

24th ANNUAL REPORT

31st March 2004



SINCE 1949

K. Dhandapani & Co. Ltd.



K. Dharmapuri & Co. Ltd.

BOARD OF DIRECTORS

Shri T.N. DESIKAN

Chairman

Shri T.N. KOTHANDAPANI

Managing Director

Shri T.N. SRIDHARAN

Joint Managing Director

Shri B.G. RUDRAPPA

Shri T.N. SOUNDARARAJAN

Shri S.R. BALASUBRAMANIAN

Directors

M. BHUVANESWARI

Company Secretary

MANUFACTURING & ENGINEERING DIVISION

1. Plot No. 21, 22 & 25,
SIDCO Industrial Estate,
Thirumazhisai,
Sriperumbadur Taluk,
Near Chennai
2. C20&C31, Industrial Estate,
Guindy, Chennai - 600 032.
3. 26-D, Veerasandhra Industrial Area,
Anekal Taluk
Bangalore - 561 229.

REGISTERED OFFICE

(Old No. 141),
291, Linghi Chetty Street,
Chennai - 600 001.

AUDITORS

M/s. P.B. Vijayaraghavan & Co.,
Chartered Accountants
27, Cathedral Garden Road,
Nungambakkam, Chennai - 600 034.

CORPORATE OFFICE

14, Ramakrishna Street,
T. Nagar, Chennai - 600 017.

BANKERS

State Bank of India
Commercial Branch,
Chennai - 600 001.

BRANCHES

Chennai
Coimbatore
Secunderabad

Calcutta
Bangalore

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K. Dhandapani & Co. Ltd.

FIVE YEARS AT A GLANCE

(Rs. in Lakhs)

| YEAR ENDED | 2004 | 2003 | 2002 | 2001 | 2000 |
|-------------------------------------|---------|----------|---------|---------|---------|
| ASSETS EMPLOYED: | | | | | |
| Fixed Assets [Less Depreciation] | 466.68 | 503.00 | 516.98 | 524.33 | 555.00 |
| Investments | 288.88 | 288.88 | 293.21 | 293.21 | 293.21 |
| Net Current Assets | 1082.55 | 1088.14 | 1295.19 | 1273.19 | 1070.71 |
| Other Assets | 20.77 | 0.13 | 0.25 | 0.38 | 15.57 |
| | 1827.35 | 1880.15 | 2105.63 | 2091.11 | 1934.49 |
| FINANCED BY: | | | | | |
| Equity Shares | 351.17 | 351.17 | 351.17 | 351.17 | 351.17 |
| Reserves | 609.29 | 606.96 | 824.84 | 804.89 | 869.90 |
| Loan Funds | 877.42 | 902.27 | 929.62 | 935.05 | 713.42 |
| Deferred Tax | 21.00 | 19.75 | — | — | — |
| | 1827.35 | 1880.13 | 2105.63 | 2091.11 | 1934.49 |
| PROFIT & APPROPRIATION: | | | | | |
| Sales | 2239.95 | 2157.63 | 2285.33 | 3112.59 | 3073.08 |
| Gross Block | 795.65 | 813.95 | 887.88 | 879.51 | 876.31 |
| Depreciation | 328.96 | 310.95 | 370.90 | 355.18 | 321.31 |
| Net Block | 466.68 | 503.00 | 516.98 | 524.33 | 555.00 |
| Profit/(Loss) After Tax | 32.59 | (177.92) | 22.38 | (47.18) | 38.96 |
| Dividend | — | — | — | — | 29.24 |
| Retained Earnings | — | — | 22.38 | — | 27.89 |
| Net Worth | 666.83 | 666.70 | 881.91 | 859.40 | 905.45 |



K.Dhandapani & Co. Ltd.

NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the Twenty Fourth Annual General Meeting of the Company will be held on Thursday, 30th September 2004 at Shri Rajasthani Jain Samaj, No.66, Theyagaraja Road, Pondy Bazaar, Opp. Maya's Plaza, T. Nagar, Chennai – 600 017 at 10.00 am to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2004 and the Profit & Loss Account made upto that date along with the report of the Directors' and Auditors' thereon.
2. To appoint a Director in the place of Shri T N Desikan, Director, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in the place of Shri S R Balasubramanian, Director, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors and fix their remuneration. The retiring Auditors M/s. P B Vijayaraghavan & Co, Chartered Accountants, Chennai are eligible for reappointment.

