

DRAFT PROSPECTUS

DHANDAPANI FINANCE LIMITED

(Incorporated on 30th October, 1986 as Dhandapani Finance and Investments Private 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: ghanfin@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: ghanfin@vsnl.com , Website: www.dhandapanifinance.com
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Public issue of 8.5% 50,00,000 Cumulative Convertible Preference Shares (CCPS) of Rs 10/- each for cash at par aggregating Rs. 5,00,00,000/-

GENERAL RISKS

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this offer 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 offering. For taking an investment decision investors must rely on their own examination of the Issuer and the offer 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 draft Prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for, and confirms that this draft prospectus contains all information with regard to the Issuer and the issue, which is material in the context of the issue, that the information contained in this draft prospectus 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.

Investors are requested to refer page ----- for the summarized and detailed statement of Risk Factors.

LISTING

The Company's existing shares are listed on the Madras Stock Exchange Ltd (hereinafter referred to as 'MSE' / 'Designated Stock Exchange') and the Stock Exchange, Mumbai (hereinafter 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.

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:

ISSUE CLOSES ON:

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ABBREVIATIONS USED IN THE PROSPECTUS

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	Dhandapani Finance Limited
Rating Agency	ICRA, CRISIL
EGM	Extra-ordinary General Meeting
EPS	Earnings per share
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
Issue	Public Issue of up to 50,00,000- 8.5%CCPS of Rs.10/- each for cash at par aggregating to Rs.5 crores
IT Act	The Income Tax Act, 1961 and amendments thereto
Pre-issue Lead Manager	Karvy Investor Services Limited
Post Issue Lead Manager	Canara Bank
Memorandum	Memorandum of Association of the Company
MSE	Madras Stock Exchange
NAV	Net Asset Value
NBFC	Non-Banking Financial Company
NOF	Net Owned Funds
NPA	Non-Performing Assets

NRI(s)	Non-resident Indians
NSDL	National Securities Depository Limited
PAN	Permanent Account Number
OCB(s)	Overseas Corporate Body (ies)
RBI	The Reserve Bank of India
Registrar to the Issue/ Registrar	Karvy Consultants Limited
ROC	Registrar of Companies, Tamilnadu at Chennai
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

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 dependent on the performance of its clients

Management 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 has 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.500 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:

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

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			

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 of 23.42% which is well above the statutory requirement.

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Registered Office:
291/(old no:141),
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Corporate Office:
14/1, Ramakrishna Street,
T. Nagar, Chennai-600017
Phone Nos. 044-28141778,28142706,28142663,28141304
Email: dhanfin@vsnl.com, Website: www.dhandapanifinance.com

Public issue of 8.5% 50,00,000 Cumulative Convertible Preference Shares (CCPS) of Rs 10/- each for cash at par aggregating Rs. 5,00,00,000/-

I. GENERAL INFORMATION

AUTHORITY FOR THE PRESENT ISSUE

Pursuant to Section 81(1A) of the Companies Act, 1956, the present issue of 8.5% Cumulative Convertible Preference Shares (CCPS) aggregating Rs.5 crores has been authorised vide Special Resolution passed at Extraordinary General Meeting held on 8th October, 2003.

ELIGIBILITY FOR THE ISSUE

The Company, its promoters and its Directors have not been prohibited from accessing the capital market under any order or direction passed by SEBI. Dhandapani Finance Limited is an existing listed company, whose equity shares are listed on the MSE and BSE. It is eligible to make this Issue in terms of Clause 2.3 of the SEBI Guidelines. As per Clause 2.3.1, the aggregate of the proposed composite issue does not exceed five times the pre-issue networth as per the audited balance sheet of 31st March 2003.

Aggregate of the proposed Composite Issue	- Rs.698.48 lakhs
Five Times the pre-issue Networth (as on 31 st March 2003)	-5(Rs.3142.95) Rs.15714.75 lakhs

GOVERNMENT APPROVALS

No consent of the Government of India is required for the present Issue. No letter of intent/ industrial licence is required to carry out business by the Company. The Company 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 has also 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. The company continues to be registered as NBFC and hire purchase finance company by RBI.

The Company has complied with all the applicable guidelines / directions issued by RBI from time to time. The Company does not propose to enter new activities through this public issue of CCPS for which any further approvals are required to be obtained. It must be distinctly understood that in registering the Company, Reserve Bank Of India does not undertake any responsibility for the financial soundness of the Company or for the correctness of any of the statements made or any commitments made or opinions expressed.

DISCLAIMERS

SEBI DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THIS DRAFT PROSPECTUS HAS BEEN SUBMITTED TO SECURITIES AND EXCHANGE BOARD OF INDIA. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE PROSPECTUS. THE LEAD MANAGERS, M/S. KARVY INVESTOR SERVICES LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURES 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 PROSPECTUS, 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, M/S. KARVY INVESTOR SERVICES LIMITED, HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED -----2003 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, DISPUTES WITH COLLABORATORS ETC., AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE PROSPECTUS 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 OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER MATERIALS FURNISHED BY THE COMPANY,

WE CONFIRM THAT:

a)THE PROSPECTUS 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; AND

c)THE DISCLOSURES MADE IN THE PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.

3.WE CONFIRM THAT BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATION IS VALID.

THE FILING OF THIS PROSPECTUS 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 CLEARANCES 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 PROSPECTUS.

Disclaimer Clause of the Stock Exchanges

Disclaimer Clause of MSE

As required, a copy of this draft prospectus has been submitted to the MSE, which has given, vide its letter dated -----, 2003, comments on the prospectus. The Exchange has scrutinised this Prospectus for its limited internal purpose of deciding on the matter of granting the permission to use the Exchange's name in the draft prospectus 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 Prospectus 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 Prospectus, 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 draft prospectus has been submitted to the BSE, which has given, vide its letter dated -----, 2003, comments on the draft prospectus. The Exchange has scrutinised this Prospectus for its limited internal purpose of deciding on the matter of granting the permission to use the Exchange's name in the Prospectus 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 BSE, should not in any way be deemed or construed that the Prospectus has been cleared or approved by BSE, nor does it in any manner warrant, certify, or endorse the correctness or completeness of any of the contents of this Prospectus, 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 in respect of jurisdiction

This Prospectus has been prepared under the provisions of Indian Laws and the applicable rules and regulations there under to persons resident in India. This Prospectus does not, however constitute an Issue to sell or an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an Issue or invitation to such jurisdiction. Any person into whose possession this Prospectus comes is required to inform himself about and to observe any such restrictions. Any disputes arising out of this Issue will be subject to the jurisdictions of appropriate Courts in Chennai, India only.

The draft Prospectus has been filed with SEBI for its observations. After SEBI gives its observations, the final Prospectus will be filed with the Registrar Of Companies, Tamil Nadu at Chennai as per the provisions of the Act.

CAUTION

It should be noted that the Company and Lead Manager accept no responsibility for statements made otherwise than in the Prospectus or in the advertisements or any other material issued by or at the instance of the Company and that anyone placing reliance on any other source of information would be doing so at his/her own risk.

All information shall be made available by the Lead Manager and the Issuer to the investors and no selective or additional information would be made available for a section of the shareholders or investors in any manner whatsoever including at presentations, research or sales reports etc., after filing of the draft Prospectus with SEBI. The Lead Manager and the Company shall keep the shareholders informed of any material changes till the listing and trading commencement.

FILING

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

A copy of this Prospectus having attached thereto, the documents required to be filed under Section 60 of the Companies Act, 1956 (hereafter referred as "The Act") has been delivered for registration to the Registrar of Companies, Tamil Nadu at Chennai.

A copy of the documents referred to elsewhere in the Prospectus has been kept open for public inspection at the Registered Office of the Company.

LISTING

The Company's existing shares are listed at the MSE and the BSE. Applications will be made at the aforesaid Stock Exchanges at Chennai and Mumbai for permission to deal in and for an official quotation in respect of CCPS of the Company now being offered in terms of this prospectus and for shares arising out of conversion of CCPS.

In case the permission to deal in and for official quotation of the CCPS is not granted by these Stock Exchanges, the Issuer shall forthwith repay without interest, all monies received from

applicants in pursuance of this Prospectus and if such money is not repaid within 8 days after the day from which the Issuer is liable to repay it, the Issuer shall pay interest as prescribed under Section 73(2) of the Act.

UNDERTAKING FROM PROMOTERS AND DIRECTORS

The Issuer accepts full responsibility for the accuracy of the information given in this Prospectus and confirms that to the best of their knowledge and belief, there are no other facts, the omission of which make any statement in this Prospectus misleading and they further confirm that they have made all reasonable inquiries to ascertain such facts. The Issuer further declares that the Stock Exchanges to which an application for official quotation is proposed to be made do not take any responsibility for the financial soundness of this offer or for the price at which the CCPS are offered or for the correctness of the statements made or opinions expressed in this Prospectus.

The promoters/directors declare and confirm that no information/material likely to have a bearing on the decision of investors in respect of the shares offered in terms of this Prospectus has been suppressed/withheld and/or incorporated in the manner that would amount to mis-statement/misrepresentation and in the event of its transpiring at any point of time till allotment/refund, as the case be, that any information/material has been suppressed/withheld and/or amounts to a mis-statement/mis-representation, the promoters/directors undertake to refund the entire application monies to all the subscribers within 7 days thereafter without prejudice to the provisions of Section 63 of the Companies Act.

CAUTION

Attention of the applicants is specifically drawn to subsection (1) of Section 68-A of the Act, 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.”

ISSUER COMPANY ACCEPTS NO RESPONSIBILITY FOR STATEMENTS MADE OTHERWISE THAN IN THE PROSPECTUS OR IN THE ADVERTISEMENT OR ANY OTHER MATERIAL ISSUED BY OR IN THE INSTANCE OF THE ISSUER AND THAT ANY ONE PLACING RELIANCE ON ANY OTHER SOURCE OF INFORMATION WOULD BE DOING SO AT HIS/HER OWN RISK.

