

DHARANI FINANCE LIMITED



PGP GROUP



ANNUAL REPORT 2006 - 2007



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**BOARD OF DIRECTORS**

Chairman : **Dr Palani G Periasamy**

Directors : **Ms Visalakshi Periasamy**
Justice (Retd) S Sivasubramaniyam
Mr R K Viswanathan
Mr M Ganapathy

Managing Director : **Mr K Kandasamy**

Company Secretary & Sr.Vice President (Corporate Affairs) : **Mr N Subramanian**

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Auditors : **M/s K Ramkrish & Co.,**
New No.19, Old No.9-A
Bagavantham Street,
T. Nagar, Chennai - 600 017.

Bankers : **Indian Bank,**
Sterling Road Branch
Chennai 600 034.

Admn. & Registered Office : **"PGP House"**
No.57 Sterling Road
Nungambakkam, Chennai 600 034.
Phone Nos. 2831 1313, 2825 4176
2820 7480
Fax No. 044 2823 2074
Email: pgp_dfl@yahoo.com



S.No.	Place	Address
1	CHENNAI	PGP House No.57 Sterling Road, Nungambakkam, Chennai- 600 034.

BRANCHES

S.No.	Place	Address
2	NAMAKKAL	Ram Buildings No.145-D, Trichy Road, Namakkal - 638 001.
3	ERODE	No. 150 / 151, E V Nanjappa Road, (Mettur Road) Erode - 638 001.



NOTICE TO SHAREHOLDERS

Notice is hereby given that the **SEVENTEENTH ANNUAL GENERAL MEETING** of the members of the Company will be held on **Friday, the 27th July 2007 at 10.00 A.M.**, at Sathguru Gnanananda Hall, Narada Gana Sabha, No.314, T T K Road, Alwarpet, Chennai - 600 018 to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2007 and Profit and Loss Account for the year ended on that date and to consider the reports of the Directors and Auditors.
2. To appoint a Director in place of Mr. R K Viswanathan, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. M Ganapathy, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

5. Delisting of Shares from Madras Stock Exchange

To consider and if thought fit, to pass, with or without modification, the following as a **Special Resolution**.

"Resolved that the Company do apply to the Stock Exchange at Madras for de-listing of its equity shares from the Madras exchange by following the procedure

prescribed in SEBI (De-listing of Securities) Guidelines - 2003.

By Order of the Board
For Dharani Finance Limited

Place : Chennai 34
Date : 9th June 2007

N Subramanian
Company Secretary
& Sr. Vice President
(Corporate Affairs)

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.

The proxy form, in order to be effective must be duly completed, stamped and lodged with the Registered Office of the Company not less than forty-eight hours before the commencement of the meeting.

2. The Share Transfer Books of the Company will remain closed from 23rd July 2007 to 27th July 2007 (both days inclusive).
3. Members / Proxy holders must bring the Attendance Slip duly signed to the meeting and hand it over at the entrance. Xerox copy/ torn attendance slips will not be accepted.
4. Members holding shares in physical form are requested to quote their Registered Folio numbers and those holding shares in demat form to quote their ID Numbers in the attendance slips and in all correspondence with the Company and notify the Company/ Registrar & Transfer Agent



immediately of change, if any, in their Registered Address and/ or of their mandates.

All documents referred to in the above notice are open for inspection at the Registered Office of the Company between 2.00 P.M and 4.00 P.M on any working day.

5. Members are requested to bring their copies of Annual Report to the Meeting.

6. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the special business set out against item 5 is annexed hereto.

By Order of the Board
For Dharani Finance Limited

Place : Chennai 34
Date : 9th June 2007

N Subramanian
Company Secretary
& Sr. Vice President
(Corporate Affairs)

Explanatory Statement under Section 173 (2) of the Companies Act, 1956.

Item No.5

Delisting from Madras Stock Exchange.

