

26th ANNUAL REPORT

31st March 2006



SINCE 1949

K.D. Handapani & Co. Ltd.



K.Dhandapani & Co. Ltd.

BOARD OF DIRECTORS

Shri T.N. DESIKAN

Chairman

Shri T.N. SRIDHARAN

Managing Director

Shri T.N. KOTHANDAPANI

Shri T.N. SOUNDARARAJAN

Shri B.G. RUDRAPPA

Shri R. NAGARAJAN

Directors

SHRIPRIYA MOHANKUMAR

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	2006	2005	2004	2003	2002
ASSETS EMPLOYED:					
Fixed Assets [Less Depreciation]	497.29	500.11	466.68	503.00	516.98
Investments	386.15	290.87	288.88	288.88	293.21
Net Current Assets	1280.57	1186.06	1082.57	1088.14	1295.19
Other Assets	16.96	26.63	20.77	0.13	0.25
	2180.96	2003.67	1858.90	1880.15	2105.63
FINANCED BY:					
Equity Shares	351.17	351.17	351.17	351.17	351.17
Reserves	717.62	653.10	609.31	606.94	824.84
Loan Funds	1087.98	973.81	877.42	902.27	929.62
Deferred Tax	24.20	25.59	21.00	19.75	—
	2180.96	2003.67	1858.90	1880.13	2105.63
PROFIT & APPROPRIATION:					
Sales	3763.10	2844.00	2239.95	2157.63	2285.33
Gross Block	861.79	849.47	795.65	813.95	887.88
Depreciation	364.50	349.36	328.96	310.95	370.90
Net Block	497.29	500.11	466.68	503.00	516.98
Profit/(Loss) After Tax	146.49	85.82	32.59	(177.92)	22.38
Dividend	70.23	40.04	—	—	—
Retained Earnings	40.00	40.00	—	—	22.38
Net Worth	766.77	714.54	666.83	666.70	881.91



K. Dhandapani & Co. Ltd.

NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the Twenty Sixth Annual General Meeting of the Company will be held on Thursday, 20th July 2006 at Rani Seethai Hall, 603, Anna Salai, Chennai – 600 006 at 10.30 am to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2006 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 T N Soundararajan, 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(s), the following resolution as Special Resolution:

RESOLVED THAT Shri R Nagarajan, who was appointed as Additional Director and in whose favour a notice has been received from a member proposing his reappointment, pursuant to Section 257 of the Companies Act, 1956 be and is hereby appointed as Director liable to retire by rotation.

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as Ordinary Resolution:

RESOLVED THAT pursuant to the provisions of Sections 198,269,309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act,1956("the Act")(including any statutory modifications or re-enactment thereof for the time being in force)approval of the members be and is hereby accorded to the of appointment of Shri.T N Sridharan, as Managing Director for a period of five years commencing from 01.07.2006 to 30.06.2011 and the payment of remuneration, perquisites and benefits as are set out in the draft Agreement proposed to be entered into by the Company and Shri. T N Sridharan, Managing Director and main terms of which are set out hereunder, which Draft Agreement is hereby approved, with the liberty and power to the Board of Directors(including its committee constituted for the purpose)to grant increments and to alter and vary from time to time the amount and type of perquisites to be provided to Shri.T N Sridharan, Managing Director so as not to exceed the remuneration limits as specified in Schedule XIII of the Act or any amendments thereto:

1. Salary:

Rs.35,000 p.m (inclusive of House Rent Allowance) w.e.f. 01.07.2006 with an authority to the Board to grant such further increases from time to time as they may deem fit, within the limits specified in Schedule XIII of the Act, as may be amended from time to time.



K.Dhandapani & Co. Ltd.

2. **Perquisites:**

Shri.T N Sridharan 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 Sridharan 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 Sridharan.

RESOLVED FURTHER that if in any financial year the Company has no profits or its profits are inadequate, Shri. T N Sridharan shall be entitled to receive the same remuneration, perquisites and benefits as above subject to compliance with the applicable provisions of Schedule XIII of the Act, and other applicable approvals that may be necessary from time to time.

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

RESOLVED that the resignation of Shri T.N. Kothandapani be accepted and he shall continue to be a Director of the Company.

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

RESOLVED THAT pursuant to the provisions of Sections 198,269,309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act,1956("the Act")(including any statutory modifications or re-enactment thereof for the time being in force)approval of the members be and is hereby accorded to the appointment of Shri.T N Soundararajan, as Whole -Time Director (Finance) for a period of five years commencing from 01.07.2006 to 30.06.2011 and Shri T. N. Soundararajan, will not be drawing any remuneration from the Company.

Resolved further that the Board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to these resolutions.