MINIMUM SUBSCRIPTION

If the Company does not receive the minimum subscription of 90% of the issued amount on the date of closure of the issue or the subscription level falls below 90% after the closure of the issue on account of cheques having been returned unpaid or withdrawal of applications, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days, after the Company becomes liable to pay the amount, the Company shall pay interest as per Section 73 of the Companies Act, 1956.

SHARE CERTIFICATES/ALLOTMENT LETTERS/REFUND ORDERS

Letter(s) of Allotment/Share Certificate(s) together with refund orders of value over Rs.1,500/-, if any, to allottees and Letter(s) of Regret together with refund orders of value over Rs.1,500/- to non-allottees will be despatched by registered post and refunds of value Rs.1,500/- and less will be despatched under certificate of posting at the applicant's sole risk within 10 weeks from the date of closure of the subscription list.

Adequate funds for the above purpose will be made available to the Registrar to the issue to ensure despatch of refund orders, allotment letters, and share certificates by Registered Post/Certificate of Posting.

The company agrees that -

- a) as far as possible allotment of securities offered to the public shall be made within 30 days of the closure of the public issue.
- b) it shall pay interest @ 15% per annum if the allotment has not been made and the refund orders are not despatched to the investors within 30 days from the date of closure of the issue.

Despatch of share certificates/refund orders and demat credit would be completed and allotment and listing documents would be submitted to the Stock Exchanges within two working days of the finalisation of the basis of allotment.

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 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.

TRUSTEES

Since the proposed issue is of CCPS only, trustee is not required to be appointed.

ISSUE SCHEDULE

THE SUBSCRIPTION LIST WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS AND WILL CLOSE AT THE CLOSE OF BANKING HOURS ON THE DATES AS MENTIONED BELOW OR EARLIER DATE AT THE DISCRETION OF THE BOARD OF DIRECTORS OF THE COMPANY (HEREIN AFTER REFERRED TO AS 'THE BOARD') BUT NOT BEFORE THE CLOSE OF THE BANKING HOURS ON THE DATE MENTIONED UNDER THE CAPTION "EARLIEST CLOSING"

Issue Opens on

Earliest closing date

Closing not later than

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 endeavours 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.

A report on the implementation of Corporate Governance Code furnished below:

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 Committee meets approximately once a fortnight.

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 shareholders.

ISSUE MANAGEMENT TEAM

Lead Managers to the Issue

Karvy Investor Services Limited

Merchant Banking Division
"Karvy House" 46, Avenue 4,
Street No: 1, Banjara Hills,
Hyderabad - 500 034.
SEBI Registration No.: MB/INM/000008365
Tel: 040 - 23321840/23320752
Fax: 040 - 23374714

Canara Bank

Corporate Merchant Banking Division
T&I O Wing Head Office,
112, J.C. Road,
Bangalore 560 002
Ph: 080-2128043, 2128044
SEBI Registration No.: MB/INM/000002558

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 Despatch of certificates and refunds with Registrars to the issue, Bankers to the issue and the bank handling refund business.	Canara Bank	Canara Bank

Registrars to the Issue	Company Secretary & Compliance Officer
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	Ms C Jayashree 14/1, Ramakrishna Street, T. Nagar, Chennai-600017 Phone Nos. 044-28141778,28142706 Fax: (044) 28141242 Email: ghanfin@vsnl.com Website: www.dhandapanifinance.com

The investors may contact the Compliance Officer in case of any pre-issue/post-issue related problems such as non-receipt of Letters of Allotment/Share Certificates/Refund Orders etc.,

Auditors	Legal Advisor
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	Mr.K.Vijayakumar “Vaishnavee Apts” Old No. 32,New No.38 Flat No.2, Car Street, Triplicane Chennai 600005 Tel:044-28441604

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	

Bankers to the Issue

Canara Bank

Thousand Lights Branch, Grems Road
Chennai 600 006
Tel: (044) 28293418, 28291015, 28292972
Fax: (044) 28290976
E-mail: fcsctl@canarabank.co.in

Underwriters to the Issue

Underwriting being optional, the Issuer does not propose to underwrite the issue.

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	5,00,00,000	
50,00,000 8.5% Cumulative Convertible Preference Shares of Rs10/- each at par to the Indian Public through Prospectus		
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	1,39,69,550	2,79,39,095
13,96,955 Equity shares of Rs10/- each at a premium of Rs.10/- per share		
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 Capital Structure:

1. Share Capital History

The details of share capital allotted by the Company is as follows:

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 AND LOCK-IN

Name of the Promoters	Fully paid Up on	As on 30.10.03	% 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-IInd 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 KOTHANDAPANI KEERTHI	01.02.1997	50465	0.85	Cash	57194	0.65	60558	0.60
SOUNDARARAJAN	01.02.1997	46400	0.78	Cash	52587	0.60	55680	0.55
NITHYA GOPALAN	01.02.1997	43200	0.73	Cash	48960	0.56	51840	0.51
DEEPALI SOUNDARARAJAN	01.02.1997	35200	0.59	Cash	39893	0.46	42240	0.42
PREETHI SRIDHARAN	01.02.1997	28000	0.47	Cash	31733	0.36	33600	0.33
PANKAJAVALLI	01.02.1997	20000	0.34	Cash	22667	0.26	24000	0.24
JAGADHARANI T S	01.02.1997	15400	0.26	Cash	17453	0.20	18480	0.18
ARUN KUMAR DESIKAN	01.02.1997	10000	0.17	Cash	11333	0.13	12000	0.12
MEENAKSHI	01.02.1997	9100	0.15	Cash	10313	0.12	10920	0.11
AMBALAVANAN T	01.02.1997	6100	0.10	Cash	6913	0.08	7320	0.07
KASTURI T	01.02.1997	6100	0.10	Cash	6913	0.08	7320	0.07
POONKOTHAI T	01.02.1997	5800	0.10	Cash	6573	0.08	6960	0.07
T N ARAVINDAN	01.02.1997	5600	0.09	Cash	6347	0.07	6720	0.07
DEVARAJAN T N	01.02.1997	4000	0.07	Cash	4533	0.05	4800	0.05
DAMODHARAN	01.02.1997	4000	0.07	Cash	4533	0.05	4800	0.05
DEEPALI T N	01.02.1997	3150	0.05	Cash	3570	0.04	3780	0.04
T S SUDARSAN	01.02.1997	2800	0.05	Cash	3173	0.04	3360	0.03
JAYA BALASUBRAMANIAN	01.02.1997	1500	0.03	Cash	1700	0.02	1800	0.02
C S PANI	01.02.1997	1000	0.02	Cash	1133	0.01	1200	0.01
VINUTHA GOPAL PANI	01.02.1997	1000	0.02	Cash	1133	0.01	1200	0.01
LAKSHMI M	01.02.1997	700	0.01	Cash	793	0.01	840	0.01
MEENAKSHI S	01.02.1997	600	0.01	Cash	680	0.01	720	0.01
VIJAYALAKSHMI	01.02.1997	500	0.01	Cash	567	0.01	600	0.01
RAMPRASAD	01.02.1997	400	0.01	Cash	453	0.01	480	0.00
CAUVERY CHAKRAVARTHY	01.02.1997	300	0.01	Cash	340	0.00	360	0.00
D CHAKRAVARTHY	01.02.1997	300	0.01	Cash	340	0.00	360	0.00
CLAUS SHREYAS CHAKRAVAR	01.02.1997	300	0.01	Cash	340	0.00	360	0.00
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

SANTHI KUMAR	-	-	-	-	-	-	-	-
PREMA GOPALAN	-	-	-	-	-	-	-	-
KAMALALAYA CABLES PVT LTD	-	-	-	-	-	-	-	-
TOTAL	-	3358227	-	-	3805991	43.51	4029872	39.72

3. Current shareholding pattern of the Company (as on 30th September 2003)

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	Existin g 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

4. a) Particulars of top ten shareholders as on (being date of filing of the Prospectus with the ROC at Tamilnadu at Chennai)

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 Prospectus with the ROC at Tamilnadu at Chennai)

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 Prospectus with the ROC at Tamilnadu at Chennai)

Name of the shareholder	Shares	Amount (Rs.)	% of
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			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 Prospectus.
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 Prospectus with the SEBI and the date on which the CCPS issued under this Prospectus 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. There are no undertakings/pledge given to lenders relating to share capital
14. 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.
15. Shares held by the person other than the promoters, prior to Initial Public Offering, which are subject to lock in as per extent SEBI Guidelines, may be transferred to any other person holding shares which are locked in, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as applicable.

Shares held by promoter(s) which are locked in as per the relevant provisions of this chapter, may be transferred to and amongst promoter/promoter group or to a new promoter or persons in control of the company, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of shares and Takeovers) Regulations, 1997, as applicable.
16. No single applicant can make an application for number of securities, which exceeds the securities offered namely, 50,00,000 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

PRINCIPLE TERMS AND CONDITIONS OF THE ISSUE

The CCPS being issued are subject to the terms of this Prospectus, the terms and conditions contained in the Application Form, the Memorandum and Articles of Association of the Company, provision of the Act, other applicable acts and the Letters of Allotment / Equity Shares Certificates or other documents and the Guidelines issued from time to time by the Government of India and Securities and Exchange Board of India.

The principal terms and conditions of the Offer are as follows:

- i) Present Issue:** The present public issue of 50,00,000 CCPS of Rs.10/- each for cash at par is being offered in terms of the prospectus. 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.

AUTHORITY FOR THE ISSUE

Pursuant to Section 81(1A) of the Companies Act, 1956, the present issue of CCPS has been authorised vide Special Resolution passed at Extraordinary General Meeting held on October 8th 2003 at the Registered Office of the Company.

Terms of Payment:

Applications should be for minimum of 200 CCPS and in multiples of 100 thereafter. The full amount of Rs.10/- per CCPS will be payable on application.