Presently, Dharani Finance Limited, a listed Company, is listed on Madras and Bombay Stock Exchanges. Earlier, the Company was listed on Coimbatore and Ahmedabad Exchanges also. After getting the shareholders' approval, the Company was de-listed from Coimbatore and Ahmedabad Stock Exchanges, as no trading was done in these two stock exchanges. Even though, the Company's shares were not traded in Madras Stock Exchange also, the listing was continued in Madras, as it was home stock exchange. No trading has taken place in Madras Stock Exchange for the last 5 years and the entire trading is done only in Bombay Stock Exchange.

According to SEBI's directives, all the regional stock exchanges have to be demutualised before August/September 2007 and if it is not done by then, the exchange itself might be de-recognized by SEBI.

Delisting from Madras Stock Exchange will not inconvenience the shareholders in any way, as the Company is listed with Bombay Stock Exchange, which has trading terminals all over India. Even now all the trading takes place only, through the terminals of Bombay Stock Exchange. There will not be any reduction or change in the Capital structure of the Company. In view of the substantial saving in cost and labour expected by delisting from Madras Stock Exchange, your Directors recommend approval of this resolution by Shareholders.

None of the Directors is interested in this resolution.

By Order of the Board
For Dharani Finance Limited

Place : Chennai 34
Date : 9th June 2007

N Subramanian
Company Secretary
& Sr. Vice President
(Corporate Affairs)



DIRECTORS' REPORT

Dear Members,

The Board of Directors present herein the **SEVENTEENTH** Annual Report of the Company together with the Audited Accounts for the year ended 31st March 2007.

FINANCIAL RESULTS

The Financial results for the year ended 31st March 2007 are briefly as follows: -

	For the year Ended 31.03.2007	For the year Ended 31.03.2006
(Rs. in Lakhs)		
Income through Travel Operations, Finance Charges and others	221.38	193.37
Expenditure	157.14	137.17
Profit	64.24	56.20
Provision for diminution in value of investments	19.01	(28.90)
Provision for NPA	(17.75)	3.63
Depreciation	38.96	31.12
Interest	0.37	1.65
Profit after Depreciation & Interest	23.65	48.70
Provision for Income Tax		
- Current	73.39	9.65
- Deferred	4.57	(2.36)
Profit/(Loss) after Tax	(54.31)	41.41
Transfer to Statutory Reserves	-	19.40
Transfer from General Reserves	-	35.57
Profit/(Loss) brought forward	8.40	(49.17)
Net Surplus/(Deficit) carried over	(45.91)	8.40

PERFORMANCE

Income of the Company during the year 2006-07 increased to Rs. 221.38 lakhs from Rs. 193.37 lakhs in the previous year. This represents an increase of 14.49%. The Operating Profit has gone up from Rs. 56.20 lakhs to Rs. 64.24 lakhs indicating an increase of 14.30%. However, the Company had to provide Rs. 19.00 lakhs towards diminution in value of investments as against reversal of provision of Rs. 28.90 lakhs in the earlier year. This was mainly because of the sudden fall in the value of investments held by the Company in shares of sugar companies mainly due to ban on export of sugar enforced by Government of India and other factors like inaccurate projection of production figures, in India as well as abroad. This in turn has affected the net profit. After providing for depreciation of Rs. 38.96 lakhs, the profit before tax comes to Rs. 23.65 lakhs. In addition, the Company had to provide for a substantially higher income tax during the current year, as the Income Tax Appellate Tribunal has decided against the Company and the industry, while taxing the provision made for NPAs. As a result the Company had to make provision for taxation of Rs. 58.62 lakhs relating to earlier years. The total provision for Income Tax including for the current year is Rs. 68.96 lakhs besides Fringe Benefit Tax Rs. 4.42 lakhs and Deferred Tax Rs. 4.57 lakhs. As a result of the higher provision for tax, the final figures reflect a loss of Rs. 54.31 lakhs.

Though various options for enlarging the business were considered, the Company could not decide on any particular business model and is still exploring the different possibilities.



DIVIDEND AND RESERVES

As the Company has not earned profits during the year under review, your directors regret their inability to recommend any dividend. No amount is being transferred to the Reserves due to the same reasons.