SPECIAL BUSINESS:

5. To consider, and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

RESOLVED THAT Pursuant to Memorandum and Articles of Association of the Company, and subject to the provision of the Companies Act, 1956 and also subject to the Statutory approvals if any, the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors of the Company to hive off the Electrical trading and Manufacturing activities to a wholly owned subsidiary company, M/s. K Dhandapani & Co. Electricals Private Limited by entering into a suitable memorandum of understanding with them and that such hiving off would not involve transfer of any immovable property or immovable assets of the Company.

RESOLVED FURTHER THAT Shri T N Kothandapani, Managing Director and Shri T N Soundararajan, Director, and Ms. Bhuvaneswari, Company Secretary, be and are hereby authorized to do or cause to be done all such acts, deeds and other things as may be required or considered necessary or incidental thereto for giving effect to the aforesaid resolution.

By Order of the Board

M Bhuvaneswari
Company Secretary

Place : Chennai
Date : 12.08.2004



**K. Dhondapani & Co. Ltd.**

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES, IN ORDER TO BE VALID, MUST BE RECEIVED AT THE REGISTERED/CORPORATE OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Please bring the admission slip duly filled in and hand over at the entrance of the meeting hall.
3. The relevant explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
4. The Register of Members and share transfer books of the Company will remain closed from 29.09.2004 to 30.09.2004 (both days inclusive).
5. Members are requested to quote their folio numbers in all their correspondence.
6. Pursuant to the provisions of section 205A of the Companies Act, 1956, as amended, dividends for the financial year ended 31st March, 1997 and thereafter which remain unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund of the Central Government. Members who have not encashed their dividend warrants, so far for the financial year ended 31st March 1997 or any subsequent financial years are requested to make their claims to the share department of the Company. It may also be noted that once the unclaimed dividend is transferred to the Investor Education and Protection Fund, as above, no claims shall lie in respect of such amounts.
7. As per the provisions of the amended Companies Act, 1956, facility for making nomination is now available to individuals holding shares in the Company. The nomination form 2B prescribed by the Government can be obtained from the Company.
8. As required under the Listing Agreement, the particulars of directors who are proposed to be reappointed are given in the Report on Corporate Governance.
9. In case the mailing address mentioned on this Annual Report is without the pin code, members are requested to kindly inform their Pin Code immediately.
10. Shareholders are requested to bring their copies of the Annual Report for the meeting.
11. The nomination Form 2B can be obtained from the Company by the shareholders.





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

Item No.5

The Company had during the year undertaken a comprehensive review of its business strategies. The Board of Directors, at its meeting held on 12.08.2004 noted and analysed the various options available in this regard.

The Company is engaged in multi various activities. In order to have effective control over its diversified activities, the Board has thought it fit to hive off its Electrical trading and Manufacturing activities to a wholly owned subsidiary company, M/s. K Dhandapani & Co. Electricals Private Limited, by entering into a suitable Memorandum of Understanding with them. This arrangement would largely benefit the Company's shareholders. The approval of the shareholders is being sought through Postal Ballot, which is being sent to all the shareholders individually. The hiving off of these activities would not involve transfer of any immovable property or immovable assets belonging to the Company.

The Board recommends the Resolution for your approval.

Memorandum of Interest

None of the Directors is concerned or interested in the said resolution except to the extent of shares held by them in the Company.

Place : Chennai
Date : 12.08.2004

By Order of the Board

M BHUVANESWARI
Company Secretary

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MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Overview

With globalisation, our country is witnessing economic pressures on account of entry of more market players both domestic and foreign. Multi national companies have entered with more and more products and has resulted in severe competition and is converting the market into buyers market. Value added services, Waferthin margins have all come to dominate the Indian scene. The compulsion is on enhancing volumes to make up for falling spreads. Your company is confident of performing better by achieving 15-20% growth during the ensuing year. Even during the first quarter of the current financial year your company has notched a volume growth in excess of 25-30% and before the end of the year would atleast maintain an average of 15-20% growth

Industry Developments

With the industry growth showing signs of smart recovery, this is bound to improve demand growth and your company is looking forward to convert the opportunity to grow in volume.