Where an applicant is allotted lesser number of CCPS than he / she has applied for, the excess amount paid on application shall be refunded to the applicant. No interest would be payable on application money pending allotment up to 30 days from the date of closure of the issue.

Ranking of Equity Shares

The new equity shares post conversion of the CCPS to be issued shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari passu with the existing Equity Shares of the Company save and except that they shall rank for dividend, if any, which may be declared, pro-rata for the period from the date the new Equity Shares are allotted.

Nomination Facility

In terms of Section 109A of the Companies Act, 1956 nomination facility is available in case of shares. The applicant may nominate any person by filling the relevant details in the application form at the space provided for the purpose.

Rights of CCPS Shareholders

1.Right to receive dividend.

2. If the company defaults in the payment of dividend, the dividend accumulates to the next year and the shareholders can exercise voting rights.

Instructions for Applicants

a) Availability of Application Forms & Prospectus: Application Forms together with Memorandum containing salient features of the Prospectus may be obtained from the Registered Office of the Company, Lead Manager, Brokers to the Issue, Registrar to the Issue and Bankers to the Issue named herein or from their branches as stated on the reverse of the application form. Any individual desiring to have a full copy of the Prospectus may write to the Lead Manager or to the Registered Office of the Company.

b) Who can apply:
Applications may be made by:

1. Indian Nationals Resident in India who are majors, in single or joint names (not more than three)
2. Hindu Undivided Families in the individual name of the Karta.
3. Companies, Corporate Bodies and Societies registered under the applicable law in India and authorised to invest in the shares.
4. Indian Mutual Funds registered with SEBI, Indian Financial Institution, Commercial Banks and Regional Rural Banks, Co operative Banks may also apply subject to permission from RBI.
5. Indian Financial Institutions and Banks
6. Non-Resident Indians (NRIs), Overseas Corporate Bodies (OCBs) on a non-repatriation basis.
7. Trusts or Societies registered under the Societies Registration Act, 1860 or any other applicable Trust Law and which are authorized under their constitution to hold and invest in Shares of a Company.

Application not to be made by:

- * Minors
- * Foreign Nationals
- * Partnership firms or their nominees
- * Trusts (except as stated above)
- * HUFs (except as stated above)
- * NRIs and OCBs (except as stated above)
- * Foreign Institutional Investors (FIIs)

A single application can be made only for the number of CCPS that are being offered to each respective category.

c) Procedure for Application

Application by Resident Indian Public

Application must be:

1. Made only in the prescribed application form accompanying the memorandum.
2. Completed in full in block letters in English except signatures in accordance with the instructions contained herein and in the application form. Applications not so made are liable to be rejected.
3. For a minimum of 200 CCPS and in multiples of 100 thereafter.
4. In single names or joint names (not more than three).
5. In the name of Resident Indian Individuals, limited companies statutory corporations/institutions incorporated in India, Indian Mutual Funds registered with SEBI and Banks. Applications in the name of minors, foreign nationals, Trusts not registered under the Societies Registration Act, 1860, or any other Trust laws, partnership firms or their nominees will be treated as invalid.
6. Applicants residing at places where no collection centers have been opened may submit / mail their applications at their sole risk along with application money due there unto by Demand Draft to the Registrar to the Issue, Karvy Consultants Limited, 46, Karvy House, Avenue 4, Street No.1, Banjara Hills, Hyderabad-500034 superscribing the envelope "Dhandapani Finance Limited – Public Issue " so as to reach the Registrar on or before the closure of the Subscription List. Such demand drafts should be payable at Hyderabad only. The charges, if any, for purchase of the demand draft will have to be borne by the applicant.
7. Application by NRI/s OCBs may be made only on non – repatriable basis. The same will be treated at par with applications made by the members of the resident Indian public, subject to relevant regulations.
8. Application by Mutual Funds / Indian Financial Institutions / Banks / Investment Institutions: A separate application can be made in respect of each scheme of an Indian Mutual Fund registered with SEBI and such applications will not be treated as multiple applications provided the applications made by the AMCs / Trustees / the Custodians clearly indicate their intention as to each Scheme concerned for which application has been made.
9. All cheques / bank drafts accompanying the application should be crossed "A/c payee only" and made payable to any of the Bankers to the Issue and lodged at any of their nominated branches and should bear the words "Dhandapani Finance Limited – Public Issue ".
10. Applicants should indicate the application numbers on the reverse of the instrument through which the payment is made.

d) **Instructions for payment:** Payments should be made in cash or cheque or demand draft drawn on any Bank (including a Co-operative Bank) which is situated at and is a member or a sub-member of the Bankers' "Clearing House" located at the Centers (indicated in the Application Form) where the Application is accepted. A Separate cheque / demand draft should accompany each Application Form.

Money orders, postal orders, outstation cheques or demand drafts, cheques / draft drawn on banks not participating in the "clearing" will not be accepted and applications accompanied with such instruments may be rejected.

All cheques or demand draft accompanying the application must be crossed "A/c Payee Only" and made payable to "Dhandapani Finance Limited – Public Issue ". The Application Form

Number must be mentioned on the reverse of the Cheque / Draft. No separate receipts will be issued for the application money. However, the Bankers to the Issue receiving the Application Form will acknowledge receipt of the application by stamping and returning the Acknowledgment Slip at the bottom of each Application Form. For further instructions, please read the Application Form carefully.

In case payment is effected in contravention of the conditions mentioned herein, the application money will be refunded and no interest will be paid thereon.

Rejection on technical grounds

- a) If age is not mentioned
- b) If bank account details are not mentioned
- c) Applications without PAN/GIR number (i.e. for applications for Rs.50,000/- and above).
- d) Corporate applications without documents (Board Resolution, Certified Copy of Memorandum and Articles of Association)
- e) More than one application with a single cheque
- f) Applications made with cash exceeding Rs.20,000/-

Disposal of Application and Application Money: No receipt will be issued for application money. However, the Bankers to the issue receiving the application will acknowledge the receipt of the application by stamping and returning the detachable acknowledgement slip appended to each application. The sum received in respect of the issue will be kept in separate bank accounts and the Company will not have any access to the funds unless approval of the Designated Stock Exchange i.e. The Madras Stock Exchange Limited, is obtained for the basis of allotment and listing approval from all the Stock Exchanges where listing is proposed.

The Company reserves the full unqualified and absolute right to accept or reject any application in whole or part and in either case without assigning any reason thereof.

Basis of Allotment:

In the event of the public Issue being oversubscribed, the allotment will be on a proportionate basis subject to market lots as explained below:

- a) A minimum 50% of the net Issue to the Indian public will be made available for allotment in favour of those individual applicants who have applied for Rs.50, 000 or Less. This percentage may be increased in consultation with the Regional Stock Exchange depending on the extent of response to the Issue from investors in this category. In case allotments are made to a lesser extent than 50% because of lower subscription in the above category, the balance CCPS would be added to the higher category and allotment made on a proportionate basis as per relevant SEBI Guidelines. The Executive Director/Managing Director of the Regional Stock Exchange along with the post issue lead manager and the Registrar to the Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner in accordance with the guidelines.
- b) The balance of Net Issue to Indian Public shall be made available to investors including corporate bodies/institutions and individual applicants who have applied for allotment of more than Rs.50, 000.

c) The unsubscribed portion of the net Issue to any of the categories specified in (a) or (b) shall be made available for allotment to applicants in the other category, if so required.

d) Applicants will be categorised according to the number of CCPS applied for.

e) The total number of CCPS to be allotted to each category as a whole shall be arrived at on a proportionate basis i.e. the total number of shares applied for in that category (number of applications in the category multiplied by the number of CCPS applied for) multiplied by the inverse of the oversubscription ratio.

f) Number of CCPS to be allotted to the successful allottees will be arrived at on a proportionate basis i.e. total number of CCPS applied for by each applicant in that category multiplied by the inverse of the oversubscription ratio.

g) In all the applications where the proportionate allotment works out to less than 100 CCPS per applicant in the allotment shall be made as follows:

i. Each successful applicant shall be allotted a minimum of 100 CCPS, and

ii. The successful applicants out of the total applicants of that category shall be determined by drawal of lots in such a manner that the total number of CCPS allotted in that category is equal to the number of CCPS worked out as per (b) above.

h) If the proportionate allotment to an applicant works out to a number that is more than 100 but is not a multiple of 100 (which is the marketable lot) the number in excess of the multiple of 100 would be rounded off to the higher multiple of 100 if that number is 50 or higher. If that number is lower than 50, it would be rounded off to the lower multiple of 100. All applicants in such categories would be allotted CCPS arrived at after such rounding off.

If the CCPS allocated on a proportionate basis to any category is more than the CCPS allotted to the applicants in the category, the balance available CCPS for allotment shall be first adjusted against any other category where the allotted CCPS are not sufficient for proportionate allotment to the successful applicants in that category. The balance CCPS if any, remaining after such adjustment will be added to the category comprising of applicants applying for minimum number of CCPS.

In case the public issue is oversubscribed, the Executive Director/Managing Director of the Madras Stock Exchange Limited (MSE) along with the post issue Lead Manager and the Registrars to the Issue shall be responsible to ensure that the basis of allotment is finalised in a fair and proper manner in accordance with the guidelines. As the basis of allotment is on proportionate basis, in the process of rounding off to the nearest multiple of 100, the issue size may increase by a maximum of 10% of the net offer to Indian Public.

The drawal of lots (where required) to finalise the basis of allotment, shall be done in the presence of a public representative on the Governing Board of the Madras Stock Exchange Limited.

The basis of allotment shall be signed as correct by the Executive Director/ Managing Director of the Stock Exchange and the public representative (if applicable) in addition to the Post Issue Lead Manager and the Registrars to the Issue.

