the Register of Members/Beneficial Owners of the Company at the close of business hours on _____, being the Record Date fixed by the Company in consultation with The Madras Stock Exchange.

ii. Your attention is drawn to RISK FACTORS appearing on pages ----of this Letter of Offer.

iii. Please read this Letter of Offer and the instructions in the CAF carefully before filling in the CAF. The instructions contained in the CAF are an integral part of the conditions of this Letter of Offer and must be carefully followed, otherwise the application is liable to be rejected.

iv. All enquiries in connection with this Letter of Offer or CAF should be addressed to the Registrars to the Issue, Karvy Consultants Limited quoting the Name of the first/sole holder, Registered Folio Number/ Beneficiary Owner's Identification Number and the CAF Number as mentioned in the CAF.

v. In case the original CAF is not received, or is misplaced by the applicant, the Registrars to the Issue will issue a duplicate CAF on request of the applicant who should furnish the registered folio number / Beneficiary Owner's Identification Number and his/ her full name and address to the Registrar to the Issue. Please note that those who are making the application on duplicate form should not utilise the standard CAF for any purpose including renunciation, even if it is received subsequently. If the applicant violates any of these requirements, he/she shall face the risk of rejection of both the applications as well as forfeiture of amounts remitted along with the applications.

vi. The Issue will be kept open for a period of 30 days but not more than 60 days.

Disclaimer Clause

AS REQUIRED, A COPY OF THIS DRAFT LETTER OF OFFER HAS BEEN SUBMITTED TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI). IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF DRAFT LETTER OF OFFER TO SEBI SHOULD NOT, IN ANY WAY BE DEEMED/ CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPOSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT LETTER OF OFFER. THE LEAD MANAGER KARVY INVESTOR SERVICES LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURE AND INVESTOR PROTECTION IN FORCE FOR THE TIME BEING. THIS REQUIREMENT

IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE OFFER DOCUMENT, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE LEAD MANAGER KARVY INVESTOR SERVICES LIMITED HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED — -----IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATIONS 1992 WHICH READS AS FOLLOWS:

1. We have examined various documents including those relating to litigation like commercial disputes, patent disputes with collaborators etc. and other material in connection with the finalisation of the draft Letter of Offer pertaining to the said Issue;

2. On the basis of such examination and the discussions with the Company, its directors and other officers, other agencies, independent verification of the statements concerning the objects of the Issue, price justification and the contents of the documents mentioned in the Annexure and other papers furnished by the Company;

WE CONFIRM THAT:

a. the draft Letter of Offer forwarded to SEBI is in conformity with the documents, materials and papers relevant to the Issue;

b. all the legal requirements connected with the said Issue as also the guidelines, instructions etc., issued by SEBI, the Government and any other competent authority in this behalf have been duly complied with;

c. the disclosures made in the draft Letter of Offer are true, fair and adequate to enable the investors to make a well-informed decision as to investment in the proposed Issue;

3. We confirm that besides ourselves, all the intermediaries named in the draft Letter of Offer are registered with SEBI and till date such registration is valid

The filing of the Letter of Offer does not, however, absolve the Company from any liabilities under section 63 of the Companies Act, 1956 or from the requirement of obtaining such statutory or other clearance as may be required for the purpose of the proposed Issue. SEBI further reserves the right to take up, at any point of time, with the lead manager(s) (merchant bankers) any irregularities or lapses in the Letter of Offer.

Caution

The Company and the Lead Managers accept no responsibility for statements made otherwise than in this Letter of Offer or in any advertisement or other material issued by the Company or by any other persons at the instance of the Company and anyone placing reliance on any other source of information would be doing so at his own risk.

The Lead Manager and the Company shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of the draft Letter of Offer with SEBI. The Lead Manager and the

Company shall keep the shareholders informed of any material changes till the listing and trading commencement.

Disclaimer Clause of the Stock Exchanges

Disclaimer Clause of MSE

As required, a copy of this Letter of Offer has been submitted to the MSE, which has given, vide its letter dated -----, comments on the Letter of Offer. The Exchange has scrutinised this Letter of Offer for its limited internal purpose of deciding on the matter of granting the permission to use the Exchange's name in the Letter of Offer as one of the Stock Exchanges on which the securities of the Company are proposed to be listed. It is to be distinctly understood that the aforesaid permission, given by MSE, should not in any way be deemed or construed that the Letter of Offer has been cleared or approved by MSE, nor does it in any manner warrant, certify, or endorse the correctness or completeness of any of the contents of this Letter of Offer, nor does it warrant that the Company's securities will be listed or will continue to be listed on the Exchange nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management, or any scheme, or project of this Company.

Every person who desires to apply for or otherwise acquire any shares of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription acquisition whether by reason of anything stated or omitted herein or any other reason whatsoever.

Disclaimer Clause of the BSE

As required, a copy of this Letter of Offer has been submitted to BSE and BSE has given, vide its letter dated -----, permission to the Company to use the Exchange's name in this Letter of Offer as one of the Stock Exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinised this Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company based on the assurances, averments, statements and other managerial, administrative, technical, and financial information duly seen and examined by the Lead Managers, Directors and managers of the Company. The Exchange does not in any manner (a) warrant, certify, or endorse the correctness or completeness of any of the contents of this Letter of Offer, or (b) warrant that the Company's securities will be listed or will continue to be listed on the Exchange or (c) take any responsibility for the financial or other soundness of this Company, its promoters, its management, or any scheme, or project of this Company and it should not be for any reason be deemed or construed that this Letter of Offer has been cleared or approved by the Exchange.

Every person who desires to apply for or otherwise acquire any shares of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription / acquisition whether by reason of anything stated or omitted herein or any other reason whatsoever.

Disclaimer in respect to Jurisdiction

This Letter of Offer has been prepared under the provisions of Indian Laws and the applicable rules and regulations there under. Any disputes arising out of this Issue will be subject to the jurisdiction of the appropriate court(s) in Chennai, India only.

FILING

A copy of the Letter of Offer has been filed with SEBI, Southern Regional Office, D' Monte Building, 3rd Floor, 32 D' Monte Colony, TTK Road, Alwarpet, Chennai - 600018.

A copy of the Letter of Offer has also been filed with MSE (the Designated Stock Exchange) and BSE, having attached thereto the Material contracts and Documents mentioned in Page 95 of the Letter of Offer.

The letter of offer has been filed with SEBI for its observations and SEBI has given its observations and the final letter of offer will be filed with Stock Exchange as per the provisions of SEBI and Stock Exchange guidelines.

LISTING

The existing equity shares of the Company are listed on MSE and BSE. The company has paid the current annual listing fees to the Stock Exchanges. The Company has made applications to the MSE and BSE for permission to deal in and for an official quotation in respect of the CCPS being offered in terms of this Letter of Offer and for shares arising out of conversion of CCPS.. The Company has received in-principle approvals from MSE by letter dated _____ and from BSE by letter dated _____.

In case the permission to deal in and for an official quotation of the securities is not granted by any of the Stock Exchanges mentioned above the Company shall forthwith repay, without interest, all monies received from applicants in pursuance of this Letter of Offer and if any such money is not paid within eight days after the Company becomes liable to repay (i.e. from the date of the refusal or 6 weeks from the closure of the issue whichever is earlier), the Company will pay interest as prescribed under the Section 73 of the Companies Act ,1956.

TRADING IN DEMATERIALISED FORM

The Equity shares of the Company have been under compulsory dematerialised trading for all investors with effect from 1st January 2001. However, the investors had an option to trade in demat mode from 14th December 2000 itself. The Company has an agreement with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) and its equity shares bear the ISIN No. ISININE071C01019. The market lot for CCPS shall be one share.

The company is making an application to NSDL/CDSL for separate ISIN No. for CCPS proposed to be issued.

DENOMINATION OF SHARES

The present denomination of the equity shares of the Company is Rs 10/- and the Company undertakes that at any given time there will be only one denomination for the shares of the Company.

MARKET LOT / DISPOSAL OF ODD LOTS

With effect from 1st January 2001, as per the directives from SEBI, the trading of the equity shares of the Company is in demat mode only. However, the Company has opted for a voluntary trading in demat mode with effect from 14th December 2000. As a result, the marketable lot of the CCPS is One. The investors opting to receive certificates in physical form would be issued one consolidated certificate for all the CCPS allotted under physical mode.

CREDIT RATING

This being an issue of CCPS credit rating is not required.

FICTITIOUS APPLICATIONS

Attention of the applicants is specifically drawn to the provisions of subsection (1) of Section 68A of the Companies Act, 1956 which is reproduced below:

“ Any person who-

- (a) makes in a fictitious name an application to a Company for acquiring, or subscribing for, any shares therein, or**
- (b) otherwise induces a Company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,**

shall be punishable with imprisonment for a term which may extend to five years. “

ALLOTMENT & REFUND ORDERS

The Company will issue and despatch letter(s) of allotment/ securities certificate(s) and/ or letter(s) of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any, within a period of six weeks from the Date of Closure of the subscription list. If such money is not repaid within 8 days from the day the Company becomes liable to pay it, the Company shall pay interest for the delayed period at the prescribed rates under Section 73 (2A) of the Companies Act, 1956.

Letter(s) of allotment/ securities certificate(s)/ refund orders above the value of Rs.1,500 will be despatched by Registered Post/ Speed Post to the sole/ first applicant's registered address. However, refund orders for value not exceeding Rs.1,500 shall be sent to the applicant's under Postal Certificate at the applicant's sole risk at his registered address. Adequate funds would be made available to the Registrar to the Issue for this purpose.

ELIGIBILITY FOR THE ISSUE

Dhandapani Finance Limited is listed on MSE and BSE. This Issue being a rights issue, is exempt from the eligibility norms in terms of Clause 2.4.1(iv) of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 and amendments thereto.

GOVERNMENT APPROVALS

No consent of the Government of India is required for the present Issue. The Company has all the necessary approvals from the Government authorities/ RBI as required to carry on the present business. The Company has complied with all the applicable guidelines/ directions issued by RBI from time to time. It must be understood that in granting the above approvals the Government of India and the Reserve Bank of India do not undertake any responsibility for the financial soundness of any of the statements or opinions expressed in this regard.

No letter of intent/ industrial license is required to carry out business by the Company. The Company has obtained registration from Reserve Bank of India, Department of Financial Companies, Bangalore as a Non-banking Financial Company (Registration number:900.0084 vide their letter no DFC(BG) No.R4300/09.01.04/94-95 dated 07/03/95. The Company has also been registered as a Hire Purchase Finance Company by RBI, vide their letter No: DFC (BG) No.1383/Bg(TN)HP(D) 7/87-88 Dated 10/10/1987.

ISSUE SCHEDULE

ISSUE OPENS ON	LAST DATE FOR RECEIVING REQUESTS FOR SPLIT FORMS	ISSUE CLOSES ON

ISSUE MANAGEMENT TEAM

Lead Managers to the Issue

Karvy Investor Services Ltd “Karvy House” 46, Avenue 4, Street No.1 Banjara Hills, Hyderabad 500 034 Tel: 040 3312454/3321840 Fax : 040 6621475 Email: mbd@karvy.com SEBI Registration No. MB/INM000008365	Canara Bank Corporate Merchant Banking Division, Treasury & International Operations Wing, Head Office, 112, J.C.Road, Bangalore 560 002 Ph:080-2128043,2128044 Fax:080-2128056 Email: cmbd@vsnl.net SEBI Registration No.: MB/INM/000002558
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STATEMENT OF INTER-SE ALLOCATION OF RESPONSIBILITIES

PARTICULARS	LEAD MANAGER	CO-ORDINATOR
Capital structuring with the relative components and formalities such as Composition of debt and equity, type of instruments.	Karvy	Karvy
Drafting and Design of the offer document. The Designated Lead Manager shall conduct Due-Diligence and ensure compliance with stipulated requirements and completion of prescribed formalities with Stock Exchanges, ROC and SEBI.	Karvy	Karvy
Advertisement / publicity material newspaper advertisements and brochure Memorandum containing salient features of the offer document, Complying stipulated code of Advertisements.	Karvy	Karvy
Ensuring compliance with the Guidelines for Disclosure and Investor Protection and other stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies and SEBI.	Karvy	Karvy
Preparation of publicity budget Arrangements for selection of i) Ad-media ii) Centres of holding conferences of brokers, investors etc.	Karvy	Canara Bank

iii) Bankers to the issue	Canara Bank	Canara Bank
iv) Collection Centres	Canara Bank	Canara Bank
v) Brokers to the issue	Karvy	Canara Bank
Distribution of Letter of offer and Composite Application Form and deciding on the quantum of Issue Material	Karvy	Karvy
Selection of various agencies connected to the issue	Karvy	Canara Bank
Printers	Karvy	Canara Bank
Advertising Agencies	Karvy	Karvy
Follow-up with bankers to the issue to get quick estimates of collection and advising the issuer about closure of the issue, based on correct figures	Canara Bank	Canara Bank
The Post-issue activities involving essential follow-up steps, including finalisation of basis of allotment /weeding out of multiple applications	Canara Bank	Canara Bank
Listing of Securities	Canara Bank	Canara Bank
Follow-up of Dispatch of certificates and refunds with Registrars to the issue, Bankers to the issue and the bank handling refund business.	Canara Bank	Canara Bank

Registrar to the Issue	Auditors of the Company
Karvy Consultants Limited "Karvy House" 46, Avenue 4, Street No.1 Banjara Hills, Hyderabad 500 034 Tel: 040 23320251/23320751 Fax : 040 23311968 Email: mailmanager@karvy.com	M/s P.B. Vijayaraghavan & Co, Chartered Accountants, 27, Cathedral Garden Road, Chennai-600034 Tel:(044)28263490 Fax:(044)28276519 E-mail:pbv@vsnl.com

Legal Advisor	Bankers to the Issue
Mr.K.Vijayakumar "Vaishnavee Apts" Old No. 32, New No.38 Flat No.2, Car Street, Triplicane Chennai 600005 Tel:044-28441604	Canara Bank Thousand Lights Branch, 5, Greaves Road Chennai 600 006 Tel: (044) 28293418, 28291015, 28292972 Fax: (044) 28290976 E-mail: fcsctl@canarabank.co.in

Bankers to the Company

State Bank of India Commercial Branch 232,N.S.C.Bose Road Chennai 600 001	Bank of India Chennai Corporate Banking Branch 4 th Floor,Tarapore Towers 827,Anna Salai Chennai 600 002
The Catholic Syrian Bank Ltd Purasawalkam Branch 268,P.H.Road Chennai 600 007	State Bank of Hyderabad T.Nagar Branch 104,Usman Road Chennai 600 017
Dena Bank Hamilton Bridge Branch 25,Royapettah High Road Chennai 600 014	Bank of Baroda Industrial Finance Branch 52,II Floor,Montieth Road, Egmore Chennai 600 008
Canara Bank Thousand Lights Branch 5,Greams Road Chennai 600 006	Indian Overseas Bank Esplanade Branch Esplanade Chennai 600 108
The Dhanalakshmi Bank Ltd Mount Road Branch 104 & 107, Annasalai Chennai 600 002	The Federal Bank Ltd 62,Mount Road Chennai 600 002
The ING Vysya Bank Limited 185,Annasalai Chennai 600 006	

Company Secretary & Compliance Officer

Ms Jayashree, Company Secretary, Dhandapani Finance Ltd, 14/1, Ramakrishna Street, T. Nagar, Chennai-600017	
Tel: (044) 28 14 17 78, 28 14 27 06, 28 14 26 63, 28 14 13 04	Fax: (044) 28 14 12 42
Email: dhanfin@vsnl.com	Website: www.dhandapanifinance.com

Note: The investors are advised to contact the compliance officer in case of any Pre-Issue/ Post-Issue related problems such as non-receipt of Letter of Offer/ Letter of Allotment/ share certificates/ Refund orders/ etc.

PROHIBITION BY SEBI

The Company, its subsidiaries, its associates, its Promoters, its Directors, group companies and companies /firms promoted by the promoter and companies/entities with which the Company's directors are associated have not been prohibited from accessing the capital markets under any order or direction passed by SEBI nor has SEBI initiated any action against the said entities. The Company further confirms that none of the Company's directors or the persons in control of the company has been prohibited from accessing the capital markets under any order or direction passed by SEBI.

UTILISATION OF ISSUE PROCEEDS

The Board of Directors declare that:

2. The funds received against the Rights Issue will be transferred to a separate bank account other than the bank account referred to sub-section (3) of Section 73 of the Act.
3. Details of all monies utilised out of the Issue shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such moneys has been utilised.
4. Details of all such unutilised monies out of the Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the form in which such unutilised moneys have been invested.

The funds received against this Rights Issue will be kept in a separate bank account and the Company will not have any access to such funds unless it satisfies the MSE (the Designated Stock Exchange) with suitable documentary evidence that the minimum subscription of 90% of the Issue has been received by the Company.

MINIMUM SUBSCRIPTION

- i. The minimum subscription requirement for the Composite issue shall be satisfied both jointly and severally, i.e., independently for both rights and public issue.
- ii. If the Company does not receive the minimum subscription of 90% of the issue amount on the date of closure of the issue in either case, the entire subscription shall be refunded to the applicants within forty two days from the date of closure of the issue
- iii. If there is a delay in the refund of subscription by more than 8 days after the company becomes liable to repay the subscription amount (i.e. forty two days after the Closure of the Issue), the Company will pay interest for the delayed period, at prescribed rates in sub-section (2) and (2 A) of Section 73 of the Companies Act, 1956.

Underwriting agreement / Standby arrangement by the Issuer

The Rights Issue is not underwritten by any underwriter. Hence, the name of the underwriter and commitments are not mentioned in this Letter of Offer. However, the promoter group has undertaken to arrange to subscribe/subscribe to the unsubscribed portion of the Rights Issue, jointly and/or severally by any one or more of the individuals/bodies corporate of the promoter group. Such subscription of the unsubscribed portion of the Issue is exempted under Regulation 3(1)(b) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

II. CAPITAL STRUCTURE OF THE COMPANY(As on 30th September 2003)

	Face Value (Rs.)	Issue Amount (Rs.)
A. Authorised capital		
70,00,000 Equity Shares of Rs. 10/- each	7,00,00,000	
70,00,000 8.5% Cumulative Convertible Preference Shares of Rs10/- each	7,00,00,000	
B. Issued capital		
61,22,625 Equity Shares of Rs. 10/- each	6,12,26,250	
C. Subscribed & Paid up capital		

59,54,320	Equity Shares of Rs. 10/- each	5,95,43,200	
D. Present issue			
1) Rights Issue			
19,84,773	Cumulative Convertible Preference Shares of Rs10/- each at par to the shareholders in the ratio of one CCPS for every three equity shares held as on record date through this letter of offer.	1,98,47,730	
2) Issue to the public			
50,00,000	8.5% Cumulative Convertible Preference Shares of Rs10/- each at par to the Indian Public through Prospectus	5,00,00,000	
E. Paid-up capital after the issue			
Equity Share Capital		5,95,43,200	
59,54,320 Equity Shares of Rs. 10/- each			
8.5% Cumulative Convertible Preference Share Capital			
69,84,773 CCPS of Rs.10/- each		6,98,47,730	
F. Paid-up capital after Ist Conversion			
Ist Conversion: 27,93,909 Equity shares of Rs10/- each at a premium of Rs.5/- per share		2,79,39,090	4,19,08,635
Total Paid up Equity Capital After conversion		8,74,82,290	
8.5% Cumulative Convertible Preference Share Capital		2,79,39,095	
G. Paid up Capital after IInd Conversion			
Equity Share Capital 13,96,955 Equity shares of Rs10/- each at a premium of Rs.10/- per share		1,39,69,550	2,79,39,095
Total Paid up Equity Share Capital after second conversion		10,14,51,840	
8.5% Cumulative Convertible Preference Share Capital		NIL	
H. Share Premium			
Existing Share Premium Account		1,42,30,000	
After Ist Conversion		2,81,99,545	
After IInd Conversion		4,21,69,095	

Notes to the Capital Structure

1. History of Capital

Details of Capital structure of the Company since incorporation

Date of Allotment	Number of Shares	Nature of Issue	Face Value /Issue Price(Rs.)	% to the Post Issue Paid up Capital
30.10.86	300	MOA	10	-
25.06.87	14210	Rights	10	0.232
31.08.87	25490	Rights	10	0.41
18.09.87	5590	Rights	10	-
04.05.88	54410	Pvt Placement	10	0.88
31.03.89	50000	Rights	10	0.81
30.10.89	1300	Pvt Placement	10	-
15.12.89	2500	Pvt Placement	10	-
25.12.89	3800	Pvt Placement	10	-
31.01.90	3400	Pvt Placement	10	-
28.02.90	1600	Pvt Placement	10	-
31.03.90	46100	Pvt Placement	10	0.75
30.04.90	1600	Pvt Placement	10	-
08.06.90	51400	Pvt Placement	10	0.83
31.07.90	2050	Pvt Placement	10	-
31.08.90	700	Pvt Placement	10	-
29.08.90	2400	Pvt Placement	10	-
31.10.90	4250	Pvt Placement	10	-
19.11.90	900	Pvt Placement	10	-
31.12.90	800	Pvt Placement	10	-
15.01.91	600	Pvt Placement	10	-
31.01.91	400	Pvt Placement	10	-
13.02.91	1400	Pvt Placement	10	-
01.03.91	30700	Rights	10	0.5
21.03.91	1500	Rights	10	-
23.03.91	10000	Rights	10	0.16
30.03.91	1100	Pvt Placement	10	-
15.04.91	800	Pvt Placement	10	-
01.06.91	600	Pvt Placement	10	-
29.06.91	900	Pvt Placement	10	-
15.07.91	500	Pvt Placement	10	-
30.07.91	900	Pvt Placement	10	-
14.08.91	650	Pvt Placement	10	-
04.09.91	200	Pvt Placement	10	-
31.10.91	800	Pvt Placement	10	-
25.11.91	1000	Pvt Placement	10	-
29.01.92	150	Pvt Placement	10	-
20.02.92	59525	Pvt Placement	10	0.97
20.02.92	340475	Pvt Placement	10	5.56
31.03.92	28500	Pvt Placement	10	0.46

06.06.92	828250	Pvt Placement	10	13.53
04.09.93	350000	Firm Allotment	10	5.72
04.09.93	2150000	Public Issue	10	35.12
26.12.96	1872570	Rights	10+8	31.45
Total	5954320			100.00

The Company has not allotted any shares for consideration other than cash or out of revaluation reserves at any point of time.