By Order of the Board

SHRIPRIYA MOHANKUMAR

Company Secretary

Place : Chennai
Date : 27.05.2006



K. Dhandapani & 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 17.07.2006 to 20.07.2006 (both days inclusive).
5. The dividend, as recommended by the Board, if sanctioned at the meeting, will be paid on or after 24.07.2006, to those members or their mandates whose names stand registered on the Company's Register of Members:
 - a. as Beneficial Owners as at the end of business on 23.07.2006 as per the list to be furnished by the National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in the electronic form and
 - b. as members in the Register of Members of the Company after giving effect to valid transfers in physical form lodged with the Company on or before the 20.07.2006.
6. Members are requested to quote their folio numbers in all their correspondence.
7. Pursuant to the provisions of section 205A of the Companies Act, 1956, as amended, dividends for the financial year ended 31st March, 1999 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 1999 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.
8. Members are requested to immediately notify any change of address:
 - i. To the Depository Participants (DPs) in respect of their electronic share accounts.
 - ii. To the Corporate Office at No:14, Ramakrishna Street, T Nagar, Chennai – 600 017 in respect of their physical share folios.
9. 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.
10. As required under the Listing Agreement, the particulars of directors who are proposed to be reappointed are given in the Report on Corporate Governance.
11. 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.
12. Shareholders are requested to bring their copies of the Annual Report for the meeting.
13. The nomination Form 2B can be obtained from the Company by the shareholders.

By Order of the Board

SHRIPRIYA MOHANKUMAR

Company Secretary

Place : Chennai

Date : 27.05.2006



K.Dhandapani & Co. Ltd.

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

Item No.5

Shri R Nagarajan was appointed as Additional Director pursuant to Section 260 of the Companies Act, 1956 with effect from 28.12.2005. He holds office till the conclusion of this Annual General Meeting. A notice has been received from a member under section 257 of the Companies Act, 1956 proposing Shri R Nagarajan for the appointment as Director. The Directors consider that his presence on the Board will be of great advantage and it is in the interest of the company that he be appointed a Director of the Company. The Board recommends the resolution for your approval.

Memorandum of Interest

Except Shri R Nagarajan, none of the directors are in any way interested in this resolution.

Item No.6

Shri T N Sridharan, who is at present the Joint Managing Director of the Company is proposed to be appointed as Managing Director, subject to the approval of the shareholders in this meeting. Shri T N Kothandapani, who is at present the Managing Director has expressed his desire to resign as Managing Director. However, he will continue as a director. Hence, Shri T N Sridharan is appointed as Managing Director and the necessary resolutions are placed before the shareholders for approval.

The Board of Directors, subject to the approval of the members at this meeting, have approved the appointment of Shri. T N Sridharan as the Managing Director for a period of five years with effect from 01.07.2006 and also approved the payment of remuneration to Shri.T N Sridharan in line with the provisions of Sections 198,269,309 and the ceilings laid down in Schedule XIII of the Companies Act,1956.

The terms and conditions have been spelt out in detail in the resolution No.6

The Board of Directors of your Company recommend the resolution for approval.

Memorandum of Interest

Shri.T N Sridharan for himself and Shri. T N Desikan, Shri.T N Kothandapani, Shri T N Soundararajan, as relatives will be deemed to be interested in the resolution.

None of the other directors are interested in the resolution.

This may also be treated as an abstract of the Memorandum of Interest of the Managing Director pursuant to Section 302 of the Companies Act,1956.

Item No. 7

Shri T.N. Kothandapani, who is at present the Managing Director of the Company has expressed his desire to resign as Managing Director due to other preoccupations. However, he will continue as a Director.

Item No. 8

Shri T.N. Soundararajan, who is at present the Director of the Company will be redesignated as Whole time Director (Finance). Considering his rich experience and capabilities, his redesignation will prove beneficial to the Company. The Board recommends the resolution for your approval.

Memorandum of Interest

Shri T.N. Soundararajan for himself and Shri T.N. Desikan, Shri T.N. Kothandapani, Shri T.N. Sridharan, as relatives will be deemed to be interested in the resolution.

None of the other directors are interested in the resolution.

By Order of the Board

SHRIPRIYA MOHANKUMAR

Company Secretary

Place : Chennai

Date : 27.05.2006


K.Dhandapani & Co. Ltd.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Overview

A brisk economic growth is witnessed by the projected GDP growth in excess of 8% during the current financial year. The ever increasing multinational presence is driving domestic companies across all segments to re engineer growth. Thinning margins is compelling huge volume growth, to remain profitable. Retailing has come to stay in all segments of business including banking, insurance etc. Your company envisaged, has grown in volume by expanding its retail businesses. Your company has posted a growth of Rs.10.73 lakhs in sales and is confident of posting a similar performance in the ensuing year.

Industry Developments

Power and infrastructure being priority for economic growth, your company is confident of converting the opportunity to overtake in these areas, and grow in size.

Operating & Financial performance

During the year under review, your company has posted growth in gross sales revising from Rs.26.90 crores to Rs.37.63 crores. Even though the operating margins continue to be under pressure your company was able to post a healthy bottom line of Rs.146.97 lakhs.

Business out look

During the last financial year, your company has completed its property development project at Coimbatore with handsome gain. The property development activity is also being undertaken in the future through a subsidiary Dhandapani Properties Pvt. Ltd., which has been incorporated for the purpose. The property development subsidiary is confident of achieving good growth and profitability during the current financial year.

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.
- c) To review the quarterly, half yearly and annual financial results of the company before submission to the Board.

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- 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

Your Company has highly motivated people at different levels to oversee the operations. Your Company also has a well placed training and development division for the new recruits. Your company has cordial relationship with the employees at all levels.

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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
T N Kothandapani	Executive	3	2
T N Sridharan	Executive	3	–
T N Soundararajan	Non-Executive	4	3
R Nagarajan	Independent	4	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 5 times during the last financial year, on the following dates:

26.05.2005, 28.07.2005, 27.10.2005, 28.01.2006

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.