Issue of Certificates: In case the Company issues letters of allotment, the related share certificates will be dispatched through registered post within three (3) months from the date of allotment in exchange for the letters of allotment

Allotment Letters & Share Certificates & Refund Orders: Letters of Allotment/ Share Certificates as the case may be will be dispatched by Registered Post to the sole/first applicant within ten weeks from the date of closure of the Issue.

The Company shall pay interest @ 15% per annum on the entire amount if the allotment of the CCPS has not been made within 30 days from the date of closure of the Issue. This interest will be paid from the 31st day from the closure of the Issue until the actual date of allotment. Alternatively, in case of any delay in the despatch of refund orders beyond 30 days from the closure of the Issue, interest @ 15% per annum, will be paid on the refund amount from the 31st day from the closure of the Issue until the date of despatch of the refund orders.

The Company shall ensure despatch of refund orders of value upto Rs.1, 500/- under certificate of posting and Share Certificate / Allotment advice and/or regret letters together with refund orders over Rs.1, 500/- by Registered Post only.

The Company has undertaken to make available necessary funds to the Registrar for the purpose of despatch of Allotment Letters / Share Certificates / Refund Orders as stated above.

Despatch of share certificates/refund orders and demat credit would be completed and allotment and listing documents would be submitted to the Stock Exchanges within two working days of the finalisation of the basis of allotment. The listing and trading of the securities offered through this Prospectus shall commence at the aforesaid two stock exchanges where they are proposed to be listed within 7 working days of the date of finalisation of the basis of allotment.

Interest on Excess Application Money: Payment of interest @15% per annum on excess application money (after adjusting the amount due on allotment) will be made to the applicants, if refund orders are not despatched within 30 days from the date of the closure of the Issue as per the Guidelines issued by the Government of India, Ministry of Finance vide their letter no. F-8/6/SE/79 dated July 21, 1983, as amended vide their letter no. F/14/SE/85 dated September 27,1985 addressed to the Stock Exchanges, and as further modified by SEBI's circular SMD/RCG/33/1819/96 dated May 15, 1996.

Interest in case of Delay in Despatch of allotment Letters/Refund Orders.

The company agrees that as far as possible allotment of securities offered to the public shall be made within 30 days of the closure of the offer. The company further agrees that it shall pay interest @15% per annum if the allotment letters / refund orders have not been despatched to the applicants within 30 days from the date of the closure of the issue.

Scope of activities of the Registrars to the Issue:

The Registrars to the Issue shall also be the Share Transfer Agent and would also be responsible for all the post issue activities pertaining to this issue.

UNDERTAKING BY THE ISSUER COMPANY

The Company hereby undertakes –

- a. That the complaints received in respect of the issue shall be attended to by the issuer company expeditiously and satisfactorily;
- b. 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.

- c. That the issuer company shall apply in advance for the listing of equities on the conversion of CCPS.
- d. That the funds required for dispatch of refund orders/allotment letters/certificates by registered post shall be made available to the Registrar to the issue by the Issuer Company;
- e. That the certificates of the securities/refund orders to the non-resident Indians shall be dispatched within specified time;
- f. That no further issue of securities shall be made till the securities offered through this Prospectus and Letter of offer under this composite issue are listed or till the application moneys are refunded on account of non-listing, under subscription, etc.
- g. The Company, its promoters, any of the companies/associates of group companies, and other companies with which directors of the company are associated are neither suspended by SEBI or being prohibited from accessing the capital market or any disciplinary action taken by any order or direction passed by SEBI. “

General Information

1. Joint Applications:

An application may be made in single or joint names (not more than three) as mentioned elsewhere in the Prospectus. In case of a joint application, refund pay order (if any) and dividend / warrants, etc. will be made out in favour of the first applicant.

All communications will be addressed to the applicant whose name appears first and will be despatched to the first applicant's address stated in the application form.

2. Multiple Applications:

An applicant should submit only one application (and not more than one) for the total number of CCPS required. Applications may be made in single or joint names (not more than three). Two or more applications, in single and / or in joint names will be deemed to be multiple application if the sole and / or first applicant is one and the same. However separate applications can be made in respect of each scheme of Indian Mutual Fund registered with SEBI and that such applications will not be treated as multiple application provided that the applications made by AMC / Trust/ Custodians clearly indicate their intention as to each scheme concerned for which application has been made. The Board reserves the right to accept or reject in its absolute discretion all or any multiple application(s).

3. Application under Power Of Attorney:

In case of applications under a Power of Attorney or by limited companies or bodies corporate or societies, the relevant Power of Attorney or the relevant resolution or authority to make the application, as the case may be, together with a certified true copy thereof along with a copy of Memorandum and Articles of Association and /or bye-laws must be attached to the Application Form at the time of making the application or lodged for scrutiny separately indicating the Serial No. of the Application Form with the Registrar to the Issue at their address: Karvy Consultants Limited Karvy House, 46, Avenue 4, Street No.1 Banjara Hills, Hyderabad 500 034, within 10 days from the closure of the Issue. Failing which, the Issuer reserves the full, unqualified and absolute right to accept or reject any application in whole or in part and in either case without assigning any reason thereof.

4. Thumb impression or signature in language other than English, Hindi or any other language specified in the 8th Schedule of the Constitution of India must be attested by Magistrate or Notary Public or a special Executive Magistrate under his official seal.

5 All communications should be addressed to the Registrar to the Issue.

6. The applicant should mention the Application Form number on the reverse of the instrument through which payment is made.

7. Applicants are advised that it is mandatory for them to indicate in the space provided in the application form, details regarding their Savings Bank / Current Account Numbers and the name of the branch of the bank to which they want the proceeds of refund to be credited. Applications not containing such details are liable to be rejected.

8. Where an application is for allotment of CCPS 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 applicants in joint names, each of the applicants should mention his 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 should be mentioned. 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 form. Application forms without this information will be considered incomplete and will be liable to be rejected.

9. Having regard to provisions of Section 269SS of the Income Tax Act, 1961, the subscription against the CCPS application for an amount of Rs. 20,000 or more should not be effected in cash and must be offered only by an A/c. payee cheque / bank draft. In case payment is effected in contravention of the provisions, the application is liable to be rejected and application money will be refunded without interest.

10. A separate cheque / bank draft must accompany each application form.

11. In case of partial allotment, allotment will be done in demat option for the shares sought in demat and the balance if any, will be allotted in physical form.

Arrangement for disposal of odd lots

The Company has not made any arrangements for disposal of odd lot of shares arising out of this issue as the marketable lot is ONE.

Equity Shares in Dematerialised Form with NSDL or CDSL

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 Public Issue, an option is being provided to the shareholders to receive their 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. However, the investors had an option to trade in demat mode from 14th December 2000 itself. 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 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 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 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 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.

UTILISATION OF OFFER PROCEEDS

The Board of Directors certifies that –

a) all monies received out of the issue of shares to the public shall be transferred to a separate Bank account other than the Bank account referred to in sub-section (3) of Section 73 of Companies Act, 1956.

b) details of all monies utilised out of this issue referred to in item (a) shall be disclosed under an appropriate separate head in the Annual Report of the Company indicating the purpose for which such monies had been utilised; and

c) Details of all un-utilised monies out of this issue of shares, if any referred to in item (a) shall be disclosed under an appropriate separate head in the Annual Report of the Company indicating the form in which such unutilized monies have been invested.

The funds received against this issue will be kept in a separate bank account and the Company will have access to such funds only on receipt of listing and trading permission obtained from all the Stock Exchanges where listing is proposed.

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 concessionaly 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 concessionaly 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 Networth.
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 estimated 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

Sl.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.

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 Article 13:	(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, if any, the Company may purchase its own

	(c)Amendment of sub-Clause 44:	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 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 watertight 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 titleholder 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 anyone 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 time 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

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	76.9
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	864.09	931.68	1016.97	1131.86	1155.4	428.65

depreciation						
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
	420.79	437	514.99	548.95	731.04	266.66

STATEMENT OF ASSETS & LIABILITIES OF DHANDAPANI FINANCE LIMITED AS AT

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	2053.9	2085.48	2086.51
Less: Depreciation	1464.95	1915.67	2374.24	940.3	1216.43	1287.42
Net Block	2095.69	2415.59	2338.79	1113.6	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	4984.6	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	349.3	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 Tax Asset/Liability				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

Major Notes to Accounts for the period ending March 31, 2003

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:

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 lakhs outstanding as on 31.03.2003 (31.03.2002: Rs.3121.66 lakhs). 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 lakhs (Previous Year) Rs.181.56 Lacs includes Rs.52.31 lakhs outstanding for more than 6 months (previous year Rs.28.83 lakhs) and considered good.

There are no lease transactions during the year. Hence AS 19 not applicable. 2.42.4 Repossessed Assets are valued at lower of the settlement value or realisable market value.

2.3 Deposit Account:

The deposit with Bank includes Rs.51.23 lakhs for SLR investments, Rs.24.98 lakhs 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 Lacs 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 Lakhs)
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 Lakhs)	
	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
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	-	-	-
H P Contracts	-	2,25,000	-	-	-

SUBSIDIARIES OF THE COMPANY**Dhandapani Holdings & Securities Ltd**

Dhandapani Holdings & Securities Ltd, which was incorporated 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

Financial performance:

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.

Financial performance:

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 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.