2. PROMOTERS CONTRIBUTION

Name of the Promoters	Fully paid up on	As on 30.10.2003	% to Share Capital	Consideration	Total Promoter Share holding - I Conversion Equity	Post Issue % to paid up capital - Ist Conversion	Total Promoter Share holding - II Conversion Equity	Post Issue % to paid up capital - II Conversion
K DHANDAPANI & CO	01.02.1997	1251290	21.01	Cash	1418129	16.21	1501548	14.80
KUMAR K SWAMY	01.02.1997	255925	4.30	Cash	290048	3.32	307110	3.03
DHANDAPANI HOLDINGS & SECURITIES LIMITED	01.02.1997	274200	4.61	Cash	310760	3.55	329040	3.24
T N KOTHANDAPANI	01.02.1997	193610	3.25	Cash	219425	2.51	232332	2.29
T N SOUNDARARAJAN	01.02.1997	142340	2.39	Cash	161319	1.84	170808	1.68
T N SRIDHARAN	01.02.1997	132360	2.22	Cash	150008	1.71	158832	1.57
T N DESIKAN	01.02.1997	125960	2.12	Cash	142755	1.63	151152	1.49
T N KISHORE	01.02.1997	96540	1.62	Cash	109412	1.25	115848	1.14
JAYANTHI SOUNDARARAJAN	01.02.1997	147650	2.48	Cash	167337	1.91	177180	1.75
RAJALAKSHMI DESIKAN	01.02.1997	88000	1.48	Cash	99733	1.14	105600	1.04
GIRIJA SRIDHARAN	01.02.1997	82777	1.39	Cash	93814	1.07	99332	0.98
T N GOPALAN	01.02.1997	74040	1.24	Cash	83912	0.96	88848	0.88
T N VARADHARAJAN	01.02.1997	65800	1.11	Cash	74573	0.85	78960	0.78
VASANTHA KISHHORE	01.02.1997	65800	1.11	Cash	74573	0.85	78960	0.78
CHIRTUPA KISHORE	01.02.1997	59270	1.00	Cash	67173	0.77	71124	0.70
HARINI	01.02.1997	50465	0.85	Cash	57194	0.65	60558	0.60

KOTHANDAPANI	7							
KEERTHI SOUNDARARAJAN	01.02.199 7	46400	0.78	Cash	52587	0.60	55680	0.55
NITHYA GOPALAN	01.02.199 7	43200	0.73	Cash	48960	0.56	51840	0.51
DEEPALI SOUNDARARAJAN	01.02.199 7	35200	0.59	Cash	39893	0.46	42240	0.42
PREETHI SRIDHARAN	01.02.199 7	28000	0.47	Cash	31733	0.36	33600	0.33
PANKAJAVALLI	01.02.199 7	20000	0.34	Cash	22667	0.26	24000	0.24
JAGADHARANI T S	01.02.199 7	15400	0.26	Cash	17453	0.20	18480	0.18
ARUN KUMAR DESIKAN	01.02.199 7	10000	0.17	Cash	11333	0.13	12000	0.12
MEENAKSHI	01.02.199 7	9100	0.15	Cash	10313	0.12	10920	0.11
AMBALAVANAN T	01.02.199 7	6100	0.10	Cash	6913	0.08	7320	0.07
KASTURI T	01.02.199 7	6100	0.10	Cash	6913	0.08	7320	0.07
POONKOTHAI T	01.02.199 7	5800	0.10	Cash	6573	0.08	6960	0.07
T N ARAVINDAN	01.02.199 7	5600	0.09	Cash	6347	0.07	6720	0.07
DEVARAJAN T N	01.02.199 7	4000	0.07	Cash	4533	0.05	4800	0.05
DAMODHARAN	01.02.199 7	4000	0.07	Cash	4533	0.05	4800	0.05
DEEPALI T N	01.02.199 7	3150	0.05	Cash	3570	0.04	3780	0.04
T S SUDARSAN	01.02.199 7	2800	0.05	Cash	3173	0.04	3360	0.03
JAYA BALASUBRAMANIAN	01.02.199 7	1500	0.03	Cash	1700	0.02	1800	0.02
C S PANI	01.02.199 7	1000	0.02	Cash	1133	0.01	1200	0.01
VINUTHA GOPAL PANI	01.02.199 7	1000	0.02	Cash	1133	0.01	1200	0.01
LAKSHMI M	01.02.199 7	700	0.01	Cash	793	0.01	840	0.01
MEENAKSHI S	01.02.199 7	600	0.01	Cash	680	0.01	720	0.01
VIJAYALAKSHMI	01.02.199 7	500	0.01	Cash	567	0.01	600	0.01
RAMPRASAD	01.02.199 7	400	0.01	Cash	453	0.01	480	0.00
CAUVERY CHAKRAVARTHY	01.02.199 7	300	0.01	Cash	340	0.00	360	0.00
D CHAKRAVARTHY	01.02.199 7	300	0.01	Cash	340	0.00	360	0.00
CLAUS SHREYAS	01.02.199	300	0.01	Cash	340	0.00	360	0.00

CHAKRAVAR	7							
CLAUS PREYAS CHAKRAVAR	01.02.1997	300	0.01	Cash	340	0.00	360	0.00
PADMINI ARUN KUMAR	01.02.1997	300	0.01	Cash	340	0.00	360	0.00
GANESH L	01.02.1997	150	0.00	Cash	170	0.00	180	0.00
TOTAL	-	3358227	-	-	3805991	43.51	4029872	39.72

As this is a rights offer, the Issuer is exempt from the requirements of promoter's contribution as specified in clause 4.10.1 (c) of the SEBI(DIP) guidelines,2000.As a consequence none of the Equity shares are locked in.

5. Share-holding Pattern (Pre & Post Conversion)

The shareholding pattern has been calculated for the rights cum public issue of 8.5% CCPS. It is also assumed that 60% of the nominal value of the CCPS will be converted into Equity Shares at the end of 3 years and the rest will be converted at the end of 5 years. Shareholding pattern of the company including details of holdings of Promoter Group and the Subscription by the Promoters is as follows:

Shareholding Pattern	Existing No. of shares	% to share capital	After 3 years		After 5 years	
			1st conversion	% to share capital	2nd conversion	% to share capital
A .Promoter Holding						
Promoters -Indian	3358227	56.40	3805991	43.51	4029872	39.72
B. Non Promoter Holding						
1.Mutual Funds and UTI	1600	0.03	1813	0.02	1920	0.02
2.Banks	200	0.00	227	0.00	240	0.00
3.Others						
Private Corporate Bodies	69737	1.17	79035	0.90	83684	0.82
Indian Public	2524056	42.39	4860597	55.56	6028867	59.43
NRI's / OCBs	500	0.01	567	0.01	600	0.01
TOTAL	5954320	100.00	8748229	100.00	10145184	100.00

Subject to 100% response to the Offer

6. a) Particulars of top ten shareholders as on (being date of filing of the letter of offer with the Madras Stock Exchange)

Name of the shareholder	Shares	Amount (Rs.)	% of Shareholding
K DHANDAPANI & CO	1251290	12512900	21.01
DHANDAPANI HOLDINGS & SEC LTD	274200	2742000	4.61
KUMAR K SWAMY	255925	2559250	4.30
T N KOTHANDAPANI	193610	1936100	3.25

JAYANTHI SOUNDARARAJAN	147650	1476500	2.48
T N SOUNDARARAJAN	142340	1423400	2.39
T N SRIDHARAN	132360	1323600	2.22
T N DESIKAN	125960	1259600	2.12
T N KISHORE	96540	965400	1.62
RAJALAKSHMI DESIKAN	88000	880000	1.48
TOTAL	2707875		45.48

b) **Particulars of top ten shareholders as on (being 10 days prior to the date of filing of the letter of offer with the Madras Stock Exchange)**

Name of the shareholder	Shares	Amount (Rs.)	% of Shareholding
K DHANDAPANI & CO	1251290	12512900	21.01
DHANDAPANI HOLDINGS & SEC LTD	274200	2742000	4.61
KUMAR K SWAMY	255925	2559250	4.30
T N KOTHANDAPANI	193610	1936100	3.25
JAYANTHI SOUNDARARAJAN	147650	1476500	2.48
T N SOUNDARARAJAN	142340	1423400	2.39
T N SRIDHARAN	132360	1323600	2.22
T N DESIKAN	125960	1259600	2.12
T N KISHORE	96540	965400	1.62
RAJALAKSHMI DESIKAN	88000	880000	1.48
TOTAL	2707875		45.48

c) **Particulars of top ten shareholders as on (being 2 years prior to the date of filing of the letter of offer with the Madras Stock Exchange)**

Name of the shareholder	Shares	Amount (Rs.)	% of Shareholding
K DHANDAPANI & CO	1284290	12842900	21.57
DHANDAPANI HOLDINGS & SEC LTD	274200	2742000	4.61
KUMAR K SWAMY	207325	2073250	3.48
T N KOTHANDAPANI	193110	1931100	3.24
JAYANTHI SOUNDARARAJAN	133150	1331500	2.24
T N SOUNDARARAJAN	140640	1406400	2.36
T N SRIDHARAN	127260	1272600	2.14
T N DESIKAN	125960	1259600	2.12
T N KISHORE	93540	935400	1.57
RAJALAKSHMI DESIKAN	82500	825000	1.39
TOTAL	2661975		44.71

5. The total number of members of the Company as on 8th October 2003 is 9730

6. The Company has not availed of bridge loans to be repaid from the proceeds of the Issue, for incurring expenditure on the Objects of the Issue.

7. The promoters, directors and Lead Managers to the Issue have not entered into any buy-back, standby or similar arrangements for any of the securities being issued through this letter of offer.

8. The Directors, Promoters and Promoter Group of the Company have not entered into any purchase or sale transactions of the Company's shares in the last six months except the following:

Sl.No	Name of transferee	Name of transferor	No. of shares	Price	Date
1.	T N Sridharan	Subhash P Mandi	700	20	24.07.2003
2.	T N Sridharan	K.Prasanna Kumar	700	20	24.07.2003

The maximum and minimum price paid has been Rs.20/-. There are no other purchases and sale of shares by the Promoters/Directors of the Company for the last six months.

9. The Equity Shareholders of the Company do not hold any warrant, option or convertible loan or any debenture, which would entitle them to acquire further shares in the Company.

10. No further issue of capital by way of issue of bonus shares, preferential allotment, rights issue or public issue or in any other manner which will affect the equity capital of the Company, shall be made during the period commencing from the filing of the letter of offer with the SEBI and the date on which the CCPS issued under this letter of offer are listed or application moneys are refunded on account of the failure of the Issue.

Further, presently the Company does not have any intention to alter the equity capital structure by way of split/ consolidation of the denomination of the shares on a preferential basis or issue of bonus or rights or public issue of shares or any other securities within a period of six months from the date of opening of the present Issue.

11. None of the above shareholders hold any warrants, options or rights to convert debentures, loans or other instruments as of the date.

12. The Company has not revalued its assets since inception.

13. The Company has not issued any shares for consideration other than cash or out of revaluation of reserves.

14. There are no undertakings/pledge given to lenders relating to share capital .

15. No shares have been allotted on firm basis or through private placement in the last two years nor has the Company bought back its equity shares in the last six months.

16. No single applicant can make an application for number of securities, which exceeds the securities offered namely, 19,84,773 CCPS.

17. No Public Issue has been made by the Company within the immediate preceding 2 years.

18. The company undertakes that at any given time, there shall be only one denomination for the shares of the company and the company shall comply with such disclosure and accounting norms specified by SEBI from time to time.

III. TERMS OF THE PRESENT ISSUE

AUTHORITY OF THE ISSUE

The present rights issue of 19,84,773 - 8.5% CCPS of Rs.10/- each for cash at par to the Equity Shareholders of the company as on the Record Date i.e. -----2004 is made pursuant to the resolution passed by the Board of Directors of the Company at its meeting held on 12th September 2003 and 27th November,2003. Further, the Issue is approved by the shareholders at their Extra-Ordinary General Meeting held on October 8, 2003

APPROVALS FOR THE OFFER

The Offer is being made in terms of Guidelines issued by the Securities and Exchange Board of India and in accordance with the Companies Act, 1956 and Listing Agreement with The Madras Stock Exchange(Designated Stock Exchange) and The Stock Exchange, Mumbai.

BASIS OF OFFER

The Right Issue of 19,84,773 CCPS of Rs. 10/- each for cash at par on a Rights basis in the ratio of 1(One) CCPS for every 3 (Three) Equity Shares held to those Equity Shareholders whose names appear on the Register of Members of the Company at the close of business hours on -----, 2004 being the Record Date fixed by the Board of the Company in consultation with MSE (Designated Stock Exchange).

RIGHTS ENTITLEMENT

As your name appears in the Register of Members as an Equity Shareholder of the Company on the Record Date i.e. -----, 2004 you are entitled to the number of CCPS by way of rights as shown in Block II of Part A of the enclosed Composite Application Form(CAF) on the basis mentioned above.

FRACTIONAL ENTITLEMENT

If the shareholding of any of the Equity Shareholders is not in multiple of 3, then the fractional entitlement of such holders shall be ignored. Shareholders holding less than three shares will be offered one new CCPS out of those new CCPS not subscribed by the existing shareholders or available after consolidation of the fractional entitlements. Shareholders whose fractional entitlements are being ignored would be given a priority in the allocation of one additional share in case they apply for additional shares.

For this purpose, the Company shall consolidate unutilized fractional entitlements into Rights CCPS. These consolidated CCPS shall be first utilized for allotment of one

Share to such shareholders whose entitlement is for less than one share, and is offered and applies for one share as per the minimum entitlement. The Rights CCPS remaining after such allotment will then be utilized for allotment of one additional Share on a fair and equitable basis to those shareholders whose fractional Rights have being ignored and have applied for additional Shares. If any consolidated Rights CCPS are left over after allotment of an additional CCPS to each of the shareholders whose fractional entitlements were ignored, they shall be utilized for allotment to shareholders who have applied for additional CCPS. In case this results in the number of CCPS to be allotted to exceed the number of shares offered, the difference shall be adjusted against the Promoters' entitlements.

PRINCIPAL TERMS OF THE OFFER

The Cumulative Convertible Preference Shares , now being offered, are subject to the terms and conditions of this Letter of Offer, the enclosed Composite Application Form (CAF), the Memorandum & Articles of Association of the Company, the approvals under the Foreign Exchange Management Act,1999 (FEMA), if applicable, the provisions of the Companies Act, 1956, guidelines issued by SEBI, guidelines, notifications and regulations for the issue of

capital and for the listing of securities issued by the Government of India and/ or other statutory authorities and bodies from time to time, terms and conditions as may be incorporated in the Letter of Allotment/Share Certificate or any deed or document executed by the Company regarding the Rights Issue The principal terms and conditions of the Offer are as follows:

- i) Present Issue:** The Present Issue of 19,84,773 CCPS of Rs.10/- each for cash at par being offered on Rights basis in the ratio of one CCPS for every three Equity shares held in terms of the letter of offer. The CCPS will have a dividend rate of 8.5%.
- ii) Face Value :** Each CCPS shall have a face value of Rs.10/-
- iii) Offer Price:** Rs.10/- per CCPS
- iv) Terms of Payment:** The full amount of Rs.10/- per CCPS will be payable on application.
- v) Dividend:** 8.5% dividend is payable annually on March 31st every year. The dividend would be appropriately pro-rated depending on the date of issue of CCPS. The dividend is cumulative, which means that if the Company is not able to pay dividend on CCPS in any period the same would be payable whenever the Company is in a position to declare dividend on CCPS.
- vi) Conversion Terms:** 60% of the Face Value of the CCPS offered now shall be compulsorily convertible at the end of 3 years from the date of allotment into Equity Shares at Rs 15 per share(premium of Rs.5/- per Equity Share). The remaining 40% shall be compulsorily convertible at the end of 5 years from the date of allotment into Equity shares at Rs 20 per share (premium of Rs.10/- per Equity Share).

In case, the conversion price or the cap on number of equity shares to be issued on conversion, or a combination of both, leads to fractional entitlements, and if such an adjustment of fractional shares leads to a net amount being payable by the shareholder then at the option of the shareholder the entitlement of equity shares would be rounded-off to the lower integer and the balance amount will be refunded to the shareholder.

Alternatively at the option of the shareholder the equity shares would be rounded off to the higher integer and the shareholder would have to pay the net difference to the Company.

vii) Ranking of Equity Shares arising out of conversion of CCPS: The CCPS now being issued shall be subject to the Memorandum and Articles of Association of the Company and the Equity Shares to be issued upon conversion shall rank *pari passu* in all respects with the then Equity Shares of the Company save and except that they shall qualify for dividend, if any ,that may be declared for the financial year in which such CCPS are converted, such dividend however; being in proportion to the amount of capital paid-up thereon.

viii) Acceptance of the Rights Issue

You may accept the Offer and apply for CCPS offered, either in full or in part by filling of Part A of the enclosed CAF and submit the same along with the application money payable to the Bankers to the Issue or any of the branches as mentioned on the reverse of the CAF before the close of the banking hours on or before the Issue Closing Date i.e. _____. The Board or Committee of Directors of the Company authorised in this behalf by the Board of Directors of the Company will have the power to extend the last date for receipt and acceptance of the CAF for such period as it may deem fit but in no case will the Offer for subscribing to the Issue be kept open for more than 60 (sixty) days.

If for any reason whatsoever, the CAF together with the amount payable is not received by the bankers to the issue at any of their designated branches as mentioned on the reverse of the CAF on or before the close of business hours on _____ or such extended date as may be determined by the Board or Committee of Directors of the Company authorised in this behalf by the Board of Directors, the Offer contained in the Letter of Offer shall be deemed to have been declined.

The Company will not be liable for any postal delays and any application received by mail after closure of the issue date will be returned to the applicants. The date of mailing by the applicant will not be a criteria for acceptance.

Applicants at centers not covered by the branches of collecting banks can send their CAF together with the cheque drawn on a local bank at Hyderabad /demand draft payable at Hyderabad to the Registrar to the Issue by registered post.. Shareholders to deduct the Demand Draft charges and Postal Charges from the application money.

ix) Additional CCPS

You are eligible to apply for additional CCPS over and above the number of CCPS you are entitled to, provided that you have applied for all the CCPS offered to you without renouncing them in whole or in part in favour of any other person(s). In case of non-resident Equity Shareholders, the allotment of additional securities will be subject to the approval of the Reserve Bank of India.

The application for additional CCPS shall be considered and allotment shall be made at the absolute discretion of the Board or Committee of Directors of the Company authorised in this behalf by the Board having the power to reject any such application for additional CCPS without assigning any reasons and in the event of over subscription, the allotment will be subject to the clause mentioned under 'Basis of Allotment' and if necessary shall be made in consultation with The Designated Stock Exchange. The allotment of additional CCPS will be made as far as possible on an equitable basis with reference to the number of CCPS held by you on the Record Date.

If you desire to apply for additional CCPS, please indicate your requirement by filling in the number of additional CCPS in Block II of Part A of the enclosed CAF.

Renouncee(s) will have the right to apply for additional CCPS, provided they have agreed to subscribe to the extent of complete number of Equity Shares renounced in their favour.

x) Renunciation

The Shareholder has the right to renounce his entitlement for the CCPS in full or in part in favour of one or more person(s), subject to the approval of the Board. Such renounees can only be Indian Nationals (including minor through their natural/legal guardian)/Limited Companies incorporated under/governed by the Companies Act, 1956, Statutory Corporations/Institutions, Trust (registered under the Indian Trust Act, 1882), Societies (registered under the Societies Registration Act, 1860 or any other applicable laws) and provided that such Trust/Society is authorised under its constitution/rules/bye-laws to hold Equity Shares in a Company and cannot be a Partnership Firm, Foreign Nationals or nominees of any of them (unless approved by RBI or relevant authorities) or any other persons not approved by the Board.