DEPOSITS

The Company does not hold any public deposits as on 31st March 2007. The Company has stopped collecting public Deposits and has got its Licence amended by Reserve Bank of India accordingly. Your company does not propose to collect public deposits in the coming year.

DIRECTORS

Mr R K Viswanathan retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

Mr M Ganapathy retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

As prescribed by Sec.217 (2AA) of the Companies Act, 1956, your Directors furnish herein the responsibility statement as under.

Your Directors state;

- i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- ii) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv) that the Directors had prepared the annual accounts on a going concern basis.

AUDITORS

M/s K Ramkrish & Co., Chartered Accountants retire as Statutory Auditors on the conclusion of this Annual General Meeting and they are eligible for reappointment. They have conveyed their consent for reappointment and have furnished the required declaration under Sec.224 of the Companies Act 1956.



LISTING WITH STOCK EXCHANGES

The Company's securities are at present listed at the following Stock Exchanges.

1. Madras Stock Exchange Ltd.,
Exchange Bldg., Post Box No.183,
II line Beach, Chennai 600 001.
2. Bombay Stock Exchange Ltd. Floor
25, P.J. Towers, Dalal Street, Mumbai
400 001.

The Listing Fees for these Stock Exchanges have been paid upto date.

A resolution has been proposed for the consideration of shareholders, to delist from Madras Stock Exchange as there is no trading in this Madras Stock Exchange for the last few years.

CORPORATE GOVERNANCE

In order to bring more transparency in the conduct of business, the Stock Exchanges have amended the listing agreement under instructions from SEBI incorporating a code of corporate governance to be followed by listed Companies.

Your Company has implemented the same fully and the enclosed report gives the details thereon. A certificate from the statutory auditors on compliance of conditions of Corporate Governance has been obtained and copy enclosed to this report.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

The provisions of Section 217(1) (e) of the Companies Act, 1956 relating to conservation of energy, technology absorption etc., are not applicable to your Company.

Foreign Exchange (Earnings & outgo: Total Foreign Exchange used and earned).

Particulars	2006 - 07	2005 - 06
Foreign exchange earnings	Nil	Nil
Foreign exchange outgo	Rs. 4345.00	Rs. 5906.00

PARTICULARS OF EMPLOYEES

There are no employees falling within the requirements of Section 217 (2A) of the Companies Act, 1956.

ACKNOWLEDGEMENTS

Your Directors place on record their appreciation of the services rendered by the Staff and Executives of your Company. Your Directors also thank the shareholders who have continued to repose their confidence in the Company and its management.

For and on behalf of the Board

Place : Chennai 34
Date : 9th June 2007

DR PALANI G PERIASAMY
CHAIRMAN



REPORT ON CORPORATE GOVERNANCE

SEBI has introduced a code of Corporate Governance through clause 49 of the Listing Agreement entered into with the Stock Exchanges. All the mandatory requirements of this clause have been complied with. A certificate from the Statutory Auditor certifying to this effect has been obtained and attached herein, as stipulated by the Listing Agreement.

1. Company's Philosophy

The Company strives to achieve optimum performance at all levels by adhering to the best corporate governance practices such as:

- Fair and transparent business practices
- Effective management control by Board
- Accountability for performance
- Monitoring of executive performance by the Board
- Compliance of Laws.
- Transparent and timely disclosure of financial & management information.

2. Board of Directors

Composition of the Board of Directors

Category	No. of Directors	% of total number of Directors
Promoter	2	33.33
Executive Directors	1	16.67
Non - Executive Directors	5	83.33
Non - Executive / Independent Directors	3	50.00

Chairman is non-executive. Non-executive Directors constitute more than 50%. More than 1/3 of the Board are independent Directors. Requirement of clause 49 on this point is fully complied with.

During the year, 5 Board Meetings were held on 03.05.2006, 27.07.2006, 27.10.2006, 25.11.2006 and 29.01.2007.

The names of Directors and their attendance at the Board Meetings during the year and the last Annual General Meeting as also number of other directorships are given below.