Financial performance:

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

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 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 electrical 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,	Age	Experience and due for	Directorship held in other	
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Designation and Qualification		retirement by rotation	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. In charge 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 Smart invest 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 Smart invest Agency.com (P) Ltd Dhandapani Power Systems (P) Ltd	S/o Late T N K Iyengar 9, Cathedral Garden Road Nungambakkam Chennai – 600 034.
Mr. C S Pani Director – Independent B.Sc, B.E, Diploma 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 Bangalore – 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	Managing Director of Dhandapani Finance Limited and has 30 years experience in the Manufacturing and finance sector.	K Dhandapani & Co. Ltd Dhandapani Exports Ltd Dhandapani Holdings & Securities Ltd Cybervision Solutions Ltd Dhandapani Insurance Services P Ltd	S/o Late TN K Iyengar 2, Sarathy Street T. Nagar, Chennai – 600 017

			Smartinvest Agency.com(P) Ltd Dhandapani Power Systems(P) Ltd	
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Shareholding of the Directors as on 30th September 2003

Name	No of shares
T N Desikan	126,060
T N Kishore	96,540
T N Soundararajan	142,340
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, 000 p.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	Experience	No of Shares	% to Capital	Joining Date	Previous Employment
T N Soundararajan	Managing Director	54	B.Com. FCA	28	1,42,340	2.39	10.06.1933	K Dhandapani & Co Ltd
S Sudarsan	General Manager	46	B.Sc. FCA	22	100	-	24.05.1991	Lakshmi General Finance
S Rangaraj	General Manager (Operation)	41	B E	18	400	-	28.07.1993	India Equipment Leasing Ltd
S R Balasubramanian	Deputy General Manager (Operation)	50	B.Sc.	26	600	0.01	01.04.1994	K Dhandapani & Co Ltd
S Ramanujam	Deputy General Manager (Fin.& Accs.)	46	B.Com.	26	200	-	05.07.1990	Ram Oxygen(P)Ltd
C Jayashree	Company Secretary	43	ACS, LL B	13	Nil	-	01.12.1991	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.

LOCATION

The company's registered office is located at 291/(old no:141), Linghi Chetty Street, Chennai-600001

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.

DHANDAPANI FINANCE LIMITED - SWOT ANALYSIS

Strength:

- NPA levels below 1%
- Overdue levels below 4%
- Risk is spread geographically as well as sectorwise.
- Prudent credit dispensation policy.
- Comfortable level of TOL / NOF
- Management headed by a Chartered Accountant with experience in Banking & Manufacturing sector
- Expanding branch network.
- Could tap low cost funds
- Less reliance on public deposits.
- Very low response time for credit proposals.
- Short term debt instrument enjoys highest rating by ICRA

Weakness

- Tradeable floating stocks are low in the market.
- 56% of shares held by the Promoters themselves, making it a closely held company.
- Comparatively smaller player in the industry.

Opportunity

- Growing dis-intermediation of banks in financing transport sector.
- Infrastructure projects opening up / more potential business.
- Extension of Enforcement of security Interest Act to NBFC's for better realization.

Threats

- Threat of loss of new business to new generation private sector / foreign banks.
- Levy of service tax on Hire Purchase income will reduce the margin.
- Extension of money lenders Act to NBFC's
- Delinquency norms by RBI / regulators may impact NPA's

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 fee 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.

COMPETITION

The advent of the new generation private sector banks has to a certain extent heated up competition. This has been more to the Company's advantage by virtue of the fact that their reach is restricted. Apart from this the economic size of a transaction for private sector banks is far higher than that of any other NBFC thereby helping the company to retain space and margin. As regards other NBFC's the number of medium sized organized players are limited in the market.

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.

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	05.05.2000	200	10.20	10.04.2000	100	12.15
2002	18.00	23.01.2002	1	6.50	01.10.2001	100	12.98
2003	20.4	06.01.2003	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	29/04/2003	400	17.05	04/04/2003	2005	6964	18.02
May 2003	21.65	30/05/2003	2550	21.30	02/05/2003	500	12959	18.91
June 2003	22.00	25/06/2003	2500	19.80	09/06/2003	745	34268	20.77
July 2003	23.50	08/07/2003	502	17.00	18/07/2003	200	26988	20.28
August 2003	20.25	28/08/2003	600	18.10	07/08/2003	1000	27770	19.11
September 2003	20.10	01/09/2003	3301	17.70	23/09/2003	800	21857	18.81
October 2003	19.40	07/10/2003	400	18.55	06/10/2003	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 31st March 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					

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 an 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 prospectus 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 have 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

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

The 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 21st 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, and HDD-Imports etc

Financial performance:

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	122.00	100	100

Apart from the above, there is no other company under the same management within the meaning of Section 370(IB) of the Companies Act, 1956.

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

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

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:

	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	Difference
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	Projections						Performance				
	1995	1996	1997	1998	1999	2000	1995	1996	1997	1998	1999

31st March													
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	

Due to the industrial sluggishness and the downtrend in the market conditions, the sales have come down and hence the profitability has come down.

VI. 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. 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

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

VII. 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, Rescheduling 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 litigations outstanding against the Promoters/Directors in their personal capacity. The Company, its promoters and other Companies with which promoters are associated have neither been 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 arisen since the date of last financial statement disclosed in the Prospectus 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.

DETAILS OF ISSUES DURING THE LAST THREE YEARS BY THE COMPANY AND OTHER COMPANIES UNDER THE SAME MANAGEMENT

No issues have been made by the Company and other companies under the same management during the last three years.

VIII. 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 dependent on the performance of its clients

Management 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 has 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 a 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.

5. 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.

6. 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.7 crores.
- 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 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 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

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			

Investors Grievances and Redressal mechanism

The Company has a Share Transfer and Investor Relations Committee that monitors and redresses investor's 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

The Company has appointed Ms.Jayashree, Company Secretary as Compliance Office who would directly deal with SEBI office with respect to implementation of various laws ,rules, regulations and other directives issued by SEBI and matters related to investor complaints. The investors may contact the compliance officer in case of any pre issue/post issue related problems. The Compliance Officer will be available at the following address:

Ms C Jayashree
14/1, Ramakrishna Street,
T. Nagar,
Chennai-600017
Phone Nos. 044-28141778,28142706
Fax: (044) 28141242
Email: ghanfin@vsnl.com
Website: www.dhandapanifinance.com

PART II**A. GENERAL INFORMATION**

Consents

Consents in writing of the Auditors, Directors, Bankers to the Company, Bankers to the Issue, Lead Managers Company Secretary & Compliance Officer and Registrars to the Issue to act in their respective capacities have been obtained and filed with the Registrar of Companies, Tamilnadu at Chennai, together with a copy of this Prospectus as required under Section 60 of the Companies Act, 1956 and such consents have not been withdrawn upto the time of delivery of the copy of this Prospectus for registration with the Registrar of Companies, Tamilnadu at Chennai

M/s P.B.Vijayaraghavan & Company, Chartered Accountants, 27, Cathedral Garden Road, Chennai-600034, the statutory auditors of the Company, have also given their written consent to the inclusion of their report as appearing hereinafter in the form and context in which it appears in this Prospectus and also the tax benefits accruing to the Company and to the Members of the Company and such consent and report have not been withdrawn upto the time of delivery of the copy of this Prospectus for registration with the Registrar of Companies, Tamilnadu at Chennai

Expert Opinion

Except for the various tax benefits available to the Company and its members expressed by the auditors of the Company given elsewhere in the Prospectus, the Company has not obtained any other expert opinion.

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.

Authority for the present issue

Pursuant to Section 81(1A) of the Companies Act, 1956, the present issue of CCPS has been authorised vide Special Resolution passed at Extraordinary General Meeting held on October 8th 2003.

Disposal of Applications and Application money

No receipt will be issued for application money. However, the Bankers to the Issue receiving the applications will acknowledge the receipt of the application by stamping and returning the detachable acknowledgement slip appended to each application form. The sum received in respect of the issue will be kept in separate bank account and the Company will not appropriate the funds unless approval of the concerned Designated Stock Exchange is obtained for allotment and listing, and where listing has been proposed on more than one exchange, no utilisation shall be allowed till listing approval is available from each of the exchanges concerned. The Board

reserves the right to accept or reject any application in whole or part and in either case without assigning any reason thereof.

Basis of Allotment:

In the event of the public Issue being oversubscribed, the allotment will be on a proportionate basis subject to market lots as explained below:

a) A minimum 50% of the net Issue to the Indian public will be made available for allotment in favour of those individual applicants who have applied for Rs.50, 000 or Less. This percentage may be increased in consultation with the Regional Stock Exchange depending on the extent of response to the Issue from investors in this category. In case allotments are made to a lesser extent than 50% because of lower subscription in the above category, the balance CCPS would be added to the higher category and allotment made on a proportionate basis as per relevant SEBI Guidelines. The Executive Director/Managing Director of the Regional Stock Exchange along with the post issue lead manager and the Registrar to the Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner in accordance with the guidelines.

b) The balance of Net Issue to Indian Public shall be made available to investors including corporate bodies/institutions and individual applicants who have applied for allotment of more than -Rs.50, 000.

c) The unsubscribed portion of the net Issue to any of the categories specified in (a) or (b) shall be made available for allotment to applicants in the other category, if so required.

d) Applicants will be categorised according to the number of CCPS applied for.

e) The total number of CCPS to be allotted to each category as a whole shall be arrived at on a proportionate basis i.e. the total number of shares applied for in that category (number of applications in the category multiplied by the number of CCPS applied for) multiplied by the inverse of the oversubscription ratio.

f) Number of CCPS to be allotted to the successful allottees will be arrived at on a proportionate basis i.e. total number of CCPS applied for by each applicant in that category multiplied by the inverse of the oversubscription ratio.

g) In all the applications where the proportionate allotment works out to less than 100 CCPS per applicant in the allotment shall be made as follows:

i. Each successful applicant shall be allotted a minimum of 100 CCPS, and

ii. The successful applicants out of the total applicants of that category shall be determined by drawal of lots in such a manner that the total number of CCPS allotted in that category is equal to the number of CCPS worked out as per (b) above.

h) If the proportionate allotment to an applicant works out to a number that is more than 100 but is not a multiple of 100 (which is the marketable lot) the number in excess of the multiple of 100 would be rounded off to the higher multiple of 100 if that number is 50 or higher. If that number is lower than 50, it would be rounded off to the lower multiple of 100. All applicants in such categories would be allotted CCPS arrived at after such rounding off. If the CCPS allocated on a proportionate basis to any category is more than the CCPS allotted to the applicants in the category, the balance available CCPS for allotment shall be first adjusted against any other category where the allotted CCPS are not sufficient for proportionate allotment to the successful

applicants in that category. The balance CCPS if any, remaining after such adjustment will be added to the category comprising of applicants applying for minimum number of CCPS.