Any renunciation from Resident Indian Shareholder(s) to Non-Resident Indian Shareholder(s) or from Non-Resident Indian Shareholder(s) to Resident or Non-Resident Indian(s) is subject to the renouncer(s)/renounees(s) obtaining the necessary permission from the RBI and the same should

be attached to the CAF. Applications not accompanied by the aforesaid approvals are liable to be rejected.

A request for the allotment of the CCPS by the renounee(s) in whose favour renunciation has been exercised shall be subject to the condition that the Board or Committee of Directors of the Company authorised in this behalf by the Board shall have absolute discretion to reject such request for allotment, without assigning any reasons thereof.

Part A of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used, this will render the application invalid. Submission of the enclosed CAF to the Bankers to the issue at their Collection Centres specified on the reverse of the CAF with the form of renunciation (Part B of the CAF) duly filled in, shall be conclusive evidence in favour of the Company, of the person(s) applying for the CCPS in Part C to receive allotment of such CCPS. Part A must not be used by the renounee(s) as this will render the application valid.

Renounee(s) will have the right to apply for additional CCPS provided they have agreed to subscribe to the extent of complete number of CCPS renounced in their favour.

Renounee(s) will have no further right to renounce any CCPS in favour of any other person.

a) To renounce in whole : If you wish to renounce this Offer in whole, please complete Part B of the CAF. In case of joint holdings, all joint holders must sign this part of CAF in the same order as per the specimen signatures recorded with the Company. The renounee i.e. the person in whose favour your Offer has been renounced, should complete and sign Part C of the CAF. In case of joint renounees, all joint renounees must sign this part of CAF.

b) To renounce in part: If you wish to accept this Offer in part and renounce the balance or renounce the entire Offer in favour of one or more renounees, the CAF must first be split by applying to the Registrars to the Issue. Please indicate your requirement for the split forms in the space provided for this purpose in Part D of the CAF and return the entire CAF to the Registrars to the Issue so as to reach them on or before _____. On receipt of the required number of split forms from the Registrar, the procedure as mentioned in the para (a) above should be followed.

c) Change and/or introduction of additional holders: If the applicant wishes to apply for CCPS jointly with any other person(s) (upto 2), who is/are not already joint holder(s) with the applicant, it would amount to renunciation. Even a change in the sequence of the joint holders shall amount to renunciation and the procedure for renunciation as stated above would apply viz. Parts B and C of the CAF will have to be filled in.

xi) Split Forms

- Split forms cannot be re-split.
- Only the person to whom the Offer is made and not the renounee(s) shall be entitled to obtain split forms.
- Requests for split forms should be sent to the Registrars to the Issue, not later than _____ by filling in Part D of the CAF.
- The Registrar shall process the request for split forms and issue the split forms immediately on the receipt of the request for split.
- Requests for split forms will be entertained only once.

OPTION TO RECEIVE THE RIGHTS CCPS IN DEMATERIALISED FORM

Applicants have the option to hold the CCPS of the Company in the electronic form under the Depository System. The Company has signed agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), which enable an investor to hold and trade in securities in dematerialized (Electronic) form, instead of holding Shares in the form of physical certificates.

In the Rights Issue, an option is being provided to the shareholders to receive their Rights CCPS in the form of an electronic credit to their beneficiary account with a depository participant instead of receiving these CCPS in the form of physical certificates. Investor can opt for this facility by filling up the relevant particulars in the CAF.

With effect from 1st January 2001, the Company's shares are being traded only in dematerialized form by all the investors in accordance with the directive from SEBI. The Company is making an application to CDSL/NSDL for allotment of ISIN No for CCPS proposed to be issued.

Applicants may note that they have the option to subscribe to the Rights CCPS in demat or physical form, or partly in demat and partly in physical form, in the same application. In case of partial allotment, allotment will be first done in demat form for the shares sought in demat and the balance, if any, will be allotted in physical form. However, the investors may note that the equity shares of the Company can be traded on the Stock Exchange only in demat form.

Procedure for opting for this facility for allotment of Equity Shares arising out of this Issue in electronic form is as under.

- i. Open a Beneficiary Account with any Depository Participant (Care should be taken that the Beneficiary Account should carry the name of the holder in the same manner as is exhibited in the records of the Company. In case of joint holding, the Beneficiary Account should be opened carrying the names of the holders in the same order as with the Company). In case of investors having various folios in the Company with different joint holders, the investor will have to open separate accounts for such holdings. This step need not be adhered to by those shareholders who have already opened such Beneficiary Account(s).
- ii. For holding shares in dematerialised form as on the record date, the beneficiary account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Right CCPS by way of credit to such account, the necessary details of their Beneficiary Account should be filled in the space provided in the CAF. It may be noted that the allotment of Equity Shares arising out this Issue can be received in a Dematerialized Form even if the original Equity shares of the Company are not dematerialized. Nonetheless, it should be ensured that the Depository Account is in the name(s) and the names are in the same order as in the Records of the Company.
- iii. Responsibility for correctness of applicant's age and other details given in the CAF vis-à-vis those with the Applicants Depository Participant would rest with the Applicants. Applicants should ensure that the names of the sole/all the applicants and the order in which they appear in CAF should be same as Registered with the Applicant's Depository Participant.
- iv. If incomplete/incorrect Beneficiary Account details are given in the CAF or where the investor does not opt for the option to receive the Rights Equity Shares in dematerialized form, the Company will issue Equity Shares in the form of physical certificate(s)
- v. The Rights CCPS allotted to investor opting for dematerialized form, would be directly credited to the Beneficiary Accounts as given in the CAF after verification. Allotment Advice/Refund Order (if any) would be sent directly to the Applicant by the Registrars to the Issue. The confirmation of the credit of the Right CCPS to the Applicant's Depository Account will be provided to the Applicant by the Applicant's Depository Participant.
- vi. Renounees can also exercise this option to receive CCPS in the dematerialized form by indicating in the relevant space and providing the necessary details about the beneficiary accounts.

No separate application for demat and physical is to be made. If such applications are made, the application for physical shares will be treated as multiple applications and rejected accordingly. In case of partial allotment, allotment will be done in demat option for the shares sought in demat and balance, if any, will be allotted in physical shares. Investors have an option to receive allotment in dematerialised form through NSDL or CDSL.

CONSOLIDATED SHARE CERTIFICATE

Shareholders opting to receive CCPS in physical mode will be issued a consolidated Share certificate for all the CCPS allotted to them in this Offer.

INSTRUCTIONS FOR THE SHAREHOLDERS FOR MAKING VALID APPLICATIONS

i. How to Apply

The enclosed CAF for CCPS should be completed in all respects in its entirety before submission to the Bankers to the Issue or their designated branches as they appear in the CAF. The forms of the CAF should not be detached under any circumstances otherwise the application is liable to be rejected.

OPTIONS AVAILABLE	ACTION REQUIRED
1. Accept your entitlement to all the CCPS offered to you	Fill in and sign Part A of the CAF.
2. Accept your entitlement to all the CCPS offered to you and apply for additional Shares	Fill and sign Part A of the CAF after indicating in Block IV number of additional CCPS applied for
3. Accept only a part of your entitlement of the CCPS offered to you (without renouncing the balance)	Fill and sign Part A of the CAF after indicating in Block III the no of shares accepted out of Block II
4. Renounce your full entitlement of the CCPS offered to you to one person (renouncee) (Joint renouncees not exceeding three are considered as one Renouncee).	Fill in and sign Part B of the CAF indicating the number of CCPS renounced and hand over the entire CAF to the renouncee. Renouncees must fill in and sign Part C of the CAF.
5. Accept a part of your entitlement of CCPS offered to you and then renounce the balance to one renouncee	Fill in and sign Part D of the CAF for split application forms And send the entire CAF to the registrar to the Issue so as to reach them on or before the last date for receiving requests for split forms indicated in the CAF. On receipt of the Split Forms take action as indicated below: i) For the CCPS, if any, which you want to accept, fill in and sign 'Part A' of one split application form. ii) For the CCPS you want to renounce, fill in and sign Part B in the required number of split application forms indicating the number of CCPS renounced to each renouncee.

	iii)Each of the renounees should then fill in and sign 'Part C' of the respective split application form for the Equity Share accepted by the renounee.
6. Renounce your entitlement of the CCPS offered to you,to more than one Renounee	Follow the procedure stated above for obtaining the required number of split application forms and on receipt of split application forms, follow the procedures as stated above. This will be treated as a renunciation. Fill in and sign Part B. Renounees must fill in and sign Part C.

Notes:

- The last date for receipt of requests for split application forms is _____.
- Part A of the CAF must not be used by any person(s) in whose favour this entitlement has been renounced.
- While applying for or renouncing Equity Shares joint holders must sign in the same order and as per the specimen signatures registered with the Company.

PROCEDURE FOR APPLICATION ON PLAIN PAPER

Where the shareholders have neither received the original CAF nor are in a position to obtain a duplicate CAF, they may apply on plain paper giving particulars such as:

- i. Name in full (including names of joint-holders in the same order as the records of the Company)
- ii. Registered Address
- iii. DP ID No.
- iv. Client ID No.
- v. Registered Folio Number
- vi. Number of shares held on the Record Date
- vii. Distinctive Numbers/Share certificate numbers
- viii. Number of Equity Shares to which entitled
- ix. Number of additional Equity Shares applied for, if any.
- x. Total number of Equity Share applied for and total amount paid on application.
- xi. Particulars of Cheque/ Demand Draft
- xii. Permanent Account No./GIR No. and Income-tax Circle / Ward / District in case applications for Equity Share for value of Rs 50,000/- or more for the applicant and for each applicant in case of joint names.
- xiii. Bank Account No. and Name of Bank and Branch for refund purposes.
- xiv. In case of the Non-Resident Shareholder(s) the details of the NRE/FCNR/NRO account along with the name and address of the Bank and branch.
- xv. Such applicants should send the application signed by all the holders of the shares in the same sequence and order as they appear in the Register of Members of the Company by Registered Post along with the Cheques/ Demand Drafts payable at Mumbai only to the

Registrars to the Issue at the under mentioned address to reach on or before the last date for submission of the CAF. The Company and the Registrars to the Issue shall not be responsible for any postal delay or loss in transit.

REGISTRARS NAME AND ADDRESS:

Karvy Consultants Limited
Karvy House
46, Avenue 4, Street No.1
Banjara Hills,
Hyderabad 500 034
Tel: 040 23320251/23320751
Fax : 040 23311968

xvi. The Cheque/Demand Draft should be drawn in favour of “ -Canara Bank - A/c DFL – Rights Issue” and crossed "A/c Payee only".

In case the original CAF is not received or is misplaced, the Registrar may issue duplicate, on the request of the applicant and subject to such terms and conditions as may be decided by the Board from time to time in conformity with the Companies Act, 1956.

Attention of the shareholders is drawn to the fact that the Shareholders making application otherwise than on the CAF shall not be entitled to renounce their Rights and should not utilise CAF for any purpose including renunciation even if it is received subsequently. In case both the original and duplicate CAF are lodged or if any shareholder violates any of these requirements, the Company will have the absolute right to reject any one or both the applications and refund the application money received. However, the Company is not liable to pay any interest whatsoever on amount refunded.

MODE OF PAYMENT

Section 269SS of the Income-tax Act, 1961

Having regard to the provisions of Section 269SS of the Income-tax Act, 1961, payment against application should not be made in cash if the amount payable is Rs.20, 000 or more. In case the payment is made in contravention of this, the application is liable to be rejected and the amount will be returned without interest.

i. Resident Shareholders

- a. Payment should be made in cash or by cheque or by bank draft. Money orders/ postal orders/outstation/post-dated cheques or outstation demand drafts will not be accepted. Only one mode of payment should be used per CAF.
- b. Cheques or bank drafts, should be drawn on any bank (including a co-operative bank) which is situated at and is a member or sub-member of the Bankers Clearing House located at particular place(s) where the applications are submitted and which is participating in the clearing at the time of submission.
- c. All cheques or bank drafts must be –
 - i. made payable to the Bankers to the Issue mentioned in the CAF.
 - ii. marked " **Canara Bank A/c DFL – Rights Issue**" and crossed "A/c payee only".
- d. A separate cheque or bank draft must accompany each application form.
- e. All application forms duly completed together with cash/cheque/demand draft for the amount payable on application at Rs. 10/- per CCPS must be submitted before the close of the Subscription List to the Bankers to the Issue named herein or to any of

their branches mentioned on the reverse of the CAF and NOT to the Company, the Lead Managers to the Issue or the Registrars to the Issue.

However, only the plain paper application and application by post (in case there is no branch of the issuing Bank at the place of submitting the application) may be submitted to the Registrars to the Issue. Applicants should indicate the Folio number and CAF number on the reverse of the cheque/demand draft through which the payment is made.

- f. No receipt will be issued for the application money. However, the Bankers to the Issue and/or their branches receiving the applications will acknowledge receipt of the application by stamping and returning to the applicant the acknowledgement slip at the bottom of each CAF.
- g. Where an application is for allotment of CCPS for a total value of Rs.50, 000 or more, i.e. the total number of CCPS applied for multiplied by the Issue price, is Rs.50, 000 or more, the applicant or in the case of applications in joint names, each of the applicants, should mention his/her permanent account number allotted under the Income-tax Act, 1961 or where the same has not been allotted the GIR number and the Income tax Circle/Ward/District. In case where neither the permanent account number nor the GIR number has been allotted, the fact of non-allotment should be mentioned in the Application Forms without which this information will be considered incomplete and the Applications are liable to be rejected.
- h. The applicant should provide information in the CAF as to his/her savings/current bank account number and the name of the bank with whom such account is held, in the space provided for the said purpose, to enable the Registrars to the Issue to print the said details on the refund orders, if any, after the name of the applicants. This has been made mandatory and applications not containing such details are liable to be rejected.
- i. Investors from places other than those covered by the collecting bank branches may forward their applications directly to the Registrars to the Issue, by Registered Post with Acknowledgement Due, along with the draft payable at -----

- j. For further instructions the investors are requested to read the CAF carefully while applying for the CCPS.

ii. Non-Resident Shareholders

Applications received from NRIs /persons of Indian origin resident abroad ,for allotment of CCPS shall be inter alia, subject to the conditions imposed from time to time by the RBI under the FEMA ,1999 in the matter of refund of application monies ,allotment of equity shares ,issue of letters of allotment/share certificates/payment of dividends etc.

RBI vide its letter no. ECCO.FID(II)/976/10.01.40(208)/2002-03;dated December 3,2002 has given approval for issue of shares to NRIs on repatriation basis. The Board of Directors may at its absolute discretion ,agree to such terms and conditions as may be stipulated by RBI while approving the allotment of CCPS ,payment of interest etc to the NRI shareholders. Mode of payment by NRI shareholders will depend on whether the CCPS are on repatriation or non-repatriation basis.

a) On Repatriation basis

Payments are to be made by such NRIs in any of the following modes:

- i. Indian Rupee Draft purchased from abroad and made payable at Chennai or

- ii. Cheques drawn on Non-Resident External Account (NRE Account) with any bank in India and payable at Chennai or
- iii. Indian Rupee Draft/ purchased out of NRE/FCNR accounts maintained anywhere in India and payable at Chennai In case of NRIs who remit their application money through Indian Rupee drafts from abroad, refunds, payment of interest and other disbursements, if any will be made in the relevant foreign currencies at the rate of the exchange prevailing at such time subject to the permission of Reserve Bank of India. The Company will not be liable for any loss on account of exchange fluctuations for converting their Rupee amount in any foreign currency. In case of those NRIs who remit their application money from funds in NRE/FCNR accounts, refund, payment of interest and other disbursements, if any, shall be credited to such accounts. The details of such accounts should be furnished in the appropriate column of the CAF.
- iv. Cheque/Draft purchased out of funds held in Foreign Institutional Investors special non-resident rupee account.
- v. Applicants seeking allotment of the CCPS on repatriation basis should note that the payments for such allotment have to be made through external source only and that the payments through NRO accounts shall not be permitted.

b) On Non-Repatriation basis

Payments are to be made by such NRIs by Cheque drawn on a Non-Resident Ordinary Account (NRO Account) at Chennai or Rupee Draft purchased out of NRO Account maintained anywhere in India but payable at Chennai. In such cases, refund, interest and other disbursement, if any, will be payable in Indian Rupees only. The CAF should be accompanied by a non-repatriation undertaking as per the forms prescribed by RBI.

Whether the application being made for the CCPS is on repatriation/non-repatriation basis, a separate cheque/demand draft/must accompany each CAF. All instruments must be crossed "Account Payee Only" and drawn in favour of "Canara Bank DFL- Rights Issue – Non-Residents". You are requested to mention the folio number and the CAF number on the reverse of the cheque/demand draft

An account debit certificate from the bank issuing the draft confirming that the draft has been issued by debiting FCNR/NRE/NRO Account must be attached in all cases where drafts have been purchased from FCNR/NRE/NRO Accounts or Foreign Inward Remittance Certificate (FIRC) from the Authorised Dealers along with the CAF otherwise the application may be considered incomplete and liable for rejection. Payment by way of cash shall not be accepted.

In no circumstances should the CAF be delivered to the Lead Managers to the Issue or to the Company.

JOINT APPLICATIONS

An application may be made in single name or jointly with any other person(s) (upto 2). In the case of a joint application, refund orders (if any) and interest/dividend warrants, etc. will be made out in favour of the first applicant and all communications will be addressed to the applicant whose name appears first and at his/her address stated in the CAF.

NOMINATION FACILITY

In terms of Section 109A of the Act, nomination facility is available in case of shares. The applicant can nominate any person by filling the relevant details in the CAF in the space provided for this purpose.

APPLICATIONS UNDER POWER OF ATTORNEY

In case of applications made under a Power of Attorney or by a Limited Company or a Body Corporate or Registered Society or Mutual Fund or Trusts, the relevant Power of Attorney or the relevant resolution or authority to make the application, as the case may be, together with the certified true copy thereof along with the certified copy of the Memorandum and Articles of Association and/or Bye-Laws as the case may be must be attached to the CAF or lodged for scrutiny separately, quoting the serial number of the CAF and the bank's branch where the application has been submitted, at the office of the Registrars to the Issue after submission of the CAF to the Bankers to the Issue or any of the designated branches as mentioned on the reverse of the CAF, failing which the applications are liable to be rejected. Such authority received by the Registrars to the Issue more than 10 days after closure of the subscription list may not be considered.

BASIS OF ALLOTMENT

The basis of allotment shall be finalised by the Board of the Company or Committee of Directors of the Company authorised in this behalf by the Board of the Company. The Board of the Company or the Committee of Directors as the case may be will proceed to allot the CCPS in consultation with The Madras Stock Exchange(MSE), in the following order of priority.

- i. Full allotment to the equity shareholders who have applied for their Rights entitlement either in full or in part and also to the renounees who have applied for CCPS renounced in their favour either in full or in part (subject to other provisions contained under the paragraph titled "Renunciation").
- ii. Allocation of one additional share each to shareholders whose fractional entitlements have been ignored and have applied for additional shares.
- iii. Allotment to the equity shareholders who having applied for their full Rights entitlement of CCPS offered to them and have applied for additional CCPS, provided there is surplus available after full allotment under (i) and (ii) above and shall be at the absolute discretion of the Board of the Company or the Committee of the Directors authorised in this behalf by the Board of the Company and the decision of the Board of the Company or the Committee of the Directors shall be final and binding. The allotment of such additional CCPS will be made as far as possible on an equitable basis with reference to the number of Equity Shares held by them on the Record Date in consultation with The Designated Stock Exchange(MSE).
- iv. To the renounee(s) who having applied for all the CCPS renounced in their favour and have also applied for additional CCPS provided there is surplus available after making full allotment under (i), (ii) and (iii) above.
- v. Allotment to any other person(s) as the Board of the Company or Committee of Directors of the Company authorised in this behalf by the Board of the Company may, in their absolute discretion, deem fit, provided there is surplus available after making full allotment under (i), (ii) (iii) and (iv) above.
- vi. The issue will become undersubscribed after considering the number of shares applied as per entitlement plus additional shares. The undersubscribed portion can be applied for only after the close of the issue. The promoters or any other person can subscribe to such undersubscribed portion as per the relevant provisions of the law. If any person presently in control of the Company desires to subscribe to such undersubscribed portion and if disclosure is made pursuant to SEBI(Substantial Acquisition of Shares and Takeover)Regulations 1997,such allotment of the undersubscribed portion will be governed by the provisions of the SEBI(Substantial Acquisition of Shares and Takeover)Regulations 1997.
- vii. Allotment to promoters of any undersubscribed portion over and above their entitlement will be done in compliance with Clause 40A of the listing agreement.

The allotment to the renouncee(s) in whose favour the renunciation has been exercised shall be subject to the condition that the Board of the Company or Committee of Directors shall have the discretion to reject such request without assigning any reasons thereof. In the event of over subscription, allotment will be made only within the overall size of the Rights Issue.