Operating and Financial Performance

During the year under review, your company was able to reverse the trend and has made the profitability vis a vis earlier years. Further due to low operating margins and higher fixed and financial cost, your company is making every effort, to strengthen its operations and return to the dividend list as soon as possible.

Business Outlook

Over the years, your company has been predominantly dependent on Trading and Manufacturing of electrical engineering products, however, the need of the hour, to sustain in such trading environment, needs leaner operation cost and flexibility in operations. With a view to ensure that your company is not unduly affected by non performance of any particular activity like trading and manufacturing, it has been decided to hive off the trading and manufacturing activities of the company to a 100 % subsidiary company which is incorporated in the name and style of K. Dhandapani & Co. Electricals Private Ltd. This would ensure monitoring of its investments in various activities like trading and manufacturing, exports, financial services, property development etc.

Internal Audit and Compliance

The Company has an agency to carry out the internal audit and report on all operational parameters. The internal control procedures are in place. An audit committee is set up to report to the Board on a regular basis whose terms of reference 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.





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- 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 292 A of the Companies Act, 1956, or as may be 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.

Risk Management

In view of the conservative approach of your company, it would be possible for the Company to insulate itself from normal business risks. A credit appraisal system is in place to ensure that credit exposure is taken after detailed appraisal of the customer.

Human Resources

Human Resource is of paramount importance in a competitive environment. Dedicated and impeccable credentials of manpower is highly essential. K. Dhandapani & Co. Limited can boast to have in its fold highly motivated people at different levels to oversee the operations. New recruits are given adequate training on the various duties before being initiated to man the operations.

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REPORT ON CORPORATE GOVERNANCE

Company's philosophy:

The Securities and Exchange Board of India (SEBI) has introduced a Code of Corporate Governance for implementation by Companies listed on the Stock Exchange. Corporate Governance is the combination of voluntary practices and compliances with Laws and Regulations leading to effective control and management of the organization.

Your Company has taken every step to ensure that all the financial and other issues are discussed at the Board and necessary action at the operating level is exercised to achieve the desired goal of transparency in operation.

Your Company also ensures that maximum information is disclosed to the investors and thereby assures high degree of accountability

Your 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 of the Listing Agreement by your Company is furnished below:

A. Mandatory requirements

1. Board of Directors

The Board of Directors consists of Six members and the constitution of Board of Directors is given below:

| Director | Executive/Non-Executive/ Independent | No. of other Directorships # | Membership in other Board Committees |
|---------------------|---|---------------------------------|---|
| T N Desikan | Chairman, Non-Executive | 4 | 2 |
| B G Rudrappa | Independent | 1 | 1 |
| T N Kothandapani | Executive | 3 | 2 |
| T N Sridharan | Executive | 3 | - |
| T N Soundararajan | Non-Executive | 4 | 3 |
| S R Balasubramanian | Independent | - | 1 |

This includes directorships held in Public Limited Companies only.

2. Attendance of Directors at Board Meetings and Annual General Meeting

The Board of the Company met four times during the last financial year, on the following dates:

28.05.2003, 24.07.2003, 30.10.2003 and 31.01.2004.

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





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The attendance of the Directors have been specified below:

| Name of Director | Board Meeting | AGM |
|---------------------|---------------|-----|
| T N Desikan | 4 | Yes |
| B G Rudrappa | 4 | Yes |
| T N Kothandapani | 2 | No |
| T N Sridharan | 4 | Yes |
| T N Soundararajan | 4 | Yes |
| S R Balasubramanian | 4 | Yes |

3. Audit committee

The Audit Committee met 4 times during the financial year on the following dates:

28.05.2003, 24.07.2003, 30.10.2003 and 31.01.2004.

The constitution of the Committee and the attendance of each member of the Committee are given below:

| Name | Designation | Non-executive/ Independent | Attendance |
|--------------------|-------------|----------------------------|------------|
| B G Rudrappa | Chairman | Independent | Yes |
| SR Balasubramanian | Member | Independent | Yes |
| T N Soundararajan | Member | Non-executive | Yes |

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

- 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.
- To review compliance with internal control systems.
- To review the quarterly, half-yearly and annual financial results of the Company before submission to the Board.
- To investigate into any matter in relation to items specified in section 292A of the Companies Act, 1956 or as may be 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.
- To make recommendations to the Board on any matter relating to the financial management of the Company, including the Audit Report.