In case the public issue is oversubscribed, the Executive Director/Managing Director of the Madras Stock Exchange Limited along with the post issue Lead Manager and the Registrars to the Issue shall be responsible to ensure that the basis of allotment is finalised in a fair and proper manner in accordance with the guidelines.

The drawal of lots (where required) to finalise the basis of allotment, shall be done in the presence of a public representative on the Governing Board of the Madras Stock Exchange Limited.

The basis of allotment shall be signed as correct by the Executive Director/ Managing Director of the Stock Exchange and the public representative (if applicable) in addition to the Post Issue Lead Manager and the Registrars to the Issue.

Issue of share certificates

The Share certificates will be despatched within three months from the date of allotment as per the provisions of section 113 and other relevant provisions of the Companies Act, 1956, in exchange of allotment letters, issued if any.

Share certificates/allotment letters/refund orders

Letter(s) of Allotment/Share Certificate(s) together with refund orders of value over Rs.1, 500/-, if any, to allottees and Letter(s) of Regret together with refund orders of value over Rs.1, 500/- to non-allottees will be despatched by registered post and refunds of value Rs.1, 500/- and less will be despatched under certificate of posting at the applicant's sole risk within 30 days of the closing of subscription list. Adequate funds for the above purpose will be made available to the Registrar to the issue to ensure despatch of refund orders, allotment letters and share certificates by Regd. Post/ certificate of posting.

Interest in case of delay on allotment and despatch.

a) As far as possible, allotment of securities offered to the public shall be made within 30 days of the closure of this offer.

b) The Issuers shall pay interest @ 15% per annum for the period of delay beyond 30 days if the allotment has not been made and /or refund orders have not been despatched to the investors within 30 days from the date of closure of the offer.

Interest on excess application money

Payment of interest at the rate of 15% per annum on the excess application money will be made to the applicants for the delayed period, if any, beyond 30 days from the date of closure of the subscription list, in terms of the provisions of the Companies Act, 1956 and the guidelines issued by the Ministry of Finance vide Letter NoF/8/6/SE/79 dated 21.7.83 and as amended by Letter No.F/14/2/SE/85 dated 27.9.85 addressed to stock Exchanges and as further modified by SEBI's circular dated May 15,1996.

Application of Section 269SS of the Income Tax Act, 1961.

In respect of the provisions of Section 269SS of the Income Tax Act, 1961, the subscription against the CCPS should be affected only by an account payee cheque or an account payee draft if the amount payable is Rs.20, 000/- or more. In case the payment is made in contravention of this provision, the application money will be refunded and no interest will be paid.

COMPANY INFORMATION AND PUBLIC ISSUE TEAM

Registered Office of the Company

291/(old no:141), Linghi Chetty Street,
Chennai-600001
Phone Nos. 044-28141778,28142706
Fax: (044) 28141242

Lead Managers to the Issue

Karvy Investor Services Limited

Merchant Banking Division
“Karvy House” 46, Avenue 4,
Street No:1, Banjara Hills,
Hyderabad - 500 034.
SEBI Registration No.: MB/INM/000008365
Tel: 040 - 23321840/23320752
Fax: 040 – 23374714

Canara Bank

Corporate Merchant Banking Division
T&I O Wing Head Office,
112,J.C.Road,
Bangalore 560 002
Ph:080-2128043, 2128044
Fax:080-2128056
SEBI Registration No.: MB/INM/000002558

Registrars to the Issue

Karvy Consultants Limited

Karvy House
46, Avenue 4, Street No.1
Banjara Hills,
Hyderabad 500 034
SEBI Registration No.: INR/000000221
Tel: 040 23320251/23320751
Fax : 040 23311968
Email: mailmanager@karvy.com

Company Secretary & Compliance Officer

Ms C Jayashree
14/1, Ramakrishna Street,
T. Nagar,
Chennai-600017
Phone Nos. 044-28141778,28142706
Fax: (044) 28141242
Email: dhanfin@vsnl.com
Website: www.dhandapanifinance.com

Auditors of the Company

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

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
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 ING Vysya Bank Limited 185,Annasalai Chennai 600 006	

Bankers to the Issue

Canara Bank
Thousand Lights Branch
5, Greams Road
Chennai 600 006
Tel: (044) 28293418,28291015,28292972
Fax: (044) 28290976
E-mail:fcscctl@canarabank.co.in

Brokers to the Issue

All the brokers of the recognized Stock Exchanges registered with SEBI may act as brokers to the issue.

B. FINANCIAL INFORMATION AUDITOR'S REPORT

To

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

Dear Sirs,

Re.: Offer Document for the Public Issue of 50,00,000 - 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 public issue of 50,00,000 - 8.5 % Cumulative Convertible Preference Shares (CCPSs) of Rs.10/- each for cash at par aggregating to Rs.5, 00,00,000/-(Rupees Five Crores 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 Statements as on 31st March 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	2252.6	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	1155.4	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
	420.79	437.00	514.99	548.95	731.04	266.66

STATEMENT OF ASSETS & LIABILITIES OF DHANDAPANI FINANCE LIMITED AS AT

Rs. in lakhs

Particulars	31.03.99	31.03.00	31.03.01	31.03.02	31.03.03	30.09.03
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Fixed Assets						
Gross Block	3560.64	4331.26	4713.03	2053.9	2085.48	2086.51
Less: Depreciation	1464.95	1915.67	2374.24	940.3	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	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	4984.6	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	349.3	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	5888.4	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	7241.7	8755.34	8760.63	11298.96	12271.22
Deferred Tax Asset/Liability				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

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
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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	282.3	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
Loan on deposits	9.93	4.99	5.49	2.83
Advances (HP & Others)	754.5	286.26	505	430.57
Advance payment of Tax (net of Provs)	0	31.59	85.38	132.29
Income acc but not due on Invtv/Others	293.45	296.76	245.73	207.42
Deposits	9.1	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	1098.5	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

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	1200
Shareholders Funds		
Equity	595.43	595.43
Preference		700
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

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

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

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

2.5 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	0.00
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	0.42	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	0.00
	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	4.50
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	0.00
Unsecured Loans	22.74	0.00	0.00	0.00	0.00	0.00
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	30.00
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	18.00	

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

<i>Rs in lakhs</i>		
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
Extraordinary 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
Deferred 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

Finance Charges receipts are accounted on receipt basis.

2. Contingent Liabilities not provided for: Nil

3. *Smartinvest Agency.Com Private Limited*

Statement Of Profits And Losses For The Period

<i>Rs. in lakhs</i>			
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
Extradinary 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

C. STATUTORY AND OTHER INFORMATION

Minimum Subscription

The minimum subscription requirement for the Composite issue shall be satisfied both jointly and severally, i.e., independently for both rights and public issue.

If the Company does not receive the minimum subscription of 90% of the issued amount in either case, on the date of closure of the issue or the subscription level falls below 90% after the closure of the issue on account of cheques having been returned unpaid or withdrawal of applications, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days, after the Company becomes liable to pay the amount, the Company shall pay interest as per Section 73 of the Companies Act, 1956.

Rights of the Equity Shareholders post conversion

The CCPS now being issued are subject to the terms of this Prospectus, the Application Form, Memorandum and Articles of Association of the Company, the Guidelines issued by the Government of India and Securities and Exchange Board of India from time to time and the Companies Act, 1956. These new equity shares post conversion of the CCPS shall rank pari passu with the existing issued equity shares of the Company in all respects.

Shareholders will be entitled to receive dividend as and when declared, Bonus and Rights shares as and when made. Further the rights of the above and other holders of the instruments are subject to the provisions of Section 206A of the Companies Act, 1956 and other laws applicable from time to time.

Expenses of the present Issue

The expenses of the present issue, including brokerage, fees to the Lead Managers and Registrars to the Issue, Brokerage, Stamp duty, Printing and stationery, distribution and publication expenses, legal professional charges, listing fees, bank charges, Auditors fees and other miscellaneous expenses will be met out of the internal accruals. The total expenses are expected to be approximately Rs. 21 lakhs.

Fees payable to the Lead Managers to the Issue

The fees payable to the Lead Managers to the Issue, for issue management as set out in their offer letter, copies of which are kept open for inspection at the Registered Office of the Company.

Fees payable to the Registrars to the Issue

The fees payable to the Registrars to the Issue as set out in their offer letter, copies of, which are kept open for inspection at the Registered Office of the Company. The Registrar will be reimbursed for all relevant out-of-pocket expenses including such as cost of stationery, postage, stamp duty, communication expenses.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post.

Underwriting Commission and Brokerage

The Issuer is not proposing to underwrite the issue, hence no underwriting commission is payable. Brokerage will be paid @ 1.5% on the nominal value of the CCPS on the basis of allotments made against applications bearing the stamp of a member of any recognised stock exchange in India in the brokers column. Brokerage at the same rate will also be payable to the bankers to the issue in respect of allotment made against applications bearing their respective stamps in the brokers column.

In case of tampering or over stamping of broker/agents codes on the application form, the Issuer's decision to pay brokerage in this respect will be final and no further correspondence will be entertained in this matter.

Previous issue of capital during last five years.

The company has not made any public/rights issue in the past five years. The details of issue of capital has been outlined in the paragraph on the build-up of the share capital under the capital structure.

Issue of shares otherwise than for cash

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

Preference shares and debentures

The company has not issued any preference shares or debentures since its incorporation.

Issue at a premium or discount

The company made a rights issue of 20,40,875 equity shares of 10/- each at a premium of Rs.8/- per share aggregating to Rs.367.36 lakhs to the existing shareholders in the ratio of one share for every two equity shares held in 1996.