UNSUBSCRIBED CCPS

The unsubscribed portion, if any of the CCPS offered to the shareholders, after considering the application for Rights/Renunciation and additional CCPS, as above, shall be disposed by the Board of the Company or Committee of Directors authorised in this behalf by the Board of the Company at their full discretion and absolute authority, in such manner as they think most beneficial to the Company and the decision of the Board of the Company or Committee of Directors in this regard shall be final and binding.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEY

- i. The Board of the Company or Committee of Directors authorised in this behalf by the Board of the Company reserves its full, unqualified and absolute right to accept or reject any application in whole or in part in consultation with The Madras Stock Exchange, without assigning any reason thereof. If any application is rejected in full the entire application money will be refunded to the applicant in accordance with the provisions of Section 73 of the Companies Act, 1956. Where the applicant is allotted in part, the balance of the application money will be adjusted towards the allotment money due, and the balance, if any, will be refunded to the applicant in accordance with the provisions of Section 73 of the Companies Act, 1956.
- ii. Refund cheques/pay orders to non-allottees i.e. those who had applied for more than the eligible limit or where applications have been rejected or partially allotted, above the value of Rs.1, 500 or more and Letters of Allotment)/share certificate(s) together with refund cheques/ pay orders, if any, to allottees will be sent by Registered Post at the applicant's sole risk at his registered address within six weeks of closure of the subscription list. Refund cheques/ pay orders upto Rs.1,500 will be sent under postal certificate at the applicant's sole risk at his registered address.
- iii. Refund will be made by cheques/ pay orders drawn on refund bankers and bank charges, if any, for encashing such cheques or pay orders will be payable by the applicant. Such cheques or pay orders will however, be payable at par at the branches
of the refund bankers located at all places where applications are accepted or such places as may be approved by The Stock Exchange, Mumbai.
- iv. Allotment of CCPS and export of Letters of Allotment/share certificate(s) to NRI/OCB/Non-Residents would be subject to the approval of the Reserve Bank of India under the Foreign Exchange Management Act ,1999.
- v. The Company shall provide adequate funds to the Registrar to the Issue for complying with requirement of despatch of refund cheques/Letter(s) of Allotment / share certificate(s) by Registered Post/under postal certificate.

INTEREST IN CASE OF DELAY ON ALLOTMENT/DESPATCH

The Company agrees that:

- i. Allotment of securities hereby offered shall be made within a period of 7 weeks from the closure of the Issue.
- ii. It shall pay interest at the rate of 15 per cent p.a. if the allotment has not been made and/or the allotment letters/refund orders have not been despatched to the investors within 7 weeks from the date of the closure of the Issue.

UNDERTAKING BY THE COMPANY

The Company undertakes that -

- The complaints received in respect of the captioned Rights Issue shall be attended to by the Company expeditiously and satisfactorily.
- All steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the securities are to be listed will be taken within the specified time period.
- The company shall apply in advance for the listing of equities on the conversion of the CCPS.
- The funds required for dispatch of refund orders/ allotment letters/ certificates by registered post shall be made available to the Registrar to the Issue.
- The certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within the specified time subject to approval from RBI.
- No further issue of shares offered shall be made till the securities offered through this LOO and the Prospectus under the composite issue are listed or till the application moneys are refunded on account of non-listing, under-subscription etc.

UTILISATION OF ISSUE PROCEEDS

1. All monies received out of the issue of shares to the investors shall be transferred to a separate bank account other than the bank account referred to sub-section (3) of Section 73 of the Act.
2. Details of all monies utilised out of the Issue shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such moneys has been utilised.
3. Details of all such unutilised monies out of the Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the form in which such unutilised moneys have been invested.

ISSUE OF LETTER OF ALLOTMENT

In case the Company issues Letter(s) of Allotment, the relative Share certificate(s) will be kept ready within three months from the date of allotment thereof or such extended time as may be approved by the Company Law Board or other applicable provisions, if any. Allottees are requested to preserve such Letters of Allotment which would be exchanged later for Share certificate(s).

APPLICATION BY POST

Shareholders/ Renounees located at such places where no branches of The Bankers to the Issue are available, are entitled to deduct the Demand Draft charges and Postal charges from the application money and send the demand draft for the net amount payable at Hyderabad drawn in favour of "Canara Bank – A/c DFL – Rights Issue" and crossed "A/c payee only" together with CAF duly completed by Registered Post to the Registrars to the Issue,

Karvy Consultants Limited
Karvy House
46, Avenue 4, Street No.1
Banjara Hills,
Hyderabad 500 034
Tel: 040 23320251/23320751
Fax : 040 23311968
Email: mailmanager@karvy.com

and not to the Company. The Company and the Bankers to the Issue will not be responsible for postal delays, if any. Application must not be sent to the Lead Managers to the Issue.

GENERAL

- (a) Please read the instructions printed overleaf on the enclosed CAF carefully.
- (b) The CAF found incomplete with regard to any of the particulars required to be given therein, and/or which are not completed in conformity with the terms of this Letter of Offer are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest and after deduction of bank commission and other charges, if any.
- (c) The CAF must be filled in English and the names of all the applicants, details of occupation, address, father's/husband's name must be filled in block letters.
- (d) For a total value of Rs. 50,000/- or more, i.e. the total number of Securities applied for multiplied by the issue price, is Rs. 50,000/- or more the applicant or in the case of application in joint names, each of the applicants, should mention his/her Permanent Account Number (PAN) allotted under the Income-tax Act, 1961 or where the same has not been allotted, the GIR number and the Income-tax Circle/Ward/District. In case where neither the PAN nor the GIR number has been allotted, the fact of non-allotment should be mentioned in the application forms. Application forms without this information will be considered incomplete and will be liable to be rejected.
- (e) Thumb impressions and signatures other than in English, Hindi, Marathi or any other language specified in the 8th Schedule to the Constitution of India, must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under his/her official seal.
- (f) In case of an application under Power of Attorney or by a Body Corporate or by a Society, a certified true copy of the relevant Power of Attorney or relevant resolution or authority to make investment and sign the application along with the copy of the Memorandum & Articles of Association and/or bye laws must be lodged with the Registrars to the Issue giving reference of the serial number of the CAF within 10 days of closure of the Issue. In case the above referred documents are already registered with The Company, the same need not be furnished again; however, the serial number of registration or reference of the letter, vide which these papers were lodged with the Company must be mentioned just below the signature(s) on the application. In no case should these papers be attached to the application submitted to the Bankers to the Issue.
- (g) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with the Company. Further, in case of joint applicants who are renounees, the number of applicants should not exceed three.
- (h) In case of joint applicants, reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant.
- (i) The Shareholders must sign the CAF as per the specimen signatures recorded with the Company.
- (j) Application(s) received from Non-Residents, or Persons of Indian origin residing abroad for allotment of equity shares shall, inter alia, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of application money, allotment of securities, subsequent issue and allotment of securities, payment of dividend or interest on securities, export of the securities certificates, etc. In case a Non-Resident Shareholder has specific approval from the RBI, in connection with his/ her shareholding, the person should enclose a copy of such approval with the CAF.

(k) All communication in connection with application for the equity shares, including any change in address of the Shareholders should be addressed to the Registrars to the Issue quoting the name of the first/sole applicant Shareholder, folio numbers and CAF number.

(l) Split forms cannot be re-split.

(m) Only the person or persons to whom equity shares have been offered shall be entitled to obtain split forms. Renouncee(s) shall not be entitled to obtain split forms.

(n) It is mandatory for the applicant to mention the applicant's Savings Bank / Current Account Numbers and the name of the bank with whom such account is held in the space provided in the CAF ,to enable the registrars to the Issue ,to print the said details in the refund orders after the name of the payees. Such applications not containing the above details are liable to be rejected.

(o) The CAF together with cheques/demand draft should be sent to the Bankers to the Issue or any of their branches as listed in the CAF or to the Registrars to the Issue and NOT to the Lead Managers to the Issue. Applicants residing at places other than cities of the branches of the Bankers to the Issue will have to make payment by Demand Draft payable at Hyderabad and should send their application forms to the Registrars to the Issue by REGISTERED POST after deducting DD commission and Postal Charges. If any portion(s) of the CAF is/are detached or separated ,such application is liable to be rejected.

LAST DATE FOR SUBMISSION OF CAF

The last date for receipt of the CAFs by The Bankers to the Issue with the amount payable is _____. The Board will however, have the power to extend the same for such a period as it may determine from time to time, subject to the issue not remaining open for subscription beyond sixty days. If the CAFs together with the amount payable are not received by the Bankers to the Issue on or before the close of banking hours on _____ or such extended date as may be determined by the Board of Directors, the Offer contained in this Letter shall be deemed to have been declined.

The CAF duly completed should be forwarded to any of the Bankers to the Issue or any of their branches as listed in the CAF. Application will NOT be accepted directly by the Company or by the Registrars or Lead Managers to the Issue.

TAX BENEFITS

The Company has been advised by the Auditors of the Company that under the current direct tax laws, the following tax benefits *inter-alia*, will be available to the Company and the shareholders of the Company. A shareholder is advised to consider in his own case the tax implications of an investment in the shares.

Benefits under the Income -Tax Act, 1961

To the Company

? Under Section 10 (34) of the Income Tax Act, 1961, dividend received by a company from other domestic companies is exempted from tax.

To the Resident Members of the Company

? Under Section 10 (34) of the Income Tax Act, 1961, dividend from an Indian company is exempted from tax.

? Under Section 112 of the Income-tax Act, 1961, and other relevant provisions of the Act, long term capital gains arising on transfer of shares in the Company i.e. if shares are held for a period exceeding 12 months shall be concessionally taxed at the flat rate of 20% (plus surcharge as applicable) (after indexation as provided in the second proviso to section 48) or at 10% (plus surcharge as applicable) (without indexation), at the option of the shareholder.

? Under Section 54EC of the Income-tax Act, 1961, and subject to the conditions and to the extent specified therein, long term capital gains arising on the transfer of shares of the Company will be exempt from capital gains tax, if the capital gains are invested for a period of 3 years in bonds issued by National Highways Authority of India or Rural Electrification Corporation Ltd., National Bank for Agriculture and Rural Development or National Housing Bank or Small Industries Development Bank of India, within a period of 6 months after the date of such transfer. If only a part of consideration is invested, then the exemption shall be reduced proportionately. If the investment made is converted or transferred within a period of three years from the date of acquisition then the same shall be taxable in the year of such transfer or conversion.

? Under Section 54ED of the Income-tax Act, 1961, and subject to the conditions and to the extent specified therein, long term capital gains arising on the transfer of shares of Company will be exempt from capital gains tax if the capital gains are invested in shares forming part of an eligible issue of capital, within a period of 6 months after the date of such transfer. If only a part of consideration is invested, then the exemption shall be reduced proportionately.

? Under Section 54F of the Income-tax Act, 1961, long term capital gains arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gain tax subject to other conditions mentioned in the said section, if the sale proceeds from such shares are used for purchase of residential house property within a period of one year before or two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

To the Mutual Fund

? In terms of Section 10(23D) of the Income-tax Act, 1961, all Mutual Funds set up by Public Sector Banks or Financial Institutions or Mutual Funds registered under the Securities and Exchange Board of India or authorised by the Reserve Bank of India, subject to the conditions specified therein, will be exempt from income tax on all their income, including income from Investment in the shares of the Company.

To the Non-Resident Indians/Non Residents (other than Foreign Institutional Investors)

? A Non-Resident Indian (i.e. an individual being a citizen of India or person of Indian origin) has an option to be governed by the provisions of Chapter XII-A of the Income-tax Act, 1961.

a) Under Section 115E of the Income-tax Act, 1961, capital gains arising to a non-resident on transfer of shares in the Company, subscribed to in convertible Foreign Exchange and held for a period exceeding 12 months shall be concessionally taxed at the flat rate of 10%. (Without indexation benefit) (Plus Surcharge as applicable).

b) Under provisions of Section 115F of the Income-tax Act, 1961, long term capital gains arising to a non-resident Indian from the transfer of shares of the Company subscribed to in convertible

foreign Exchange shall be exempt from income tax, if the net consideration is invested in specified assets within six months of the date of transfer. If only part of the net consideration is so invested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.

c) Under provisions of section 115G of the Income-tax Act, 1961, it shall not be necessary for a Non-Resident Indian to furnish his return of income if his only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted there from.

d) Under Section 115I of the Income-tax Act, 1961, a Non-Resident Indian may elect not to be governed by the provisions of chapter XII-A for any Assessment Year by furnishing his Return of Income under section 139 of the Income-tax Act declaring therein that the provisions of the chapter shall not apply to him for that assessment year and if he does so the provisions of this chapter shall not apply to him instead the other provisions of the Act shall apply.

? Under the first proviso to section 48 of the Income-tax Act, 1961, in case of a non-resident, in computing the capital gains arising from the transfer of shares of the Company acquired in convertible foreign exchange (as per exchange control regulations) protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case.

? Under Section 54EC of the Income-tax Act, 1961, and subject to the conditions and to the extent specified therein, long term capital gains arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gains are invested for a period of 3 years in bonds issued by National Bank for Agriculture and Rural Development or National Highways Authority of India or Rural Electrification Corporation Limited or National Housing Bank or Small Industries Development Bank of India, within a period of 6 months after the date of such transfer. If only a part of consideration is invested, then the exemption shall be reduced proportionately. If the investment made is converted or transferred within a period of three years from the date of acquisition then the same shall be taxable in the year of such transfer or conversion.

? Under Section 54ED of the Income-tax Act, 1961, and subject to the conditions and to the extent specified therein, long term capital gains arising on the transfer of shares of Company will be exempt from capital gains tax if the capital gains are invested in shares forming part of an eligible issue of capital, within a period of 6 months after the date of such transfer. If only a part of consideration is invested, then the exemption shall be reduced proportionately.

? Under Section 54F of the Income-tax Act, 1961, long term capital gains arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gains tax subject to other conditions mentioned in the said section, if the sale proceeds from such shares are used for the purchase of residential house property within a period of one year before or two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

To Foreign Institutional Investors (FIIs)

? Under Section 115AD of the Income-tax Act, 1961, Foreign Institutional Investors will be charged to tax at 20% (plus surcharge as applicable) on income from securities ; at 10% (plus surcharge as applicable) on the long term capital gains arising from transfer of such securities ; and at 30% (plus surcharge as applicable) on short term capital gains arising from the transfer of such securities, such income being computed in the manner set out in that section.

Benefits under the Wealth Tax Act, 1957

? Shares of the Company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957, and are not liable to Wealth Tax.

Benefits under the Gift Tax Act, 1958

? Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Therefore any gifts of the shares will not attract Gift tax.

Note :

This is a summary only and not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares. The statements made above are based on the laws in force and as interpreted by the relevant taxation authorities as of date. Investors are advised to consult their tax advisors with respect to tax consequences of their holdings based on their residential status and the relevant double taxation conventions.

IV. PARTICULARS OF THE ISSUE

Objects of the Issue

The objectives of the Issue are as follows:

1. To augment the long term resources of the Company so as to enable the Company to tap opportunities in the financial services sector
2. To enhance the borrowing power by increasing the Net Worth .
3. To meet the expenses of the proposed issue.

Use of Issue Proceeds

The Issue proceeds will be utilised in the creation of current assets - stock on hire. The proceeds will also be used to improve the financial position of the Company by augmenting its equity share capital.

Requirement of Funds and Means of Finance

Funds requirement as per Company's own estimates in accordance with the objects of the issue are as under:

S.No.	Particulars	Rs. in Lakhs
1	Creation of current assets - stock on hire	679
2	Issue related expenses-3% of the issue size	21
3	Total	700

Sources of Funds

S.No.	Particulars	Rs. in Lakhs
1	Public Issue(Issue of up to 50,00,000 CCPS at Par aggregating to Rs 5 crores)	500

2	Rights Issue(Issue of up to 19,84,773CCPS at Par aggregating to Rs 1.98 crores)	198.48
3	Internal Accruals	1.52
4	Total	700

Deployment of funds

The issue proceeds will be utilised/deployed towards working capital and for meeting issue expenses.

V. COMPANY, MANAGEMENT AND PROJECT OF DHANDAPANI FINANCE LIMITED

History, Main Objects And Present Business Of The Company

Brief History of the Company

Dhandapani Finance Ltd, originally known as Dhandapani Finance and Investments Private Ltd was incorporated on 30th October, 1986. It was originally incorporated as a Private Limited Company and became a Public Limited Company on 04.05.1988. The name of the Company has been changed to Dhandapani Finance Limited on 9th October 1996.

The Company was promoted by T N Desikan, T N Kishore and T N Soundararajan who are also the promoter Directors of M/s. K Dhandapani & Co. Ltd. By virtue of this and also by holding majority of shares in Dhandapani Finance Ltd. M/s. K Dhandapani & Co. Ltd forms part of the "Promoter Group". The company belongs to Dhandapani Group of Chennai which has a standing for more than five decades.

K. Dhandapani & Co. Ltd was promoted as a firm by late T N K Iyengar in the year 1946 for importing electrical components manufactured by leading national and multinational companies. They are in the electrical field for the past 50 years. It became a Pvt. Ltd Company in the year 1980 and later in Jan 1995 it went in for a Public issue and became a widely held Public Company. The Company has factories at Guindy, Thirumazhisai in Chennai and at Veerasandra Industrial Estate in Bangalore for manufacture of Control panels, Power Capacitors and LT Transformers. The Company ventured into Property Development during the year 2002-03 and has successfully completed its maiden project at Chennai.

Dhandapani Finance Ltd is a Non Banking Financial Company (NBFC) classified as a Hire Purchase and Leasing company and has obtained Registration from the Reserve Bank of India, Department of Financial Companies, Bangalore as a Non Banking Financial Company (Registration No: 900.0084 vide their letter no. DFC (BG) /No R4300/09.01.04/94-95 Dated 07/03/95).

The Company is engaged in Hire Purchase, Leasing, Bill discounting and other financial services. The financial operations of the Company include a product mix of automotives, heavy earth moving equipments, heavy vehicles, industrial equipments and machinery. The Company has been registered as a Hire purchase finance company by the RBI vide their letter No: DFC (BG) No. 1383/Bg(TN)HP(D) 7/87-88 Dated 10/10/1987 under which the Company can undertake the present activities.

Financial Highlights of the Company for the last 5 years

Rs in lakhs

Particulars	31/03/1999	31/03/2000	31/03/2001	31/03/2002	31/03/2003	30/09/03 (9 months)
Income from financing operations	1799.11	1984.87	2223.94	2590.1	2651.96	1228.52
Other Income	29.05	22.41	28.66	26.53	20.37	11.75
Total Income	1828.16	2007.28	2252.6	2616.63	2672.33	1240.27
Total Expenditure	964.07	1075.6	1235.63	1484.77	1516.93	811.62
Profit before Taxation	449.04	476.84	553.04	804.05	851.46	349.22
Less: Provision for Taxation	47.82	60.00	65.04	281.45	132.03	122.23
Net Profit after Taxation	401.22	416.84	488.00	522.6	719.43	226.99
Fixed Assets	2095.69	2415.59	2338.79	1113.6	869.05	799.09
Investments	152.15	143.44	134.64	160.90	135.34	139.83
Current Assets, Loans & Advances	5632.45	6793.21	8741.08	10433.82	13605.84	14870.53
Current Liabilities and Provisions	1453.71	1454.34	1692.91	200.60	314.65	251.09
Networth	1849.95	2110.54	2459.17	2598.49	3142.95	3369.91

Accounting Ratios

EPS	7.06	7.33	8.35	8.78	12.08	3.81
Return on Networth (%)	21.69	19.75	19.84	20.11	22.89	6.74
Net Asset Value per share	32.54	37.11	42.10	43.64	52.78	56.60
Cash EPS	15.20	16.09	16.78	15.96	18.72	5.80
Dividend (%)	25	25	25	27.50	25	

Significant Accounting Policies & Notes to Accounts for the year ended 31st March 2003

1.0 Significant Accounting Policies

1.1 Income Recognition

- Finance Charges in respect of Hire Purchase transactions are accounted on accrual basis.
- Lease Income is accounted as per the terms of the lease agreements.
- Interest Accrued on Investments and Deposits are accounted for on accrual basis.
- Delayed Payments charges are accounted on receipt basis.
- Compensation charges are accounted on accrual basis.

1.2 Prudential Norms:

The Company follows the Prudential Norms for Income Recognition, Asset classification and Provisioning for bad and doubtful debts, as prescribed by Reserve Bank of India for Non Banking Financial Companies.

1.3 Depreciation:

a. Depreciation on Leased Assets:

The cost of Leased Assets is amortized fully during the Primary lease period as recommended in “The Guidance Note on Accounting for Leases (Revised)” issued by the Institute of Chartered Accountants of India”.

b. Depreciation on Own Assets:

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 have been fully depreciated.

1.4 Fixed Assets:

Fixed Assets are carried at historical cost less accumulated depreciation.

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.

1.7 Retirement Benefits:

The Company’s liability towards gratuity is accounted on actuarial basis and the payment is made over to an approved fund.

1.8 Issue Expenses : The balance amount of Issue expenses of Rs.7.51 Lacs has been charged off to the Security Premium account

2.0 Balance Sheet:

2.1 Secured Loans:

a) Working Capital Credit facilities comprising of Cash Credit and Working Capital Demand Loans are secured by hypothecation of assets covered by hire purchase and lease agreements, ranking pari passu excluding assets, which are specifically charged to others. The facilities include Foreign Currency Loans of Rs.4470.46 lacs outstanding as on 31.03.2003 (31.03.2002: Rs.3121.66 lacs). The foreign currency loans are fully covered against exchange risks.

b) Term Loans from Financial Institutions are secured by hypothecation of specific Hire Purchase and Leased Assets.