Date of listing the Rights Issue with

BSE: 8th January 1997

MSE: 9th Januray, 1997

Option to subscribe

Except as otherwise stated in this Prospectus, the Company has not entered into nor does it at present propose to enter into any contract or arrangement whereby any option or preferential right

of any kind has been or is proposed to be given to any person to subscribe to any shares or debentures of the Company. The investor shall have an option either to receive the share certificates or to hold the shares in dematerialised form with a depository.

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 prospectus, 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.

Revaluation of assets

There has been no revaluation of assets.

Interest of directors and promoters

Except as otherwise stated elsewhere in this Prospectus, all the Directors may be deemed to be interested to the extent of remuneration and fees payable to them for attending the meeting of the Board or Committee thereof and reimbursement of traveling and other incidental expenses, if any, for such attendance's as per the Articles.

All the Directors/ Promoters of the Company shall be deemed to be interested to the extent of shares held by them and/or their friends and relatives and which may be allotted to them out of the present issue, and perquisites being drawn by them from the Company.

The Directors may also be regarded as interested in the shares, if any, held by or that may be subscribed by and allotted/ transferred to the companies, firms and trust, in which they are interested as Directors, Members, partners and/or trustees. All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by DFL with any company in which they hold Directorships or any partnership firm in which they are partners as declared in their respective declarations.

Except as stated otherwise in this Draft Prospectus, the Company has not entered into any contract, agreements or arrangement during the preceding two years from the date of the Draft Prospectus in which the directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements which are proposed to be made to them.

D. MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY

AUTHORISED SHARE CAPITAL

5. The Authorised Share Capital of the Company is Rs.14, 00,00,000/- (Rupees Fourteen crores only) divided into * 70,00,000 equity shares of Rs.10/- each and 70,00,000 preference shares of Rs.10/- each.

(Approved by the Shareholders at the 17th AGM held on 24th July 2003)

*** Amended at the Extra ordinary General Meeting held on 08.10.2003.**

FURTHER ISSUE & ALLOTMENT OF SHARES

The Company, by a special resolution in General Meeting, may determine that any shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether members of the Company or not) in such proportions and on such terms and conditions and either at a premium, or at par or (subject to compliance with the provisions of section 79) at a discount, as such General Meeting shall determine and shall have full power to give any persons (whether members of the Company or not) the option to call for or be allotted shares of any class of the Company either at a premium or at a par, or (Subject to compliance with the provisions of section 79) at a discount, such option being exercisable at such times and for such consideration as may be directed by such General Meeting or the Company in General Meeting may make any other provision whatsoever for the issue, allotment or disposal of any shares.

FORFEITURE OF SHARES

11.(a) If a member fails to pay any calls or installments of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or installment remains unpaid, serve a notice on him requiring payment of so much of the call or installment remains unpaid, together with any interest which may have accrued.

(b)The notice aforesaid shall:

(i) name a further day(not earlier than the expiry of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made, and

(ii) state that, in the event of non-payment on or before the day so named, the shares in respect of which the call was made will be liable to be forfeited.

(c) If the requirements of any such notice as aforesaid are not complied with, any shares in respect of which the notice has been given may, at any time, thereafter before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect

(d) (i) A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit.

(ii) At any time before a sale or disposal as aforesaid, the Board may cancel the forfeiture on such terms as it thinks fit.

(e) (i) A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares, but shall notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture, were presently payable by him to the Company in respect of the shares.

(ii) The liability of such person shall cease if and when the Company shall have received payments in full if all such moneys in respect of the shares.

(f) (i) A duly verified declaration in writing that the declarant is a Director, the secretaries and treasurers, the manager or the secretary of the Company and that a share in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated.

(ii) The Company may receive the consideration, if any given for the share on any sale or disposal thereof and may execute a transfer if the share in favour of the person to whom the share is sold or disposed off.

(iii) The transferee shall thereupon be registered as the holder of shares.

(iv) The transferee shall not be bound to see to the application of the purchase money if any, nor shall his title to the share be affected by any irregularity or in validity in the proceedings in reference to the forfeiture, sale or disposal of the share.

(g) The provisions of these Regulations as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of call duly made and notified.

(h) The forfeiture of a share shall involve the extinction of all interest in and also of all claims and demands against the Company in respect of the share, and all other rights incident to the share, except only such of these rights as by these Articles are expressly saved.

GENERAL MEETINGS OF THE COMPANY

30.(a) The Company shall in addition to any other meetings, hold a general meeting which shall be styled the Annual General Meeting at such intervals, and in accordance with the provisions of Section 166 of the Act.

(b) All General Meetings other than Annual General Meetings of the Company shall be called Extraordinary General Meetings.

(c) (i) The Board may whenever it thinks fit call an Extraordinary General Meeting.

(ii) Extraordinary General Meetings may be called on requisition in accordance with provisions of Section 169 of the Act.

(d) All business shall be deemed special that is transacted at an Annual General Meeting with the exception of: -

(i) The consideration of accounts, balance sheets and the reports of the Board of Directors and Auditors.

(ii) the declaration of a dividend

(iii) the appointment of Directors in the place of those retiring and the appointing of and fixing the remuneration of Auditors. In the case of any other meeting all business shall be deemed special

(e) Where any items of business to be transacted at the meeting are deemed to be special as aforesaid, the provisions of Section 173 of the Act shall be complied with

DIRECTORS AND BOARD OF DIRECTORS

(a) The number of Directors of the Company shall until otherwise determined by the Company general meeting, shall not be more than twelve or less than three

(b) Only an individual and not a body corporate, association or firm, shall be appointed Director of the Company.

(c) (i) Subject to the provisions of Sections 252,255 and 259 of the Act, the Company may in general meeting increase or reduce the number of Directors within the limits fixed thereof.

The following shall be first Directors of the Company from the date of incorporation

T N K Iyengar

T N Desikan

T N Gopalan

T N Kishore

T N Kothandapani

T N Sridharan

T N Soundararajan

T N Kumar

CHAIRMAN/MANAGING DIRECTOR

38.(a) The Board may from time to time subject to provisions in the Act and subject to its supervision and control, appoint one or more of the Directors to be the Managing Director of the Company and shall enter into agreement with such persons as to remuneration, powers duties and conditions rector may deem fit.

(b) The Board may appoint any director as Chairman for such terms as they may decide.

(c) The Directors may from time to time entrust to or confer upon the Managing Director for the time being such of the powers exercisable under these presents by the Directors or by law as they may think fit and may confer such powers for such time and to be exercised for such powers.

ADDITIONAL DIRECTOR

39.The Board of Directors all have power to appoint additional directors subject to the provisions of Section 260 of the Act.

ALTERNATIVE DIRECTORS

41.Subject to the provisions of Section 313 of the Act or any statutory modification thereof, the Board of Directors shall have power to appoint a person as Alternate Director during the absence of a Director for a period of not less than three months in the state in which meetings of the are ordinarily held.

POWERS AND DUTIES OF DIRECTORS

The business of the Company shall be managed by the Board of Directors, who may exercise all such powers of the Company as are not by the Act or any statutory modification thereof for the

time being in force, or by these presents, required to be exercised by the Company in General Meeting, subject nevertheless to any regulation of these presents, to the provisions of the said Act, and to such regulation being not inconsistent with the aforesaid regulations of provisions as may be prescribed by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.

PROCEEDINGS OF THE BOARD

59.(a) The Board of Directors may meet for the despatch of business or otherwise regulate its meetings as it thinks fit provided however the Board shall meet once in every three calendar months.

(b) The Chairman may and on the request of a Director shall at any time summon a meeting of the Board.

(c) The Board shall cause notice to be circulated on every Director of the Company for the time being in India and in the case of every other Director in accordance with Section 286 of the Act.

(d) The quorum for a meeting of the Board shall be two directors or one-third of its total strength (any fraction of that one third rounded as one) whichever is greater, as provided for in Section 287 of the Act.

(e) The continuing Directors may act, notwithstanding any vacancy in their body; but if and so long as their number is reduced below the quorum fixed by the Act for meeting of the Board, the continuing Director or Directors may act for the purpose of increasing the number of Directors to that fixed for the quorum or of summoning a general meeting of the Company, but for no other purpose.

(f) The Board shall appoint a chairman from among its members who will office for a period of three years from the date of appointment and will not be liable for retirement by rotation.

(g) It at any meeting the Chairman is not present within fifteen minutes after the time appointed for holding the meeting; the Directors present may choose one of their number to be Chairman of the Meeting.

BORROWING

62.(a) The Board of Directors may from time to time but with such consent of the Company in general meeting as may be required under Section 293 of the Act raise any money or any moneys or sums of money for the purposes of the Company provided that the moneys to be borrowed by the Company apart from temporary loans obtained from the Company's bankers in the ordinary course of business shall not without the sanction of the Company at a general meeting exceed the aggregate of the paid-up Capital of the Company and its free reserves that is to say reserves not set apart for any specific purpose and in particular, but subject to the provisions of Section 292 of the Act, the Board may from time to time at their discretion raise or borrow or secure the payment of any such sum or sums of money for the purpose of the Company, by the issue of debentures perpetual or otherwise including debentures convertible into shares of this or any other borrowed, raised or received, to mortgage, pledge or charge, the whole or any part of the property, assets or revenue of the Company present or future including its uncalled capital by special assignment or otherwise or to transfer or convey the same absolutely or in trust and to give the lenders powers of sale and other powers as may be expedient and to purchase, redeem or pay off any such securities.

(b) The Directors may by a resolution at a meeting of the Board delegate the above power to borrow money otherwise than on debentures to a committee of Directors within the limits prescribed.

63.(a) The Board shall exercise the following powers on behalf of the Company and the said power shall be exercised only by a resolution passed at a meeting of the Board:

(i) power to make calls on shareholders in respect of money unpaid on their shares:

(ii) power to issue debentures:

(iii) power to borrow moneys otherwise than on debentures:

(iv) power to invest the funds of the Company, and

(v) power to make loans.