2.2 Stock on Hire & Leased Assets

Overdue of Rs 243.28 lacs (Previous Year) Rs.181.56 Lacs includes Rs.52.31 lacs outstanding for more than 6 months (previous year Rs.28.83 lacs) and considered good.

1.2 There are no lease transactions during the year. Hence AS 19 not applicable.

1.3 Repossessed Assets are valued at lower of the settlement value or realisable market value.

1.4 Deposit Account:

The deposit with Bank includes Rs.51.23 lakhs for SLR investments, Rs.24.98lacs for unclaimed Dividend .

3.0 Profit and Loss Account:

3.1 Foreign currency transactions:

Premia on Forward Exchange contracts is recognised as an expense over the tenure of the contract. Interest accrued on the foreign currency loans has been provided at the forward exchange contract rate. The finance charges include Rs.229.73 Lakhs on account of forward contract premium to cover exchange fluctuations.

3.2 a) Remuneration to Managing Director

	(Rs. in Lakhs)	
	31.03. 2003	31.03.2002
Salary	2.40	2.40
House Rent Allowance	0.60	0.60
Company's Contribution to PF	0.29	0.29
Total	3.29	3.29

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

	(Rs. in Lacs)
Profit before tax as per Profit and Loss account	851.47
ADD: Directors Remuneration charged in the accounts	3.29
 Net Profit	 854.76

3.3 Auditors Remuneration:

	(Rs. in Lacs)	
	31.03. 2003	31.03.2002
For Audit	1.00	1.00
For Taxation	0.25	0.25
For Tax Audit	0.29	0.25
For Other Services	0.10	0.10
For Out of Pocket Expenses	0.08	0.07
For Service Tax	0.06	0.06
Total	1.78	1.73

4.0 General

4.1 Contingent Liabilities: Nil. Previous year Rs.1.17 lakhs.

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

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

4.4 Related Parties Disclosures:

Enterprises under Control:

Subsidiaries:

Dhandapani Holdings & Securities Limited.
Smart Invest Agency.com Private Limited
Dhandapani Insurance Services Private Limited

Associates:

K. Dhandapani & Co. Limited
Dhandapani Exports Limited
Cybervision Solutions Limited

Key Management Personnel:

Sri T N Soundararajan, Managing Director

Nature of Transactions	Subsidiaries	Associates	Key Management Personnel	Relatives of Key Management Personnel	Total(in Rs)
Interest Paid on Deposits	4,07,664	19,13,864.20	44,441	9,98,589	33,64,558.20
Deposits – Balance at the end of the Year	22,60,000	49,50,000	5,49,500	95,68,301	1,73,27,801
Advances received during the year	-	38,981	-	-	-
HP Contracts	-	2,25,000	-	-	-

Main Objects of The Company:

1. To carry on in all their respective branches the business of hire purchase, housing general finance, leasing , investment trust ,legal and life insurance trust.
2. To lend money and negotiate loans, with or without security.
3. To draw, accept, endorse, discount, buy, sell and deal in Bill of Exchange, Promissory Notes, Bonds, Debentures, Hundies, Coupons and other negotiable instruments and securities.

4. To construct, purchase or otherwise acquire, foreclose, purchase on auction, hire, lease, sell or sell on hire purchase system or advance and loan money on or arrange loan on mortgage of any buildings, houses, bungalows, factories, trade premises, plant, machinery, public buildings, lands forms, or any other kind of asset ,estate or property (movable or immovable rights or things in action.
5. To carry business of an Investment Company and for that purpose to invest in acquire, underwrite ,subscribe for, held shares, bonds, stocks ,securities ,debenture stocks issued or guaranteed by any Government ,state dominions, sovereign, Central or provincial Commissioners ,Port Trust Public body or authority ,supreme, municipal, local or otherwise whether in India or elsewhere.
6. To invest money (not amounting to banking business) on personal security or on the security, of leasehold and free hold land, shares, securities, stock, merchandise and other property and assets and generally to lend and advance money to such persons, firms or companies and upon terms and subjects to such conditions as may seem expedient.

The main object clause of the Memorandum of Association of the Company enables it to undertake the present activities and the activities for which funds are being raised.

Present Business Of The Company

The Company is engaged in the business of Hire Purchase, Leasing, Bills discounting and other Financial Services. Under Hire Purchase, the Company is mainly financing Heavy Earth Moving Equipments, Heavy Vehicles, Medical and Surgical equipments, Generators, auxiliary industrial equipment. The Company also extends finance for cars and two wheelers.

Changes made in the Memorandum & Articles of Association for the last 3 years.

Date of AGM/EGM	Article Altered	Text of Article Altered
Annual General Meeting held on 24 th July 2003	Authorised share Capital	The Authorised share Capital was increased from Rs.10 Crores to Rs.14 Crores.
Extraordinary General Meeting held on 08.10.2003		The face value of the Preference share was sub-divided to Rs.10 and hence the Authorised Preference capital was changed to 70,00,000 shares of Rs.10 each.
Annual General Meeting held on 18 th July,2002	(a) Addition of Sub-Clause (f) to Clause 36: (b) Addition of Article 13A after the existing	(a) Subject to the provisions of Section 192A of the Companies Act, 1956 and other applicable provisions, if any and in accordance to the amendments made thereto from time to time, the Company shall pass all such resolutions as may be notified by Central Government, only by Postal Ballot, instead of transacting the business in the General Meeting of the Company. (b) Subject to the provisions of Sections 77A, 77AA and 77B of the Companies Act, 1956 and other applicable provisions,

	Article 13: (c)Amendment of sub-Clause 44:	if any, the Company may purchase its own shares or other specified securities. (c)If a person is a Director of more than the specified number of Companies, as per the provisions of Section 275 of the Companies Act, 1956.
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DETAILS OF REVALUATION OF ASSETS

There has been no revaluation of assets

THE TOP 10 BORROWINGS OF THE COMPANY :

Particulars	Finance Amount	O/S as on 30.09.2003	Tenure (in months)	Account Type
BORROWER A	4500000	4125625	36	Standard
BORROWER B	3000000	3295820	36	Standard
BORROWER C	2500000	1984300	24	Standard
BORROWER D	1200000	1024000	24	Standard
BORROWER E	1500000	910000	30	Standard
BORROWER F	1100000	938560	24	Standard
BORROWER G	1000000	906610	24	Standard
BORROWER H	1000000	853280	24	Standard
BORROWER I	1000000	880000	24	Standard
BORROWER J	1300000	720410	24	Standard

SLR REQUIREMENTS:

As per RBI requirements the Company has to invest 15% of the Deposits in Liquid Assets. The requirement is further sub-divided into :10% in Government Securities and 5% in Bank Deposits. As on 30th September 2003 the position was as follows:

Particulars	Rs. in Lakhs	%
Net Public Deposits on which SLR is to be maintained	1060.53	
Investment in Govt. Securities:	159.79	15.06
Investment in Bank Deposits:	53.36	5.03

CREDIT MANAGEMENT

Credit Management is a key function in any organization and more so and crucial for a financial services company. Dhandapani Finance Limited (DFL) has a strong credit appraisal process to ensure and maintain quality of the portfolio and consistent monitoring of the assessment procedures. The Credit Management consists of

- Selection of Borrowers
- Sourcing of Business
- Pre-Disbursement Formalities and
- Post-Disbursement monitoring of the account

Selection Of Borrowers: This is paramount to ensure that the portfolio built up would reflect the

strength of quality individual borrowers. The assessment includes business in which the borrower operates, his financial status and standing in the market, track record of his past financial transactions, etc. Even though the emphasis will be on the asset that is financed and also marketability of the asset and its value assessment would be crucial by selecting the right borrower and his ability to service the borrowings within and without the assets financed.

Sourcing Of Business: DFL is well supported by the dealership fraternity in respect of various vehicle assets financed by them. DFL's forthright and ethical practices have always helped to source continuous referral of business from vehicle manufacturers / dealers. The wide network of branches achieved by DFL has enabled access to a large market spread over the South/West markets and also to have the right choice of business. DFL as a rule does not allow dealer recommendations or assessment of their borrowers. DFL avoids payment of brokerage on business referrals in Toto.

Pre-Disbursement Formalities: Once a proposal is sanctioned, the process of documentation begins. The documentation would be a water tight compartment. All the necessary documents such as offer letters, Hire Purchase/ Lease Agreements, Loan Agreements and any other documents pertaining to lending along with the DPN would be obtained. Care would be taken to ensure that the agreements/documents are adequately stamped and signed by the Hirer/Lessee/Guarantor respectively as the transaction demands in the presence of Company Officials.

In cases where collateral securities are taken DFL takes legal opinion, valuation report, up to date E.C., Tax paid receipts, Original Patta etc., and gets the clearances to ensure that the borrower has clear marketable title over the property and is also the correct owner to create equitable mortgage. Memorandum of Deposit of Title Deeds should be duly executed by the title holder and witnessed. Physical inspection of the collateral offered is done. In cases where buildings are offered as security, they must also be insured against all risks.

Payment would be released only on completion of all the formalities mentioned above and also on receipts of Service charges, Upfront instalments, Margin Money etc. To the maximum extent possible no compromise is encouraged in this area.

Post Disbursement Monitoring: Once the process is completed and payment are disbursed ,the company ensures that the assets are delivered / taken delivery as mentioned in the pre-disbursement process and the company also confirms that they are put to use. Periodical inspection of the assets will ensure that the assets are used effectively. It is also ensured that the vehicles are registered within the reasonable time frame and R.C. Books are obtained with the necessary endorsements in favor of the Company. It also ensures that the assets are insured adequately against all risks and special care taken when assets are insured by the borrowers. The company maintains an insurance register indicating all the details including date of expiry in order to enable them to protect against risks uninsured.

Post dated cheques are taken in as many cases as practicable taking into account the nature of hirer's business and access to banking.

Credit Authorisation / Approvals

1. Upto Rs.1.00 lakh by Dy. General Manager(Operations)
2. Rs. 1.00 lakh to Rs.2.00 lakhs by Dy. General Manager with anyone General Manager
3. Rs.2.00 lakhs to Rs. 5.00 lakhs by General Manager and Managing Director

4. Above Rs.5.00 lakhs by Credit Committee consisting Managing Director / General Manager (Operations), General Manager & Chief Operating Officer , Dy. General Manager (Operations) & Dy. General Manager (Finance & Accounts)

NON PERFORMING ASSETS

The top 10 non-performing assets as on 30th September 2003 which have been written off are as follows:

Borrower	Type of Exposure	NPA Category	Written Off (in Rs)
Borrower A	HP	Bad Debts written off	258055
Borrower B	HP	Bad Debts written off	232751
Borrower C	HP	Bad Debts written off	192000
Borrower D	HP	Bad Debts written off	162000
Borrower E	HP	Bad Debts written off	150000
Borrower F	HP	Bad Debts written off	122950
Borrower G	HP	Bad Debts written off	117574
Borrower H	HP	Bad Debts written off	107100
Borrower I	HP	Bad Debts written off	92420
Borrower J	HP	Bad Debts written off	64400

NET PROFIT MARGIN

A spread of 6-7% Net Profit

NPA RATIO

The company writes off its entire Non-performing assets and this works out to approx 1.5% of its total disbursements.

CAPITAL ADEQUACY RATIO

The company had a capital adequacy of 23.42% as on 31.03.03 which is above the statutory requirement. RBI has stipulated that a NBFC must maintain a minimum capital adequacy ratio of 12%.

REGULATORY SUPERVISION OF RBI

The Company being a NBFC is governed by the Reserve Bank of India. The following rules/ direction/ guidelines are required to be complied with by the Company:

1. Non Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998
2. Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998
3. Non Banking Financial Companies Auditors. Report (Reserve Bank) Directions, 1998
4. Reserve Bank of India (Non Banking Financial Companies) Returns Specifications, 1997

5. Guidelines for percentage of assets to be maintained
6. Guidelines for Investment in Unencumbered Approved Securities
7. Guidelines for Asset Liability Management system in Non Banking Financial Companies

The detailed guidelines are available on the website of RBI - www.rbi.org.in.

Some of the norms issued by RBI governing NBFCs are as under:

1.No NBFC having a net owned fund of twenty-five lakh of rupees and above shall accept public deposit unless it has obtained minimum investment grade or other specified credit rating for fixed deposits from any one of the approved credit rating agencies at least once a year and a copy of the rating is sent to the RBI along with return on prudential norms.

2.On and from January 31, 1998, no NBFC shall accept or renew any public deposit whether accepted before or after January 31, 1998 which is repayable on demand.

3.On and from January 31, 1998, no NBFC shall accept or renew any public deposits whether accepted before or after January 31, 1998, unless such deposit is repayable after a period of 12 months but not later than 60 months from the date of acceptance or renewal thereof.

4.RBI stipulates ceiling on quantum of deposits mobilized by a NBFC being categorised as Equipment leasing or hire purchase finance company as under:

An Equipment leasing or hire purchase finance Company may accept or renew public deposits, together with the amounts remaining outstanding in the books of the Company as on the date of acceptance or renewal of such deposit, not exceeding four times of its NOF.

5.In the event of downgrading of credit rating below the minimum investment grade as specified by RBI, a NBFC is required to regularize the excess deposit as specified by RBI.

6.On and from November 01, 2001 no NBFC shall invite or accept or renew public deposit at a rate of interest exceeding twelve and half percent per annum. Interest may be paid or compounded at rests which shall not be shorter than monthly rests.

7.On and from January 31, 1998 no NBFC shall pay to any broker on public deposit collected by or through him.

Brokerage, commission incentive or any other benefit by what-ever name called, in excess of two per cent of the deposit so collected; and expenses by way of reimbursement on the basis of relative vouchers/bills produced by him, in excess of 0.5% of the deposit so collected.

8.On and from January 13, 2000, no NBFC shall open its branch to collect deposit except as specified by RBI. Further no NBFC shall close its branch/ office without publishing such information in any one national level newspaper and in one vernacular newspaper in circulation in the relevant space and without advising the Reserve Bank of India, before 90 days of the proposed closure.

9.Loans against own shares of NBFC are prohibited.

10.A NBFC failing to repay public deposits, is prohibited from making loans and investment.

11.Investments in land and building and unquoted shares carry the following restrictions:

No equipment leasing company or hire purchase finance company, which is accepting public deposit, shall invest in .

(a) Land or Building, except for its own use, an amount exceeding ten per cent of its owned fund.

(b) Unquoted shares of another company, which is not a subsidiary company or a company in the same group of NBFC, an amount exceeding ten percent of its owned fund.

12. RBI has imposed the following restriction on concentration of credit/ investments:

Lending	To Single borrower	Not Exceeding 15% of owned fund
	To Single group of borrower	Not Exceeding 25% of the owned fund
Investment	In the shares of another Company	Not Exceeding 15% of the owned Fund
Lending and Investment	Single party	Not Exceeding 25% of the owned funds
	Single group of parties	Not Exceeding 40% of the owned Funds

SUBSIDIARIES OF THE COMPANY

Dhandapani Holdings & Securities Ltd

Dhandapani Holdings & Securities Ltd, which was incorporated on 22nd September 1994 to carry on stock market activities, to act as brokers, registrars and other related capital market services, became a subsidiary of Dhandapani Finance Ltd. on 19th July, 2001

Rs. Lakhs	FY 2001	FY 2002	FY 2003	Sept 2003
Total Income	10.80	22.07	26.44	18.13
Profit after Tax	8.58	19.24	18.35	11.44
Equity Share Capital	30.00	30.00	30.00	30.00
Reserves	9.09	28.30	40.10	51.55
EPS	2.86	6.41	6.10	3.81
NAV	12.99	19.40	23.35	27.16

Smart Invest Agency.com Private Limited

Smart Invest Agency.com Private Limited was incorporated on 16th October, 2000 for carrying on investment broking, Insurance Agency and allied areas. The same has been promoted by Dhandapani Holdings & Securities Limited and hence is a subsidiary of Dhandapani Finance Limited.

Rs. Lakhs	FY 2002	FY 2003	Sept 2003
Total Income	0.01	0.31	0.14
Profit after Tax	0.01	0.26	0.14
Equity Share Capital	1.03	1.03	1.03
Reserves	0.00	0.27	0.41
EPS	0.10	2.69	1.34
NAV	9.36	12.05	13.39

Dhandapani Insurance Services Private Limited

Dhandapani Insurance Services Private Limited was incorporated on 14th June 2002 as wholly owned subsidiary of Dhandapani Finance Ltd. The main objects of the Company was to carry on Insurance Agency Business for both Life and General Insurance.

Rs. Lakhs	FY 2003	September 2003
Total Income	0.08	0.38
Profit after Tax	0.07	0.38
Equity Share Capital	1.00	1.00
Reserves	0.06	0.44
EPS	0.7	3.8
NAV	10.08	14.4

There are no issues made by any of the above Companies during the last 3 years

The financial information of the above companies has been disclosed as per SEBI guidelines

PROMOTERS AND THEIR BACKGROUND

The Company was promoted by T N Desikan, T N Kishore and T N Soundararajan who are also the promoter Directors of M/s. K Dhandapani & Co. Ltd. By virtue of this and also by holding majority of shares in Dhandapani Finance Ltd. M/s. K Dhandapani & Co. Ltd forms part of the "Promoter Group".

K. Dhandapani & Co. Ltd was promoted as a firm by Late Sri. T N K Iyengar in the year 1946 for importing electrical components manufactured by leading national and multinational companies. They are in the electrical field for the past 50 years. It became a Pvt. Ltd Company in the year 1980 and later in Jan 1995 it went in for a Public issue and became a widely held Public Company. The Company has factories at Guindy, Thirumazhisai in Chennai and at Veerasandra Industrial Estate in Bangalore for manufacture of Control panels, Power Capacitors and LT Transformers. The Company ventured into Property Development during the year 2002-03 and has successfully completed its maiden project at Chennai.

Shri T N Desikan

Shri T.N.Desikan is an industrialist and is the Chairman of the Dhandapani Group, which includes K.Dhandapani & Co. Ltd, Dhandapani Finance Ltd, Dhandapani Holdings and Securities Ltd, Cybervision Solutions Ltd. He has got 40 years of experience in various capacities and has been in charge of business planning and finance functions of the Group companies. T.N.Desikan was the head of the Calcutta Electric Traders Association and had represented the trade in several matters like Sales Tax etc. before the West Bengal Government. He has been the President of the Calcutta Machinery Dealers Association until recently.

**Shri T N
Kishore**

Shri T N Kishore , Matric ,is a Non-Executive Director of the company. He is a businessman with keen interest in financial matters and has more than 3 decades of experience in the field of electricals and allied matters.

Shri T.N.Soundararajan

Shri.T.N.Soundararajan, B.Com. FCA, Managing Director, is directly in charge of the operations of the company and is guided by the Board of Directors on policy matters.

As the head of the Asset Liability Management Committee of the Company he sets the risk related policies and tolerance limits. He decides the business strategy of the Company on the assets and liabilities side in line with the Company's growth plans. He holds directorships in the other Group Companies.

The Permanent Account Number, Bank Account Number and Passport Number of the promoters have been submitted to the Stock Exchanges on which the securities are proposed to be listed.

T N DESIKAN

T N KISHORE

T N SOUNDARARAJAN

Board of Directors

Mr. T. N. Desikan as the Chairman and Mr. T. N. Soundararajan as the Managing Director lead the Company under the overall supervision and direction of the Board of Directors.

Details of Name, Address, Designation, Occupation of all the Directors with their Directorships in other Companies

Name, Designation and Qualification	Age	Experience and due for retirement by rotation	Directorship held in other Co.	Address
Mr. T N Desikan Chairman – Non executive Diploma in Electrical Engineering	74	Chairman of the Dhandapani Group . 40 years of experience in various capacities. Incharge of business planning and finance functions of the Group companies. Was the head of the Calcutta Electric Traders Association He has been the President of the Calcutta Machinery Dealers Association until recently.	K. Dhandapani & Co.Ltd Dhandapani Exports Ltd Dhandapani Holdings & Securities Ltd Cybervision Solutions Ltd Dhandapani Insurance Services P Ltd Smartinvest Agency.com(P) Ltd Dhandapani Power Systems(P) Ltd	S/o Late T NK Iyengar 3 C, River Side Road Kotturpuram Chennai 600 085.

Mr. T N Kishore Director – Non executive Matric	67	More than 3 decades of experience in the field of electricals and allied matters.	Dhandapani Exports Ltd Dhandapani Holdings & Securities Ltd Cybervision Solutions Ltd Smartinvest Agency.com(P) Ltd Dhandapani Power Systems(P) Ltd	S/o Late T N K Iyengar 9, Cathedral Garden Road Nungam -bakkam Chennai – 600 034.
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Name, Designation and Qualification	Age	Experience and due for retirement by rotation	Directorship held in other Co.	Address
Mr. C S Pani Director – Independent B.Sc,B.E,Diplo ma in Business Management	73	Retired as the Executive Director of Industrial Development Bank of India on 1 st October,1988	IQF Foods Ltd Protchem Industries (India) Ltd Bhoruka Gases Ltd Chettinad Cement Corporation Ltd	D-301, Adarsh Gardens 47th Cross, 8th Block Jaya Nagar Bangalaore – 560 082.
Mr. R Nagarajan Director – Independent B.Com(Hons), C.A.I.I.B	65	Served in various positions with State Bank of India and retired as the Chief General Manager.	Madras Cements Ltd Ramco Industries Ltd S S I Ltd Shapre Global Services Ltd APTECH Ltd Lattice Bridge Info Tech Private Limited Excel Audit & Support Services (P) Ltd	Flat No:A-2, Keshav Dugar Apts 21, East Avenue, K P Puram Chennai 600 028.
Mr. T N Soundararajan B.Com,ACA Managing Director	54		K Dhandapani & Co. Ltd Dhandapani Exports Ltd Dhandapani Holdings & Securities Ltd Cybervision Solutions Ltd Dhandapani Insurance Services P Ltd Smartinvest Agency.com(P) Ltd Dhandapani Power Systems(P) Ltd	S/o Late TN K Iyengar 2, Sarathy Street T.Nagar, Chennai – 600 017

Shareholding of the Directors as on 30th September 2003

Name	No of shares
T N Desikan	1,26,060
T N Kishore	96,540
T N Soundararajan	1,42,340
R Nagarajan	Nil
C S Pani	1,000

Details of remuneration to the Managing Director is as follows:

The details of compensation being paid to Shri T N Soundararajan is as under:

1. Salary Rs.35,000p.m
2. Perquisites:

Shri. T N Soundararajan will be entitled to perquisites and allowances including reimbursement of expenses in respect of gas, electricity and water, furnishings and repairs, medical reimbursement and leave travel concession for self and his family, personal accident insurance and such other perquisites and allowances as may be decided by the Board of Directors.

3. Shri .T N Soundararajan shall also be eligible to the following perquisites, which shall not be included in the computation of the ceiling on remuneration specified above:

- a. Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund as per the rules of the Company to the extent these either singly or put together are not taxable under the Income-Tax Act.
- b. Gratuity as per the rules of the Company
- c. Leave with full pay as per the Company's rules. Encashment of leave at the end of the tenure is permitted
- d. The Company shall provide a car and telephone at the residence of Shri. T N Soundararajan.

Details of the revision in terms of remuneration Payable to Mr. T.N.Soundararajan, Managing Director during the last two years:

There was a revision in the MD's salary from Rs.25,000 to Rs.35,000 in the 17th AGM held on 24th July 2003, all other benefits remaining the same.

Nature and Interest of Promoters and Directors

All the Directors are interested to the extent of fees, if any, payable to them for attending meetings of the Board or any Committee thereof as well as to the extent of the other remuneration, if any, The Directors are also interested to the extent of shares, if any, already held by them in the Company or the Equity Shares that may be subscribed for by and allotted to them out of the present Issue.

The Directors may also be regarded as interested in the shares that may be held by or the Equity Shares that may be subscribed by and allotted to them by the companies in which they are interested as Directors and/or members.

All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by the Company with any company in which they hold Directorships.

Key Managerial Personnel

Name	Designation	Age	Qualification	Exp	No of Shares	% to Capital	Joining Date	Previous Employment
T N Soundararajan	Managing Director	54	B.Com. FCA	28	1,42,340	2.39	10.06.93	K Dhandapani & Co Ltd
S Sudarsan	General Manager	46	B.Sc. FCA	22	100	-	24.05.91	Lakshmi General Finance
S Rangaraj	General Manager (Operation)	41	B E	18	400	-	28.07.93	India Equipment Leasing Ltd
S Balasubramanian	Deputy General Manager (Operation)	50	B.Sc.	26	600	0.01	01.04.94	K Dhandapani & Co Ltd
S Ramanujam	Deputy General Manager (Fin.& Accs.)	46	B.Com.	26	200	-	05.07.90	Ram Oxygen(P)Ltd
C Jayashree	Company Secretary	43	ACS, LL B	13	Nil	-	01.12.01	Practicing Company Secretary

The above-mentioned employees are on the rolls of the Company as permanent employees.

No Director or Member of Senior Management has been selected pursuant to any arrangement /understanding with major shareholders /customers /suppliers /any person referred to under the heads "The Board of Directors of the Company" and "Key Managerial Personnel".

Changes in the key managerial personnel in the last 3 years

There has been no change in the key management personnel except that Ms.C.Jayashree has joined as Company Secretary on 1st December 2001 consequent to the resignation of Mr.J.Narayanan.

UTILITIES

1. Power

As the Company does not have any major manufacturing facilities, its requirement of power is mainly for administration purposes only which is adequately provided by Tamilnadu Electricity Board.

2. Water

The Company, mainly engaged in hire purchase activity, does not envisage use of water except for human consumption. Adequate arrangements have been made for the same.

3. Manpower

The Company has adequate professional staff to carry on its day to day activities.

SCHEDULE OF IMPLEMENTATION

The company would be using the funds for working capital requirements before 31st March 2004.

PRODUCTS

The company offers a set of innovative financial solutions through a range of products and services to meet the diverse needs of both Corporate and retail customers in the following segments:

- a) Rural and Semi Rural Cargo movement
- b) Rural and Semi Urban passenger transport needs
- c) Infrastructure development equipment for roads and ports

A sectoral cap of 30% of the annual business has been fixed on each of the above segments and through a network of 46 branches these services are rendered.

Cargo And Transport

Rural and Semi Rural Cargo movement is a vital segment constituting an important part of the broader small and medium enterprise market and remains a critical part of the cargo transportation infrastructure in the Country. The most effective form of moving essential commodities is by the Hub and spoke arrangement. Not only does this system facilitate quick movement of goods into the redistribution channel, it also helps accessibility to the hinterland. This helps reduce downtime, and make it cost effective. Ferrying of fruits and vegetables from green houses (growing centres) to distribution points which was found unremunerative in the past (owing to use of larger vehicles operating at high costs) has now become a meaningful proposition with the advent of these 3 wheelers, whose overall operational efficiency remains unchallenged by the LCV's too. The cargo vehicles (3 wheelers) are often used to showcase products, (which was not possible in the past) or can otherwise be called a medium of advertisement. This segment has now constituted the main theme of strengthening of the Public Distribution System.

Rural And Semi Urban Passenger Transport:

As there are restrictions, on the movement of larger vehicles (trucks and buses), the onus is on logistics and to this effect the Company has carved for itself a segment where the use of light commercial vehicles and 3 wheelers form the backbone of the business. There is a huge

opportunity to buttress the public transport system for which these light commercial vehicles and small commercial vehicles are a boon. For the purchase of such commercial vehicles financial support is absolutely essential which is made available through tailor-made schemes.

Two Wheelers

An advent into the two wheeler segment particularly in the rural and semi urban divides have helped in increasing the market share of the Company in its existing geographical networks (at no extra cost) and allowed the company to be named a complete financial solutions provider. The company finances from 2 wheelers to infrastructure related equipments.

Infrastructure Development Projects

The company has a huge potential to fund these equipments. These equipments have good resale value and are backed up by adequate collateral security in the form of immovable properties secured by deposit of title deeds.

MARKETING

The company has an extensive network of 46 branches in India. The Company has also established itself in Maharashtra with four branches already in existence and plans are afoot to open a few more branches during the current year. The company continues its policy of opening branches in rural and semi-urban areas. This allows the company to spread its risk over a wider and diversified base.

Marketing set-up

The Marketing set-up of the Company is networked through graded hierarchy starting with the field officers upwards upto the level of the General Managers. While the Branch Managers and the concerned field officers of the various branches interact regularly with both new and used vehicles dealers, there is also an ever increasing flow of clientele referred to the company by existing hirers. This process has ensured comprehensively the shackles which form the basis of Corporate tie-ups and its lacuna of poor hirers (marginally complimented by subvention) and allows the company a free and fair playing field at times bettering the peers in the industry. However, as a mark of caution the management at its level has retained the option to maintain a good working relationship at the grass root (dealer levels) who like the company form the foot soldiers of the manufacturer. Without saturating the existing markets, each branch creates a new branch in its immediate vicinity by dividing on its capabilities and potential that the new area has to offer and in turn the cycle is maintained together with the risk being well distributed.

FUTURE PROSPECTS

DFL is at present having its major presence in South India. Post liberalisation and the Government's commitment to give a major boost to infrastructure sector has opened lot of opportunities for the Company to growth both in size and volumes in the years to come. Towards this end DFL is gearing itself to expand its base to other parts of India and is simultaneously augmenting its long-term working capital requirements.

DFL's longstanding experience and expertise in infrastructure equipment financing has helped the Company to build up a strong customer base. Recently, both Central and State Governments have announced their commitment to strengthen infrastructure activity and the work is likely to begin within a short span of time. There is a huge potential to tap natural resources for Infrastructure Development in the country.

Changes in the Board of Directors during the last 3 years:

Name	Date	Reasons
Mr T N Kothandapani	Resigned on 30.07.2002	Due to other pressing commitments
Mr T N Sridharan	Resigned on 30.07.2002	Due to other pressing commitments
Mr. T N Gopalan	Resigned on 28.05.2003	Due to health reasons
Mr R Nagarajan	Appointed on 07.06.2001	To utilize his vast experience and knowledge in the field of banking
Mr T M Gopalasamy	Resigned on 07.06.2001	Due to health reasons

Change in the auditors in the last three years

There has been no change in the Auditors of the Company. M/s P.B Vijayaraghavan &Co, Chartered Accountants continue to be the Auditors of the Company since the inception.

CORPORATE GOVERNANCE

Company's philosophy:

Corporate Governance at the Company is followed by the need to “enhance share-holder value, keeping in view the interests of other stake-holders” The imperative for Corporate Governance lies not merely in drafting a code of Corporate Governance, but in practicing it faithfully to achieve desired results.

The Company endeavors to ensure Corporate Governance by:

- Ensuring that important financial and management issues are discussed at the Board
- The decision making process is transparent
- Executive action at the operating levels is exercised within a frame-work of checks and balances
- Ensures that the Board exercises its fiduciary responsibilities towards share-owners and creditors, thereby ensuring high accountability
- Ensures that the extent to which the information is disclosed to present and potential investors is maximized.

The Company has complied in all material respects, both in letter and spirit, with the features of the Corporate governance code as per Clause 49 of the Listing agreement with the Stock Exchanges.

The terms of reference of the Audit Committee include the following:

- a. To hold periodic discussions with the Statutory Auditors and Internal Auditors of the Company concerning the accounts of the Company, internal control systems, scope of audit and observations of the Auditors/Internal Auditors.
- b. To review compliance with internal control systems.
- c. To review the quarterly, half-yearly and annual financial results of the Company before submission to the Board.

- d. To investigate into any matter in relation to items specified in section 292A of the Companies Act, 1956 or as maybe referred to it by the Board and for this purpose to seek any relevant information contained in the records of the Company and also seek external professional advice, if necessary.
- e. To make recommendations to the Board on any matter relating to the financial management of the Company, including the Audit Report.

3. Remuneration of Directors

The Managing Director of the company has been appointed on contractual terms for a period of five years. The remuneration package 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.

As on 31st March 2003, the amount of deposits placed by the directors in the Company aggregated to Rs. 47.17 lakhs. The interest on these deposits paid/credited during the year 2002-03 amounted to Rs. 4.97 lakhs.

4. Share Transfer & 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. During 2002-03, the committee met 15 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 number of share transferred during the year 2002-03 were 1,80,795.
- As on 31st March,2003 there are Nil Equity shares pending for transfer.

The Composition of the Committee includes Shri. T N Desikan, Shri T N Soundararajan and Shri T N Kishore.

The complaints received from the shareholders are generally replied to within a week from their lodgement with the Company.

The Committee takes pride in looking personally into the grievances of share-holders.

Details of Public /Rights Issue in the Preceding 5 years

None

VI. FINANCIAL AND OTHER INFORMATION

Past Financial Performance of the Company

The financial performance of the Company for the last five years ended 31st March and for the six months from April 2003 to September 2003 as per guidelines issued by SEBI, in compliance with Clarifications XIII and XIV and based on the report by Auditors of the Company is as under:

AUDITORS REPORT

To

**The Board of Directors
Dhandapani Finance Limited
Chennai**

Dear Sirs,

Re.: Letter of Offer for the Rights Issue of 19,84,773 - 8.5 % Cumulative Convertible Preference Shares (CCPS) of Rs.10/- per share each for cash at par.

We have examined the following information of Dhandapani Finance Limited , proposed to be included in the offer document of your company in connection with the rights issue of 19,84,773 - 8.5 % Cumulative Convertible Preference Shares (CCPSs) of Rs.10/- each for cash at par aggregating to Rs.1,98,47,730/-(Rupees One Crore Ninety Eight Lakhs Forty Seven Thousand Seven Hundred and Thirty Only) and hereby confirm that the statements mentioned below and annexed to this report have been verified from the audited accounts, internal documents and further based on the explanation and information given to us during the course of our checking and found the same in accordance herewith.

1. Statement of Profits and Losses
2. Statement of Assets and Liabilities
3. Major Notes to Accounts
4. Financial information for the Previous Five Years and last six months
5. Accounting Ratios
6. Capital Statement as on 30th September 2003
7. Taxation Statement

**For P B Vijayaraghavan & Co.,
Chartered Accountants**

**PB Santhanakrishnan
Partner**

STATEMENT OF PROFITS AND LOSSES DHANDAPANI FINANCE LIMITED

Particulars	31.03.99	31.03.00	31.03.01	31.03.02	31.03.03	30.09.03
Income						
Income from Financing Operations	1799.11	1984.87	2223.94	2590.10	2651.96	1228.52
Other Income	29.05	22.41	28.66	26.53	20.37	11.75
Total	1828.16	2007.28	2252.60	2616.63	2672.33	1240.27
Expenditure						
Finance Charges	748.64	830.11	978.19	1095.87	1086.81	579.23
Establishment charges	71.87	90.08	94.68	118.61	142.98	76.90
Administrative & Other expenses	95.41	111.29	133.51	168.73	193.87	116.29
Auditors remuneration	0.65	0.75	1.07	1.73	1.78	0
Bad debts written off	42.78	38.65	23.46	95.11	91.49	39.20
Issue expenses written off	4.72	4.72	4.72	4.72		
Total	964.07	1075.60	1235.63	1484.77	1516.93	811.62
Profit before depreciation	864.09	931.68	1016.97	1131.86	1155.40	428.65
Depreciation	415.05	454.84	463.93	327.81	303.94	79.43
Profit before tax	449.04	476.84	553.04	804.05	851.46	349.22
Less: Provision for taxation	47.82	60.00	65.04	281.45	132.03	122.23
Profit after tax	401.22	416.84	488.00	522.60	719.43	226.99
Add: Balance brought forward from previous year	19.57	20.16	26.99	26.35	11.61	39.67
Total	420.79	437.00	514.99	548.95	731.04	266.66

STATEMENT OF ASSETS & LIABILITIES OF DHANDAPANI FINANCE LIMITED
Rs. in lakhs

Particulars	31.03.99	31.03.00	31.03.01	31.03.02	31.03.03	30.09.03
Fixed Assets						
Gross Block	3560.64	4331.26	4713.03	2053.90	2085.48	2086.51
Less: Depreciation	1464.95	1915.67	2374.24	940.30	1216.43	1287.42
Net Block	2095.69	2415.59	2338.79	1113.60	869.05	799.09
Investments						
In Government Securities						
Quoted - Non Trade	104.22	100.20	95.20	93.48	70.39	80.91
Govt guaranteed bonds	35.00	31.31	27.51	37.49	34.03	28.00
Unquoted - NSC	1.00	-	-	-	-	-
Unquoted Shares	11.93	11.93	11.93	29.93	30.92	30.92

	152.15	143.44	134.64	160.90	135.34	139.83
Current Assets, Loans and Advances						
Stock on Hire & Bills purchased	4984.60	6132.33	7682.34	9151.83	11843.49	13136.71
Trade bills purchased	11.01	4.02	30.43	0.00	0.50	2.97
Cash & Bank balances	259.08	92.88	217.16	410.57	1103.87	631.12
Lease receivables	6.79	7.06	5.78	0.95	0.65	1.22
Loans & Advances	349.30	539.97	793.14	862.96	657.33	1098.51
Misc exp	21.67	16.95	12.23	7.51	0.00	0.00
	5632.45	6793.21	8741.08	10433.82	13605.84	14870.53
Liabilities & Provisions						
Secured Loans	3260.14	4566.52	5888.40	7356.67	9681.77	10566.78
Unsecured Loans	1316.49	1220.84	1174.03	1203.36	1302.54	1453.36
Current Liabilities & Provisions	1453.71	1454.34	1692.91	200.60	314.65	251.09
Total	6030.34	7241.70	8755.34	8760.63	11298.96	12271.22
Deferred Asset/Liability Tax	-	-	-	349.20	168.32	168.32
Net worth	1849.95	2110.54	2459.17	2598.49	3142.95	3369.91
Represented by						
Share Capital	568.44	568.68	584.11	595.43	595.43	595.43
Reserves	1281.51	1541.86	1875.06	2003.06	2547.52	2774.48
Networth	1849.95	2110.54	2459.17	2598.49	3142.95	3369.91

Accounting Ratios

Rs. in lakhs

Particulars	31.03.99	31.03.00	31.03.01	31.03.02	31.03.03	30.09.03
EPS	7.06	7.33	8.35	8.78	12.08	3.81
Return on Networth (%)	21.69	19.75	19.84	20.11	22.89	6.74
Net Asset Value per share	32.54	37.11	42.10	43.64	52.78	56.60
Cash EPS	15.20	16.09	16.78	15.96	18.72	5.80
Dividend (%)	25	25	25	27.50	25	-

Break up of Outstanding Unsecured Loans

Rs. In Lakhs

Particulars	31.03.99	31.03.00	31.03.01	31.03.02	31.03.03	30.09.03
Public Deposits	1316.49	1220.84	1174.03	1084.45	1224.28	1234.79
Inter Corporate deposits	255.94	282.30	212.78	103.20	77.10	216.85

Analysis of Loans & Advances

Rs in Lakhs

Particulars	30.09.03	31.03.03	31.03.02	31.03.01
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Loan on deposits	9.93	4.99	5.49	2.83
Advances (HP & Others)	754.50	286.26	505.00	430.57
Advance payment of Tax (net of Provs)	0	31.59	85.38	132.29
Income acc but not due on Invt/Others	293.45	296.76	245.73	207.42
Deposits	9.10	9.39	9.28	8.98
Prepaid expenses	4.03	7.02	1.03	0.10
Other advances	27.49	21.32	10.86	10.95
Total	1098.50	657.33	862.77	793.14

Details of Long term investments

Rs in Lakhs

Particulars	30.09.03	31.03.03	31.03.02	31.03.01
Quoted Investments	108.91	104.42	130.97	122.71
Unquoted Investments	30.92	30.92	29.93	11.93
Total	139.83	135.34	160.90	134.64

Related Party transaction

Rs in lakhs

	Nature of transaction	30.09.03	31.03.03	31.03.02	31.03.01
Subsidiaries					
Dhandapani Holdings & Securities Ltd	Intt Paid	3.40	3.81	1.12	0.01
Smart Invest Agency.com Pvt Ltd	Intt Paid	0.10	0.19	0.01	
Dhandapani Insurance Services P Ltd	Intt Paid	0.11	0.08		
Associates					
K Dhandapani & Co. Ltd	Intt Paid	8.06	14.86	27.37	34.21
Cybervision Solutions Ltd	Intt Paid		4.28	3.28	2.92

Rs. in lakhs

	Nature of transaction	30.09.03	31.03.03	31.03.02	31.03.01
Subsidiaries					
Dhandapani Holdings & Securities Ltd	ICD	40.16	20.70	9.55	1.25
Smart Invest Agency.com Pvt Ltd	ICD	1.30	0.00	1.00	0.00
Dhandapani Insurance Services P Ltd	ICD	1.39	0.90	0.00	0.00
Associates					
K Dhandapani & Co. Ltd	ICD	180.00	49.50	85.00	199.80
Cybervision Solutions Ltd	ICD	0.00	0.00	4.65	9.73

Rs. in lakhs

	Nature of transaction	30.09.03	31.03.03
Subsidiaries			
Dhandapani Holdings & Securities Ltd	RENT	0.02	0.06
Associates			

Cybervision Solutions Ltd	RENT	0.04	0.18
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Rs in lakhs

	Nature of transaction	30.09.03	31.03.03	31.03.02	31.03.01
Associates					
K Dhandapani & Co. Ltd	HP Contracts	2.31	2.25	0.43	0.00
Dhandapani Exports		2.98			

TAXATION STATEMENT

Rs. in lakhs

Particulars	1999	2000	2001	2002	2003	Sept 03
Profits as per books	449.04	476.84	553.04	804.05	851.46	349.22
Taxation at Normal Rate(%)	35	38.5	39.55	35.7	36.75	35
Taxation at Normal Rate	157.16	183.58	218.73	287.05	312.91	122.23
Difference between Tax and Book Depreciation	(260.93)	41.82	(13.73)	50.87	188.81	37.65
Other Adjustments	142.74	386.17	34.58	214.95	0.06	
Net Adjustments	403.67	344.35	48.31	164.08	188.87	37.65
Tax Saving thereon :	141.28	132.57	19.11	58.58	(69.41)	(13.18)
Total Taxation	15.88	51.01	199.62	228.47	382.32	135.4

CAPITALISATION STATEMENT AS ON 30th SEPTEMBER 2003

Rs. in lakhs

	Pre-issue	Adjusted for the Issue
Short-Term Debt	10820.13	10820.13
Long Term Debt	1200.00	1200.00
Shareholders Funds		
Equity	595.43	595.43
Preference		700.00
Reserves	2774.48	2774.48
Total Shareholders Funds	3369.91	3369.91
Long Term Debt/Equity	0.36	0.29

Significant Accounting Policies & Notes to Accounts for the year ended 31st March 2003

1.0 Significant Accounting Policies

1.1 Income Recognition

- Finance Charges in respect of Hire Purchase transactions are accounted on accrual basis.
- Lease Income is accounted as per the terms of the lease agreements.
- Interest Accrued on Investments and Deposits are accounted for on accrual basis.
- Delayed Payments charges are accounted on receipt basis.
- Compensation charges are accounted on accrual basis.