(b) The Board may by a resolution passed at a meeting delegate to any Committee of the Board any powers specified in sub-clauses (iii), (iv) and (v) of clause (a) above.

(c) Every resolution delegating the power referred to in sub-clause (iii) of clause (a) above shall specify the total amount outstanding at any one time up to which the moneys may be borrowed by the said delegate.

(d) Every resolution delegating the power referred to in sub-clause (iv) of clause (a) above shall specify the total amount up to which the fund may be invested and nature of investments which may be made by the delegate.

(e) Every resolution delegation the power referred to in sub-clause (v) of above shall specify the total amount up to which loans may be made by the delegate, the purposes for which the loans may be made and the maximum amount of the loan that may be made for each such purpose in individual cases.

(f) So long as Financial Institution as defined under the Act hold and continue to hold /debentures, they shall be entitled to appoint ONE nominee as Director on the Board of the Company to represent one or more of them and such a Director so appointed shall not be liable to retire by rotation.

DIVIDEND AND RESERVE

66. The Company in general meeting may declare dividends but no dividend shall exceed the amount recommended by the Board, provided however, that in declaring the dividend a company shall comply with the provisions of Section 205 of the Act.

67. The Board may from time to time pay to the member such interim dividends as appear to it to be justified by the profits of the Company.

68. (a) The Board may before recommending any dividend set aside out of the profits of the Company such sums as they think proper as reserves which shall, at the discretion of the Board be applicable for any purpose to which the profits of the Company may be properly applied, including provision for meeting contingencies or for equalising dividends, and pending such applications may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Board may from time to time, think fit.

(b) The Board may also carry forward any profit which it may think prudent not to divide, without setting them aside as a reserve.

(c) Subject to rights of the persons if any, entitled to shares with special rights as to dividends, all dividends shall be declared and according to the amounts paid or created as paid on the shares in respect whereof the dividend is paid, but if and so long as nothing is paid upon any of the shares in the Company, dividends may be declared and paid according to the amounts of shares.

(d) No amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this regulation as paid on the share.

(e) All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the share during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share rank for dividend accordingly.

69. The Board may deduct from any dividend payable to any member all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.

70.(a) Any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is first named on the register of members, or to such person and to such address as the holder or joint holders may in writing direct.

(b) Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.

(c) Any one of two or more joint holders of a share may give effectual receipts for any dividends, bonus or other moneys payable in respect of such share:

(d) Notice of any dividend that may have been declared shall be given to the persons entitled to share therein in the manner mentioned in the Act.

(e) No dividend shall bear interest against the Company.

(f) No unclaimed dividends shall be forfeited by the Board and the Company will comply with the provisions of Section 205-A of the Companies Act, 1956 on this matter.

LIEN

10. (a) (i) The Company shall have a first and paramount lien upon all the shares (not being fully-paid shares) register in the name of each member (either solely or jointly with others) for all moneys (whether presently payable or not) called, or payable at a fixed time in respect of those shares and upon the proceeds of sale thereof at the for his debts liabilities, and engagements, solely or jointly with another person, to or with the Company whether the period for the payment, fulfillment or discharge thereof shall actually arrived or not. And such lien shall extend to all dividends and bonus from time to time declared respect of such shares, provided that the Board of Directors may at any time declare any share to be wholly or in part exempt from the provisions of this clause.

(The above Sub-clause 10(a) (i) was substituted by the following by the shareholders by means of passing a special Resolution held on 10th June 1993(VIIA G M).

(ii) Unless otherwise agreed, the registration of a transfer of shares shall operate as a waiver of the Company's lien, if any, on such shares.

(iii) The Company's lien, if any, on a share shall extend to all dividends payable thereon.

(b) (i) The Company may sell, in such manner as the Board thinks fit, any share on which the Company has a lien. Provided that no sale shall be made:

(ii) Unless a sum in respect of which the lien exist is presently payable or

(iii) Until the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as it presently payable has been given to the registered holder for the time being of the share or the person entitled thereto by reason of his death or insolvency.

(c) (i) To give effect to any such sale, the Board may authorise some person to transfer the shares sold to the purchaser thereof.

(ii) The purchaser shall be registered as the shareholder of the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

(iii) The proceeds of the sale shall be received by the Company, and applied in payment of such part of the amount in respect of which the lien exists as is presently payable.

TRANSFER OF SHARES

14. (a) Every instrument of transfer shall be in Form No.7B of the Companies Central Government's General Rules and Forms or any such other Form as may from time to time be prescribed by the Central Government.

*** Inserted by Special Resolution passed at the AGM held on 18.07.2002**

(b) Every instrument of transfer shall, before it is signed by or on behalf of the transferor or before any other entries made thereon, be presented to the Registrar or such other authority as the Central Government may, from time to time, appoint in that behalf for being stamped or otherwise endorsed thereon the date on which it is so presented.

(c) Every instrument of transfer in the prescribed form with the date of such presentation stamped or otherwise endorsed thereon shall, after it is executed by or on behalf of the transferor and the transferee and complete in all respects, be delivered to the Company in conformity with the provisions of Section 108 of the Act, Provided that where it is proved to the satisfaction of the Board that an instrument of transfer held on signed by the transferor and the transferee has been lost, the Company may, if the Board thinks fit, on an application in writing made by the transferee and bearing the stamp required for an instrument of transfer register the transfer on such terms as to indemnity as the Board may thing fit.

(d) An application for the registration of the transfer or any share or shares may be made either by the transferor or the transferee, provided that where registration shall in the case of partly paid-up shares to be effected unless the company gives notice of the application to the transferee. The Company shall, unless objection is made by the transferee within two weeks from the date of receipt of the notice enter in the Register the name of the transferee on the same manner and subject to the same conditions as if the application for registration was made by the transferee. Nothing in this Article shall prejudice any power of the Board to refuse to register the transfer of any shares to a transferee whether a member or not.

15. The transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the Register of Members in respect thereof.

16. (a) The Board may, subject to the right of appeal conferred by Section 111 decline to register: -

(i) The transfer of a share, not being a fully paid share, to a person of whom they do not approve, or

(ii) any transfer of shares on which the Company has a lien.

(b) The Board may decline to recognise any instrument of transfer unless,

(i) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer, and

(ii) the instrument of transfer is in respect of only one class of shares.

(c) No fee shall be charged for registration of transfer or for effecting transmission or for registering any letters of probate, letters of administration or similar other documents.

(d) Provided that the registration of transfer shall not be refused only on the grounds of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever.

17. Subject to the provisions of Section 154 of the Act, the registration of transfers may be suspended at such times and for such periods as the Board may from time to time determine provided that such registration shall not be suspended for more than 30 days at any one time or for more than 45 days in the aggregate in any year.

(a) Notwithstanding anything contained in the Articles of Association in the case of shares or other marketable securities where the Company has not issued any Certificates and where such Shares or Securities are being held in an Electronic and Fungible form. The Provisions of the Depositories Act, 1996 shall apply.

(Approved by the Shareholders at the 14th A G M Held on 24th August 2000 by means of passing Special Resolution)

CHAIRMAN/MANAGING DIRECTOR

38. (a) The Board may from time to time subject to provisions in the Act and subject to its supervision and control, appoint one or more of the Directors to be the Managing Director

of the Company and shall enter into agreement with such persons as to remuneration, powers duties and conditions rector may deem fit.

(b) The Board may appoint any director as Chairman for such terms as they may decide.

(c) The Directors may from time to time entrust to or confer upon the Managing Director for the time being such of the powers exercisable under these presents by the Directors or by law as they may think fit and may confer such powers for such time and to be exercised for such powers.

ADDITIONAL DIRECTOR

39. The Board of Directors all have power to appoint additional directors subject to the provisions of Section 260 of the Act.

E. MATERIAL CONTRACTS AND INSPECTION OF DOCUMENTS

The following contract and agreement referred to in Para “A” below (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or contracts entered into more than two years before the date of this Prospectus) which are / or may be deemed to be material have been entered into by or on behalf of the Company. Copies of these contracts together with copies of documents referred to in Para “B” below all of which have been attached to the copy of this Prospectus and which have been delivered to the Registrar of Companies, Tamilnadu at Chennai for registration and may be inspected at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day from the date of this Prospectus until the date of closing of subscription list.

I. MATERIAL CONTRACTS

1. Memorandum of Understanding between the Company and the Lead Manager, Karvy Investor Services Limited, dated 27th November 2003.

2. Memorandum of Understanding between the Company and the Lead Manager, Canara Bank, dated 7th November 2003.

3. Memorandum of Understanding between the Company and the Registrars to the Issue, Karvy Consultants Limited dated 2nd December 2003.

4. Agreement dated 3rd October 2000 between the Company, Cameo Corporate Services Private Limited and National Securities Depository Limited for dematerialisation of shares.

5. Agreement dated 14th May 2001 between the Company, Cameo Corporate Services Private Limited and Central Depository Services Limited for dematerialisation of shares.

II. DOCUMENTS FOR INSPECTION

1. Memorandum and Articles of Association of the Company.

2. Certificate of Incorporation dated 30th October 1986 and Certificate of change of name 9th October 1996 of the Company.

3. 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 Prospectus to act in their respective capacities.
4. Copy of the Resolution passed under Sections 81(1A) of the companies act at the EGM held on 8th October 2003
5. Copy of the Auditors report dated 28.10. 2003 advising the Company about the tax benefits available to the Company and its members.
6. Auditors report dated 28.10.2003 included in the Prospectus and copies of the Balance Sheet referred in the said report.
7. Copies of the documents regarding the appointment of Managing Director.
8. Copies of initial listing applications made to the MSE and BSE.
9. Copies of the resolution passed at the board meeting held on 12th September 2003 authorizing the directors to appoint lead managers to the issue and registrars to the issue.
12. Copy of SEBI observation letter No.----- dated ----- 2003 issued in respect of this Prospectus.