1.2 Prudential Norms:

The Company follows the Prudential Norms for Income Recognition, Asset classification and Provisioning for bad and doubtful debts, as prescribed by Reserve Bank of India for Non Banking Financial Companies. Though the Prudential norms requires only provisioning for Doubtful debts, the company has written off the amount as Bad debts in the books

1.3 Depreciation:

a. Depreciation on Leased Assets:

The cost of Leased Assets is amortized fully during the Primary lease period as recommended in "The Guidance Note on Accounting for Leases (Revised)" issued by the Institute of Chartered Accountants of India".

b. Depreciation on Own Assets:

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 have been fully depreciated.

1.4 Fixed Assets:

Fixed Assets are carried at historical cost less accumulated depreciation.

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.

1.7 Retirement Benefits:

The Company's liability towards gratuity is accounted on actuarial basis and the payment is made over to an approved fund.

1.8 Issue Expenses : The balance amount of Issue expenses of Rs.7.51 Lacs has been charged off to the Security Premium account

2.0 Balance Sheet:

2.1 Secured Loans:

a) Working Capital Credit facilities comprising of Cash Credit and Working Capital Demand Loans are secured by hypothecation of assets covered by hire purchase and lease agreements, ranking pari passu excluding assets, which are specifically charged to others. The facilities include Foreign Currency Loans of Rs.4470.46 lacs outstanding as on

31.03.2003 (31.03.2002: Rs.3121.66 lacs). The foreign currency loans are fully covered against exchange risks.

b) Term Loans from Financial Institutions are secured by hypothecation of specific Hire Purchase and Leased Assets.

6.2 Stock on Hire & Leased Assets

Overdue of Rs 243.28 lacs (Previous Year) Rs.181.56 Lacs includes Rs.52.31 lacs outstanding for more than 6 months (previous year Rs.28.83 lacs) and considered good.

6.3 There are no lease transactions during the year. Hence AS 19 not applicable.

6.4 Repossessed Assets are valued at lower of the settlement value or realisable market value.

6.5 Deposit Account:

The deposit with Bank includes Rs.51.23 lakhs for SLR investments, Rs.24.98lacs for unclaimed Dividend .

3.0 Profit and Loss Account:

3.1 Foreign currency transactions:

Premia on Forward Exchange contracts is recognised as an expense over the tenure of the contract. Interest accrued on the foreign currency loans has been provided at the forward exchange contract rate. The finance charges include Rs.229.73 Lakhs on account of forward contract premium to cover exchange fluctuations.

3.2 a) Remuneration to Managing Director

	(Rs. in Lakhs)	
	31.03. 2003	31.03.2002
Salary	2.40	2.40
House Rent Allowance	0.60	0.60
Company's Contribution to PF	0.29	0.29
Total	3.29	3.29

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

	(Rs. in Lacs)
Profit before tax as per Profit and Loss account	851.47
ADD: Directors Remuneration charged in the accounts	3.29
 Net Profit	 854.76

3.3 Auditors Remuneration:

	(Rs. in Lacs)	
	31.03. 2003	31.03.2002

For Audit	1.00	1.00
For Taxation	0.25	0.25
For Tax Audit	0.29	0.25
For Other Services	0.10	0.10
For Out of Pocket Expenses	0.08	0.07
For Service Tax	0.06	0.06
Total	1.78	1.73

4.0 General

4.1 Contingent Liabilities: Nil. Previous year Rs.1.17 lakhs.

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

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

4.4 Related Parties Disclosures:

Enterprises under Control:

Subsidiaries:

Dhandapani Holdings & Securities Limited.
Smart Invest Agency.com Private Limited
Dhandapani Insurance Services Private Limited

Associates:

K. Dhandapani & Co. Limited
Dhandapani Exports Limited
Cybervision Solutions Limited

Key Management Personnel:

Sri T N Soundararajan, Managing Director

Nature of Transactions	Subsidiaries	Associates	Key Management Personnel	Relatives of Key Management Personnel	Total(in Rs)
Interest Paid on Deposits	4,07,664	19,13,864.20	44,441	9,98,589	33,64,558.20
Deposits – Balance at the end of the Year	22,60,000	49,50,000	5,49,500	95,68,301	1,73,27,801
Advances received					

during the year	-	38,981	-	-	-
HP Contracts	-	2,25,000	-	-	-

SUBSIDIARY COMPANIES

1. Dhandapani Holdings & Securites Ltd

Statement of Profit and Loss

Rs in lakhs

Particulars	31.03.99	31.03.00	31.03.01	31.03.02	31.03.03	30.09.03
Income						
Income from Financing Operations	3.35	5.78	10.80	22.07	26.44	18.13
Other Income	0.00	0.00	0.00	0.00	0.00	0
Total	3.35	5.78	10.80	22.07	26.44	18.13
Expenditure						
Finance Charges	1.67	1.63	0.04	0.04	0.03	0.02
Administrative & Other expenses	0.02	0.86	1.66	2.37	3.74	4.27
Total	1.69	2.50	1.70	2.41	3.77	4.29
Profit before depreciation	1.66	3.28	9.10	19.66	22.67	13.84
Depreciation	0.81	0.64	0.52	.42	0.35	0.14
Profit before tax	0.85	2.64	8.58	19.24	22.32	13.70
Less: Provision for taxation	0.00	0.00	0.00	0.00	3.97	2.24
Profit after tax	0.85	2.64	8.58	19.24	18.35	11.44
Les: Prelimi exp w/off	0.03	0.03	0.03	0.03	0.03	0
	0.82	2.61	8.55	19.21	18.32	11.44
Add: Balance brought forward from previous year	-2.89	-2.07	0.54	9.10	27.86	38.73
	-2.07	0.54	9.09	28.31	46.18	50.17

Statement of Assets & Liabilities

Rs in lakhs

Particulars	31.03.99	31.03.00	31.03.01	31.03.02	31.03.03	30.09.2003
Fixed Assets						
Gross Block	9.35	9.35	9.35	9.35	9.35	9.35
Less: Depreciation	5.65	6.29	6.81	7.23	7.58	7.72
Net Block	3.70	3.06	2.54	2.12	1.77	1.63
Investments	26.47	1.97	13.30	41.87	43.70	43.64
Current Assets, Loans						

and Advances						
Cash & Bank balances	1.61	3.00	1.65	5.54	3.85	4.5
Loans & Advances	23.93	22.61	21.56	22.01	43.81	52.87
Misc exp	0.18	0.15	0.12	0.09	0.06	0.06
	25.72	25.76	23.33	27.64	47.72	57.43
Liabilities & Provisions						
Secured Loans	0.00	0.00	0.00	0.00	0.00	0
Unsecured Loans	22.74	0.00	0.00	0.00	0.00	0
Current Liabilities & Provisions	5.22	0.25	0.08	13.33	22.72	20.78
Total	27.96	0.25	0.08	13.33	22.72	20.78
Deferred Tax Asset/Liability				0.00	0.37	0.37
Net worth	27.93	30.54	39.09	58.30	70.10	81.55
Represented by						
Share Capital	30.00	30.00	30.00	30.00	30.00	30
Reserves	-2.07	0.54	9.09	28.30	40.10	51.55
Networth	27.93	30.54	39.09	58.30	70.10	81.55
Less: Misc exp	0.18	0.15	0.12	0.09	0.06	0.06
	27.75	30.39	38.97	58.21	70.04	81.49
Accounting Ratios						
EPS	0.28	0.88	2.86	6.41	6.12	3.81
Return on Networth (%)	3.05	8.65	21.95	33.00	26.18	14.03
Net Asset Value per share	9.25	10.13	12.99	19.40	23.35	27.16
Cash EPS	0.56	1.10	3.04	6.56	6.24	3.86
Dividend (%)	0.00	0.00	0.00	0.00	18.50	18.50

The accompanying significant accounting policies and notes to accounts form an integral part of this statement.

Significant Accounting Policies And Notes To Accounts

1. Income Recognition

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

2. Depreciation

Depreciation on Own Assets

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.

3 .Fixed Assets:

Fixed Assets are carried at historical cost less accumulated depreciation.

4. Investments
Investments are carried at cost.
 5. Contingent Liabilities not provided for: Nil
 6. .Previous Year's Figures have been regrouped/reclassified to confirm to Current year classification wherever necessary.
2. ***Dhandapani Insurance Services (P) Ltd***

Statement of Profit and Loss

Rs. in lakhs

Particulars	31.03.03	31.09.03
Income		
Income from Operations	0.08	0.38
Total	0.08	0.38
Expenditure		
Finance Charges	0.00	0.00
Administrative & Other expenses	0.01	0.00
Total	0.01	0.00
Profit before depreciation	0.07	0.38
Depreciation	0.00	0.00
Profit before tax	0.07	0.38
Less: Provision for taxation	0.00	0.00
Profit after tax	0.07	0.38

Statement Of Assets & Liabilities As At

Rs. in lakhs

Particulars	31.03.03	30.09.03
A. Fixed Assets :		
Gross Block	0.00	0.00
Less Depreciation	0.00	0.00
Net Block		0.00
B.Current Assets, Loans and Advances :		
Investments	0.00	0.00
Loans and Advances	0.00	0.00
Other Current Assets	1.02	1.40
Extrordinary Items	0.06	0.06
	1.07	1.45
C.Liabilities and Provisions :		
Secured Loans		
	0.00	0.00
Unsecured Loans	0.00	0.00
Current Liabilities and Provisions	0.01	0.01
Defered Tax Credit	0.00	0.00

	0.01	0.01
D.Networth	1.06	1.44
E.Represented by		
1. Share Capital	1.00	1.00
2. Reserves	0.06	0.44
Networth	1.06	1.44

Significant Accounting Policies And Notes To Accounts

1.Income Recognition

- a. Finance Charges receipts are accounted on receipt basis.

2.Contingent Liabilites not provided for: Nil

3. *Smartinvest Agency.Com Private Limited*

Statement Of Profits And Losses For The Period

Rs. In Lakhs

Particulars	31.03.02	31.03.03	31.09.03
Income			
Income from Operations	0.01	0.31	0.14
Total	0.01	0.31	0.14
Expenditure			
Finance Charges	0.00	0.00	0.00
Administrative & Other expenses	0.00	0.05	0.00
Total	0.00	0.05	0.00
Profit before depreciation	0.01	0.26	0.14
Depreciation	0.00	0.00	0.00
Profit before tax	0.01	0.26	0.14
Less: Provision for taxation	0.00	0.00	0.00
Profit after tax	0.01	0.26	0.14

Statement Of Assets & Liabilities As At

Rs. In Lakhs

Particulars	31.03.02	31.03.03	30.09.03
A. Fixed Assets :			
Gross Block	0.00	0.00	0.00
Less Depreciation	0.00	0.00	0.00
Net Block	0.00	0.00	0.00
B. Current Assets, Loans and Advances :			
Investments	0.00	0.00	0.00
Loans and Advances			0.00
Other Current Assets	1.16	1.31	1.39
Extrordinary Items	0.07	0.06	0.06
	1.23	1.37	1.45
C.Liabilities and Provisions :			
Current Liabilities and Provisions	0.00	0.01	0.01
Deferred Tax Credit	0.00	0.01	0.00

			0.01
D.Networth	1.23	1.37	1.44
E.Represented by			
1. Share Capital	1.03		1.03
2. Reserves			0.41
Networth	1.03	0.00	1.44

Significant Accounting Policies And Notes To Accounts

- Income Recognition
Finance Charges receipts are accounted on receipt basis.
- Contingent Liabilities not provided for: Nil
- Previous Year's Figures have been regrouped/reclassified to confirm to Current year classification wherever necessary.

VII. STOCK MARKET DATA

The details of the share prices on the **Stock Exchange, Mumbai** during the last 3 years are as follows:

Year Ending March 31	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (Rs.)
2001	13.50	05.05.00	200	10.20	10.04.2000	100	12.15
2002	18.00	23.01.02	1	6.50	01.10.2001	100	12.98
2003	20.4	06.01.03	1	11.65	29.04.2002	300	16.45

* (Source: The Stock Exchange, Mumbai official website: www.bseindia.com)

The details of the share prices on the **Stock Exchange, Mumbai** during last 6 months are as follows:

Month	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Total volume for the month	Average price in the month
April 2003	18.90	29/04/03	400	17.05	04/04/03	2005	6964	18.02
May 2003	21.65	30/05/03	2550	21.30	02/05/03	500	12959	18.91
June 2003	22.00	25/06/03	2500	19.80	09/06/03	745	34268	20.77
July 2003	23.50	08/07/03	502	17.00	18/07/03	200	26988	20.28

August 2003	20.25	28/08/03	600	18.10	07/08/03	1000	27770	19.11
September 2003	20.10	01/09/03	3301	17.70	23/09/03	800	21857	18.81
October 2003	19.40	07/10/03	400	18.55	06/10/03	400	20625	19.01

(Source: The Stock Exchange, Mumbai official website: www.bseindia.com)

There was no trading on The Stock Exchange, Mumbai on 13th September 2003 being the first day of trading after the Board Meeting approved the Rights Issue .The share price on 15th September 2003 was Rs.19.05.

The shares of the Company are not actively traded on the Madras Stock Exchange. No transaction took place in the equity shares of the company from 1st April 2002 to 1st November 2003.

The details of the share prices on **The Madras Stock Exchange** during the last 3 years are as follows:

Year Ending March 31	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)
2001	13.00	06.04.2000	100	9.00	21.11.2000	400
2002	18.50	11.10.2001	200	7.00	01.10.2001	100
2003	No Trading					

VIII. OUTSTANDING LITIGATION, DEFAULTS,ADVERSE EVENTS AND MATERIAL DEVELOPMENTS

A condonation petition has been filed with the Company Law Board for an alleged violation of Section 217(2AA) of the Companies Act ,1956 and this is likely to be settled within a period of 3 months.

The printed Director's report for the year 2002-03 did not contain the last clause of Section 217(2AA) viz. That the accounts of the Company are prepared on a going concern basis .The mistake was pointed out by the Registrar of Companies. It was pointed out to ROC that the mistake was a printing error. The clause of Sec 217(2AA) has been incorporated in the Director's Report and signed by the Chairman and has also been included in the Annual Reports of the subsidiary and associate companies as well. However, as per the observations of ROC ,the company had to make an application for condonation .

There are no pending litigations in which the promoters of the Company are involved.

There are no overdues, defaults to the Financial Institutions/Banks, Reschedulement of Loans to Banks/FIs by the Company. There are no pending offences of non-payment of statutory dues by the promoters of the Company.

There are no cases of litigations pending against the Company or against any other company whose outcome could have a materially adverse effect on the position of the Company.

There are no pending litigation's against the Promoters / Directors in their personal capacities and also involving in statutory regulations or criminal offences.

There are no pending proceedings initiated for economic offences against the Directors, Promoters, Companies and Firms promoted by the promoters.

There are no outstanding litigation's, disputes pertaining to the matters likely to affect the operations and Financials of the Company including disputed tax liability, prosecution under any enactment in respect of Schedule XIII of the Companies Act, 1956.

None of the Directors have any litigation towards tax liabilities, or any criminal/ civil prosecution against them for any offences (irrespective of whether "specified in paragraph (i) of part I of Schedule XIII of the Act)

There are no litigation's outstanding against the Promoters/Directors in their personal capacity. The Company, its promoters and other Companies with which promoters are associated have neither suspended by SEBI nor any disciplinary action has been taken by SEBI. There are no prosecution launched by Income Tax Authorities and no liability compounded by the Promoters/Company/Companies/Ventures with which the Promoters are associated is subsisting.

There are no cases of pending litigations/defaults in respect of the firms/ Companies with which the Promoters are associated in the past but are no longer associated.

There are no small scale undertakings having outstanding of more than Rs.1 lakh for more than 30 days as at 31st March 2003.

DEFAULTS

The Company has not defaulted in meeting any statutory dues, institutional dues and dues towards instrument holders like debenture holders, fixed deposit holders.

There are no proceedings launched or initiated against the promoters of the company for any economic offences.

MATERIAL DEVELOPMENTS

There are no material developments after the date of the latest audited balance sheet as on 31st March, 2003 which may materially affect the performance or prospects of the Company.

As per the opinion of the Directors, no circumstances have arised since the date of last financial statement disclosed in the Letter of Offer that materially and adversely affect or are likely to affect the trading or profitability of the Company, or the value of its assets, or its ability to pay its liabilities within the next twelve months.

Promises Vs Performance - Dhandapani Finance Limited

The performance of the Company vis-à-vis the projections made as per prospectus of 1993 is as follows:

(Rs. lakhs)									
	1993			1994			1995		
	Promise	Performance	Variance	Promise	Performance	Variance	Promise	Performance	Variance

Income	249	157	-92	605	375.2	-229.8	901	847.35	-53.65
Interest Charges	90	53.6	-36.4	254	155.5	-98.5	359	322.05	-36.95
Profit After Tax	89	57.5	-31.5	187	127.5	-59.5	203	308.79	105.79
Earnings Per Share (Rs.)	2.18	3.44	1.26	4.58	4.02	-0.56	4.98	7.57	2.59

The company was able to exceed their projected EPS of 4.98 in 1995 by achieving an EPS of 7.57 in 1995.

The projections shown are as per the Appraisal Report made by the State Bank of India for the purpose of Public Issue. The Projections were made under the assumption that the Public Issue would be in the year 1992-93 and the funds would be available in the same year. But the Company had actually come out with the issue only in May 93 and funds were available only in that year. Hence there has been consequent variation in the projection vs actuals.

Developments since last rights issue(1996-97):

Rs. in lakhs

	Promise	Performance	Variance
Income from financing operations	1548	1547.83	-0.17
Interest & other income	66	39.26	-26.74
Interest costs	531	712.18	181.18
Provisions for Income tax	12	51.2	39.2
Profit after tax	461	341.01	-119.99

The income projected for the year 1996-97 has been achieved to the extent of 99.98%

There has been a shortfall as compared to the profitability and this has been mainly due to

1. Increase in the tax provisions
2. Increase in the cost of funds

Promises Vs Performance -K.Dhandapani & Co

Year ending 31st March	Projections						Performance					
	1995	1996	1997	1998	1999	2000	1995	1996	1997	1998	1999	2000
PAT (Rs. Lacs)	89	155	184	305	379	404	85.86	155.98	139.29	60.08	55.89	38.96
Earnings per share (Rs.)	4.06	4.43	5.26	8.72	10.84	11.54	2.44	4.44	3.97	1.71	1.59	1.11
Share Capital (Rs. Lacs)	350	350	350	350	350	350	351.11	351.14	351.17	351.17	351.17	351.17

Dividend Rate (%)	25	25	25	25	25	25	22	20	20	10	7.5	7.5
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Due to the industrial sluggishness and the downtrend in the market conditions, the sales have come down and hence the profitability has come down.

BASIS FOR ISSUE PRICE

QUANTITATIVE FACTORS

1. Adjusted Earnings Per Share

	EPS (Rs.)	Weight
(a) 2000-2001	8.35	1
(b) 2001-2002	8.78	2
(c) 2002-2003	12.08	3
(d) Weighted Average EPS	10.35	

The weighted average EPS works out to Rs.10.35

2. a) Price/Earnings Ratio (P/E) in relation to Conversion Price based on 2002-2003 Earnings

Assuming conversion price @ Rs.15 per Equity share	
Earnings Per share	12.08
Conversion Price	15
P/E Ratio	1.24

Assuming conversion price @ Rs.20 per Equity share	
Earnings Per share	12.08
Conversion Price	20
P/E Ratio	1.66

3. Industry P/E

Highest	30
Lowest	1.45
Average	7.41

Source: Capital Markets Volume XVIII/07 dated June, 2003

The P/E ratios of some of the companies in the same industry group are as follows:

Company	P/E ratio
Ashok Leyland Finance Limited	2.2
Cholamandalam Investment & Finance Ltd	3.9
Wall Street Financial	10.6

Source: Capital Markets Volume XVIII/07 dated June, 2003

4. Return on Net Worth

RONW	(%)	Weight
(a) 2000-2001	19.84	1
(b) 2001-2002	20.11	2
(c) 2002-2003	22.89	3
(d) Weighted Average RONW	21.46	

Minimum Return On Post Issue Net Worth to maintain pre-issue EPS of Rs.12.08 is 18.72%.

5. Net Asset Value (NAV)

(a) As at September 30, 2003	Rs.56.60
(b) After Issue	
On first conversion at a price of Rs.15/-	Rs.40.72
On second conversion at a price of Rs.20/-	Rs.37.86

Qualitative Factors

1. Existing profit making & dividend making company for the past 17 years
2. The Company is the financial services arm of the Dhandapani group, a well-respected, diversified conglomerate with diverse business interests.
3. Strong marketing network- 46 branches all over India.

IX. RISK FACTORS ENVISAGED BY THE MANAGEMENT SPECIFIC TO THE PROJECT AND INTERNAL TO THE COMPANY AND THE PROPOSALS OF THE MANAGEMENT TO ADDRESS THE RISKS

Internal

1. Credit risk: Performance of the Company is dependant on the performance of its clients

Management's Proposals to address the risk :

Over the years, the Company has evolved a credit appraisal and monitoring mechanism and a continuous recovery mechanism through direct contacts with the clients. The appraisal system of the Company before disbursements is scientific and professional. Hence the risk of defaults is minimum. Although the risk of default by the counter party is inherent in the business of the Company, the diversified retail nature of the business in terms of geographical locations, products, customer segments results in a low average exposure per customer. The Company's NPA level as on 31 March, 2003 and 30 June, 2003 was NIL.

2. Company's performance depends on the judicious deployment of funds

Management Proposals to address the risk :

The Company has a sound infrastructure of 46 branches all over India and have over the years developed a strong system of funds monitoring and deployment. Hence the management does not perceive any bottlenecks.

3. Loss making Promoter/ Promoter group companies: K. Dhandapani & Co. Ltd belonging to the Promoter group has made losses of Rs.1.77 crores in the financial year ended 31st March 2003

Management Proposals to address the risk :

K.Dhandapani & Co Ltd (KD&Co Ltd) had incurred loss for the year ended 31st March 2003 due to the general sluggishness in the electrical industry. However, KD&Co Ltd is in the process of strengthening its existing line of activity and has also diversified into property development. For the six month period ended 30th September, 2003 (Unaudited Results) it has made a Net Profit of Rs.48.91 lakhs.

4.Credit Rating: The Company has to obtain the specified credit rating for fixed deposits from one of the approved credit rating agencies at least once a year and a copy of the rating is required to be filed with RBI. The rating is likely to vary depending on the performance of the company.

Management Proposals to address the risk :

The Company's FD programme has been rated FA+ by CRISIL in 2003 and MA+ by ICRA in 2001. The short term debt programme is rated P1 by CRISIL and the Commercial Paper has been rated A1+ by ICRA in 2002. The Company does not foresee any reasons that could lead to a downgrade in the rating .

External:**1. Changes in Monetary policies**

The operations of a Non-Banking Finance Company (NBFC) are governed by the Reserve Bank of India (RBI). Policy changes that have an impact on interest rates and other financial parameters are likely to affect the operations of the Company.

Management Proposals to address the risk :

The management is confident of meeting any policy changes that may be made by the regulatory authorities. Also Fixed Deposits do not form the major source of funds for the Company. The Company has been adapting well to changes in the monetary environment. It has evolved a good Asset-Liability Management (ALM) system hence any change in interest rates may not result in a squeeze in margins or have a major impact on the operations of the Company. Moreover the ALM Committee regularly monitors the liquidity and interest rate risks.

2. Changes in Regulatory policy

Major change in the RBI policies relating to the NPA provisioning norms, capital adequacy ratios (CAR) etc. may have an impact

Management Proposals to address the risk :

The policy changes may provide both opportunities and challenges to the Company. The Company has a sufficiently long presence of 17 years in the field and does not perceive policy change as a major threat.

3. Competition

Competition in the asset financing business has heightened especially from banks who have a lower cost of funds.

Management Proposals to address the risk :

The Company has a strong presence in the financial sector and has made inroads into urban and semi-urban areas with 46 branches. The Company has effective strategies to minimize the impact on profitability due to competitive pressure. The Company constantly strives to reduce its cost of

funds and diversify its product range in various geographical locations. The management feels that healthy competition will only compel the company to improve the quality of its performance.

4. Fluctuation in Exchange rates

The exchange rate fluctuations may affect the Company's financial workings

Management Proposals to address the risk :

The Management perceives no significant impact as the foreign currency loans are sufficiently hedged against exchange fluctuations.

5. Hire Purchase, Leasing and bills discounting are subject to risks which may result in debts becoming bad or doubtful.

Management Proposals to address the risk :

The Company has a comprehensive process of evaluation of various risks inherent to the business before lending. Lending norms and exposure levels are monitored and amended continuously taking into account changes in environment. The Company's network of 46 branches, help monitoring defaults, achieving good recoveries and keeping the risk of bad debts to the minimum.

6. Risk of economic slowdown

The overall demand for the Company's products is linked to the overall economic growth, consumer demand and growth in the capital markets. A slowdown in India's economic growth will have an adverse impact on the demand for credit and on quality of borrowers.

7. Risk of political instability

The performance of the Company may be affected by political and economic developments both in India and worldwide.

Notes to Risk Factors

- Investors are advised to refer to "Basis of Issue Price" on Page ----before investing in this Issue.
- Net worth before the Issue (as on 30th September 2003) is Rs.3369.91 lakhs and the Issue size is Rs.198.47 lakhs.
- The book value of the equity shares of the Company as on 30th September 2003 is Rs.56.60 per share
- During the last six months, some members of the promoter group and directors have carried out transactions in equity shares of the Company. Details of such transactions are follows:

Sl.No	Name of transferee	Name of transferor	No. of shares	Price	Date
1.	T N Sridharan	Subhash P Mandi	700	20	24.07.2003
2.	T N Sridharan	K.Prasanna Kumar	700	20	24.07.2003

The maximum and minimum price price paid has been Rs.20/- . There are no other purchases and sale of shares by the Promoters/Directors of the Company for the last six months.

The Company has entered into certain related party transaction. The related party transactions cover the financial transactions carried out in the ordinary course of business and/or in discharge of contractual obligations. The details of the transactions as certified by the auditors of the Company are as follows:

Rs in lakhs

	Nature of	30.09.03	31.03.03	31.03.02	31.03.01

	transaction				
Subsidiaries					
Dhandapani Holdings & Securities Ltd	Intt Paid	3.40	3.81	1.12	0.01
Smart Invest Agency.com Pvt Ltd	Intt Paid	0.10	0.19	0.01	
Dhandapani Insurance Services P Ltd	Intt Paid	0.11	0.08		
Associates					
K Dhandapani & Co. Ltd	Intt Paid	8.06	14.86	27.37	34.21
Cybervision Solutions Ltd	Intt Paid		4.28	3.28	2.92

Rs. in lakhs

	Nature of transaction	30.09.03	31.03.03	31.03.02	31.03.01
Subsidiaries					
Dhandapani Holdings & Securities Ltd	ICD	40.16	20.70	9.55	1.25
Smart Invest Agency.com Pvt Ltd	ICD	1.30	0.00	1.00	0.00
Dhandapani Insurance Services P Ltd	ICD	1.39	0.90	0.00	0.00
Associates					
K Dhandapani & Co. Ltd	ICD	180.00	49.50	85.00	199.80
Cybervision Solutions Ltd	ICD	0.00	0.00	4.65	9.73

Rs. in lakhs

	Nature of transaction	30.09.03	31.03.03
Subsidiaries			
Dhandapani Holdings & Securities Ltd	RENT	0.02	0.06
Associates			
Cybervision Solutions Ltd	RENT	0.04	0.18

Rs in lakhs

	Nature of transaction	30.09.03	31.03.03	31.03.02	31.03.01
Associates					
K Dhandapani & Co. Ltd	HP Contracts	2.31	2.25	0.43	0.00
Dhandapani Exports		2.98			

Working Results (unaudited) and other information

Information as required by Government of India, Ministry of finance circular No. S2/SE/76 dated February 5, 1977 read with circular of even number dated March 8, 1977 is given below:

a) Working results of the Company for the six months ended 30th September 2003

Particulars	Rs. Lakhs
1.Income from operations	1228.52
2.Other income	11.75
3.Total Income (1 + 2)	1240.27
4.Depreciation	79.43
5.Finance charges, Employee costs and other operating expenses	811.63
6.Profit before provisions and taxes (3 - 4 - 5)	349.22
7.Provisions and contingencies (including provision for tax)	122.23
Net Profit (6 - 7)	226.99
Paid up share capital	
Equity Shares	595.43

b) There are no material changes and commitments affecting the financial position of the Company since the date of the last Balance Sheet, save as mentioned elsewhere in the letter of Offer.

c) Weekend prices for the last four weeks on the Stock Exchange, Mumbai is as follows:

Date	Price per share (Rs.)
31/10/2003	19.00
07/11/2003	18.30
14/11/2003	18.80
21/11/2003	No trading

Current price of the Equity Shares of the Company on the Stock Exchange, Mumbai as on 31st October 2003 is Rs19.00

The highest and lowest market prices of the Equity Shares of the Company during the last -one-year are Rs. 18.00(on 9th July 2003) and Rs. 16.25 (on 11th February 2003) respectively on The Stock Exchange, Mumbai.

COMPANIES UNDER THE SAME MANAGEMENT U/S.370 (1B) OF THE COMPANIES ACT 1956

The other associate companies in the group include the following:

1. K. Dhandapani & Co. Ltd

The company was incorporated on 09.05.1980 and the Company has been pursuing the business of carrying on

a) Dealership business in electrical components for major manufacturers like Siemens India Limited, GEC Alstom Limited and Finolex Cables Limited.

b) Manufacture and supply of switchgear panels /Power control and Motor Control Centres /Power Capacitors L.T.Transformers ,Switchboards for industrial application and Electrical Installation contracts.

Financial performance:

Rs. in lakhs

Rs. Lakhs	FY 2001	FY 2002	FY 2003
Total Income	3232.07	2332.48	1907.26
Profit after Tax	(47.18)	22.38	(177.92)
Equity Share Capital	351.17	351.17	351.17
Reserves	804.90	824.84	606.96
EPS	(1.34)	0.64	(5.57)
NAV	24.47	25.11	18.99

Stock Market Data:

Name of Regional Stock Exchange	The Madras Stock Exchange
Listed At	BSE,MSE
High/ Low price in the last 6 months (Rs.)	No Trading
Market price per share as on 21st March 2000 (BSE)	Rs.3.50
Market capitalization as on 21 st March 2000	Rs. 1,22,94,625
There is no trading at MSE	

2. Dhandapani Exports Ltd

The company was incorporated on 21.12.1990 and is in the business of exporting finished leather garments. Exports have mainly been to U.K. and European countries.

Financial performance:

Rs.in lakhs

Rs. Lakhs	FY 2001	FY 2002	FY 2003
Total Income	930.13	1007.28	690.82
Profit after Tax	37.91	43.96	14.45
Equity Share Capital	126.60	126.60	126.60
Reserves	121.79	146.76	145.02
EPS	2.99	3.47	1.14
NAV	19.62	21.59	21.45

3. Cybervision Solutions Limited

The company was incorporated on 09.11.1998 and is in the business of Data conversion and software development. It deals with the Computers & Peripherals, Internet – Servers, VOIP Products, HDD-Imports etc

Financial performance:

Rs in lakhs

Rs. Lakhs	FY 2001	FY 2002	FY 2003
Total Income	70.15	80.70	68.34
Profit after Tax	10.35	7.37	0.93
Equity Share Capital	38.06	38.06	38.06
Reserves	15.21	18.77	6.99
EPS	2.71	1.94	0.24
NAV	13.99	14.93	11.84

4.Dhandapani Power Systems P Ltd

The Company was incorporated on 05.09.1991. Its activities include trading and manufacturing of power capacitors, control panels and switchgears.

	Rs in Lakhs		
	2001	2002	2003
Total Income	193.30	0.22	Nil
Profit After Tax	(1.73)	0.08	(0.01)
Equity Share Capital	7.53	7.53	7.53
Reserves	Nil	Nil	Nil
EPS	(2.30)	0.11	(0.01)
NAV	10	10	10

5.Kamalalaya Cables Private Ltd

The Company was incorporated on 04.06.1984. The Company's main business activity is dealing in underground power cables. However with the slump in the electrical industry and reduction in the margins, the Company has incurred loss.

	Rs in Lakhs		
	2001	2002	2003
Total Income	150.72	0.016	0.08
Profit After Tax	(8.91)	(1.93)	(0.87)
Equity Share Capital	5.00	5.00	5.00
Reserves	1.10	Nil	Nil
EPS	(178.20)	(38.60)	(17.40)
NAV	122	100	100

There are no issues made by any of the above Companies during the last 3 years

The financial information of the above companies has been disclosed as per SEBI guidelines.

X. MANAGEMENT DISCUSSION AND ANALYSIS

Comparison of income and expenditure for the years 2002-03,2001-02 and 2000-01

	Rs. in lakhs		
Particulars	2000-01	2001-02	2002-03
Income from financing operations	2223.94	2590.10	2651.96
Other Income	28.66	26.53	20.37
Expenditure	1235.63	1484.77	1516.93
Profit before tax	553.04	804.05	851.46
Profit after tax	488.00	522.60	719.43
EPS	8.35	8.78	12.08
Dividend %	25	27.5	25

The Company achieved a total business of Rs.65.75 crores, a growth of 30% over the previous year. Lease rentals included in income and Depreciation charges were lower consequent to the phasing out of the equipment finance product line. Profit, net of depreciation charge at Rs. 851.46 lakhs was higher by 5.89%.

Comparison of FY2003 and FY2002

Net Profit: The Company's Net Profit has been steadily increasing over the years. The Net Profit amounts to Rs.719.43 Lakhs as compared to Rs.522.60 Lakhs in the previous year-an increase of 37.66%

Income from Financing operations: The Income from financing operations has increased from Rs.2590.10 Lakhs to Rs.2651.96 lakhs

Expenditure

There has been a increase in expenditure to the extent of 2.17%

The interest expenses in the year 2001-02 was Rs.1095.87 lakhs and this has come down to Rs.1086.81 lakhs in the year 2002-03.This has been possible due to swapping of high cost working capital loans and better treasury operations.

Earnings per share

There has been a jump in the EPS in the year 2002-03 to Rs.12.08 from Rs.8.78 of the previous year 2001-02.

Comparison of Financial year 2002 with 2001

Increase in Income

The Income for the year 2001-02 has increased to Rs.2590.10 Lakhs from Rs.2223.94 lakhs an increase of Rs.366.16 lakhs -working out to an increase of 16.46%

Net Profit

The Net Profit for the year 2001-02 is Rs.522.60 lakhs as compared to Rs.488 lakhs in the previous year 2001-01

Expenditure

There has been a significant increase in the expenditure of Rs.249.14 lakhs. This has been due to geographical expansion of the Company. Due to the opening of branches there has been an increase in the Establishment expenses.

Unusual or infrequent events or transactions

There are no major unusual or infrequent events or transactions other than as mentioned in the LOF during the year under review

Significant economic changes that materially effected or are likely to effect income from continuing operations

The Company is predominantly regulated by Reserve Bank of India's Regulations and the company foresees no significant economic changes that are likely to effect income from continuing operations.

Known Trends or uncertainties that have had or expected to have a material adverse impact on sales, revenue or income from continuing operations.

There are no known uncertainties that has been foreseen.

Future changes in relationship between costs and revenues, in case events such as future increase in labour or material costs or prices that will cause a material change are known.

Since the company is in finance industry neither material nor labour is involved in the activities.

The extent to which material increase on net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices.

Since the company is in finance industry neither material nor labour is involved in the activities.

Status of any publicly announced new products or business segment

The company has not announced any new product/business.

The extent to which business is seasonal

The Company is involved in Financial Sector, which is not seasonal.

Any significant dependence on a single or few suppliers or customers

The company is not dependent on any single supplier or customer..

Competitive conditions

The high profile new generation private sector banks, with access to low cost funds continue to dominate the field. The entry of commercial banks to retail markets has further impacted on business competition. However, with the expertise gained over a period, the company is confident of providing quality services to its clients. Stiff competition is envisaged in future from companies/banks, which would be effectively tackled by the Company. Since the company has been constantly widening its base, it is confident of strengthening its market potential in the years to come

XI. STATUTORY AND OTHER INFORMATION

Particulars regarding Listed Companies under the same Management which have made capital issue during last five years

No listed companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956, have made any capital issue during the last five years.

Procedure for Handling Investor Complaints and Investor Grievances

The Company has a Share Transfer and Investor Relations Committee that monitors and redresses investors grievances. The Company has appointed M/s. Cameo Corporate Services Limited as its Registrar and Share Transfer Agents for speedy disposal of transfers, transmissions, etc.

The Company proposes to redress the investor grievance in the following time frame.

Nature of complaint	Time limit
Non receipt of refund orders	3 days
Non receipt of share certificates	15 days
Change of address	2 days
Transfer of shares	within 30 days

Expert Opinion

Save and except as stated elsewhere in this Letter of Offer, the Company has not obtained any expert opinions.

Option to Subscribe

Other than the present Rights Issue, the Company has not given any option to subscribe for any Equity Shares of the Company. The investor shall have an option either to receive the shares or to hold the shares in dematerialised form with a depository.

Option to Subscribe in Dematerialised Form

The Investors have an option to subscribe to the shares of the Company either in the physical form or dematerialised form.

Applicants must indicate in the application form the number of shares they wish to receive in dematerialised and physical form out of the total number of shares applied for. In case of partial allotment, shares will be first allotted in dematerialised form and the balance CCPS, in excess of the applicant's request for CCPS in dematerialised form will be allotted in physical form. Shareholders opting to receive CCPS in physical mode will be issued a consolidated Share Certificate for all the Equity Share certificate for all the Equity Shares allotted to them in this offer.

Purchase of Property

There is no property which the Company has purchased or acquired or proposes to purchase or acquire, which is to be paid for, wholly or partly, out of the proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of issue of this letter of offer, other than:

- a) the contracts for the purchase or acquisition whereof were entered into, or may be entered into, in the ordinary course of the Company's business, such contracts not being made in contemplation of the Issue or in consequence of the contract; or
- b) property in respect of which the amount of purchase consideration is not material.

The Company has not purchased any property in which any of its Directors had or have any direct or indirect interest or in any payment thereof.

The company has no plans, at present, to acquire any running business out of the proceeds of the issue.

Issue of shares otherwise than for cash

There have not been any issues for consideration other than cash.

Details of Previous issue

The company has not made any public/rights issue in the past five years.

Payment of benefit to the Directors and Officers of the Company

No amount or benefit has been paid or given or is intended to be paid or given to any director or officer of the Company except their normal remuneration or/and reimbursement for the services rendered to the Company to which they are entitled to or may become entitled to in accordance with the law.

Previous issue of the Company and its associate Companies during the last three years.

The company and its associates have not made any public/rights issue in the last three years.

General Declaration

The Company has made all payments/refunds on fixed deposits, has paid interest on fixed deposits and has paid all institutional dues up-to-date other than those remaining unclaimed.

XII. MATERIAL CONTRACTS AND INSPECTION OF DOCUMENTS

The following contracts mentioned below (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company) are / or may be deemed to be material contracts. Copies of these contracts together with copies of documents referred below may be inspected at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day until the closing of subscription list.

A. Material contracts

1. Memorandum of Understanding dated 27th November 2003, signed between the Company, Karvy Investor Services Limited for acting as Lead Managers to the Issue.
2. Memorandum of Understanding dated 7th November 2003, signed between the Company, Canara Bank for acting as Post Issue Lead Managers to the Issue
3. Memorandum of Understanding dated 2nd December 2003, signed between the Company and Karvy Consultants Limited, Registrar to the Issue.
4. Consents of Bankers to the Issue dated 31st October 2003 from Canara Bank.

Material Documents

1. Memorandum and Articles of Association of the Company.
2. Agreement with NSDL dated 3rd October, 2000 and Agreement with CDSL dated 14th May 2001 .
3. Copy of listing agreements or letters in lieu thereof with MSE and BSE
4. Copy of Resolutions passed by the Board of Directors held on September 12th 2003 and by the shareholders at the Extraordinary General Meeting held on October 8th 2003.
5. Consent letters from Lead Managers to the Issue, Registrars to the issue, Bankers to the issue, Bankers to the Company, Directors, Auditor, Legal Advisor, Compliance Officer, Company Secretary as referred to in this Letter of offer to act in their respective capacities.
6. Annual reports of Dhandapani Finance Limited for the last five years.
7. Copy of the Auditors report dated 28.10.2003 advising the Company about the tax benefits available to the Company and its members.
8. Auditors report dated 28.10.2003 included in the Letter of Offer and copies of the Balance Sheet referred in the said report.
9. Copy of SEBI observation letter No.----- dated ----- 2003 issued in respect of this Letter of offer
10. Copy of Observation letter No.----- dated ----- 2003 from the Stock Exchange,--
