HINDUJA FINANCE CORPORATION LIMITED

1st Floor, Hinduja House, Dr. Annie Besant Road, Worli, Mumbai - 400 018
Tel : (022) 496 6350, 496 6351. Fax : (022) 493 7374
Web Site : www.hindujafinance.com

Dear Shareholder,

I am happy to enclose a copy of your company's quarterly working results for the period ended 30th June 2000.

You will observe that your company's net profit has increased by over 550 % as compared to its performance for the first quarter of the previous year (July - Sep, 1999). The company's working results for the 1st quarter ended June 2000 include revenues of Ashok Leyland Information Technology Limited (ALIT), now the IT division of the company, following approval of the scheme of amalgamation between your company ('HF') and ALIT by High Courts of Chennai and Mumbai. The IT division has contributed 70% of the profit during the first quarter.

Looking to the plethora of reports appearing in the press regarding the merger and restructuring strategy of HF, it is quite possible that there could be concern in the minds of shareholders as to whether the companies brought under the umbrella of HF would be a drain on its resource and the steps initiated are in their best interest. We, therefore, thought it fit to spell out our strategy and show how it will benefit the shareholders immensely.

Your Chairman, Mr. Ashok P. Hinduja, in his speech at the last Annual General Meeting held on 24th May, 2000, had outlined HF's foray into the TMT (Technology, Media and Telecommunication) sector. As you may be aware, the Hinduja Group has over the past 5 years, successfully incubated a network of businesses in the TMT sector in India. These are today well established with seasoned management and significant competitive strengths. Going forward, these businesses, brought under the fold of HF, would leverage established strengths to avail of the growth opportunities emerging in these sectors and add tremendous value to the shareholders of HF through higher enterprise valuation. They represent a substantial competitive advantage for HF vis-a-vis other players looking to achieve similar positioning in the Indian media/communication space.

The various businesses to be consolidated under HF have been funded almost entirely from the Hinduja Group resources. The acquisitions now taking place are through share swaps and there will be no cash outflow from your company. The Group has deployed its own funds to grow its businesses in a phase when business risks were maximum - thereby demonstrating its full commitment and willingness to place the weight of its considerable financial and operational resources behind its initiatives.

The following description of the TMT companies brought under the fold of HF would amply illustrate the value that would accrue to our shareholders.

A. TECHNOLOGY (IT)

HF's IT initiatives will be spearheaded by 'ALIT' brand which has now become a part of HF. ALIT commenced operations in 1993 and in the period, since inception, has built up expertise on diverse technologies, platforms and business domains. The company has provided software services of international quality to an impressive array of clients and has over 2000 engineering years of software services experience in the on-site / offshore model.

HF has identified IT enabled services as a key thrust area and has focused intensively in the past year on marketing and building up client relationships in this area. In June 2000 ALIT entered into a large contract for IT enabled services with a Fortune 500 company. This contract has the potential to generate revenues of upto US$ 100 Million over the next 3 years with an option to renew for a further period of 2 years. The Company is in the process of significantly scaling up its workforce and upgrading its facilities to execute this contract.

Your company proposes to be a leading player in the software industry and would, apart from the organic growth in ALIT, use the route of mergers and acquisitions to push into high potential areas like e-commerce, internet, broadband and WAP.

B. MEDIA (BROADBAND CONNECTIVITY, CONTENT, COMMUNITY)

1. IndusInd Media & Communications Limited (IMC) : IMC commenced operations in 1995 and has built up India's largest cable television (CATV) network. It currently provides multi-channel transmission services to approximately 4 million subscribers under the brand name INCableNet, thus ranking amongst the 10 largest cable TV operators in the world in terms of subscribers. In addition to Mumbai, IMC's network covers 9 major cities in northern, southern and western India viz: Delhi, Agra, Hyderabad, Bangalore, Ahmedabad, Nasik, Belgaum, Indore and Nagpur. IMC is well advanced in its plan for development of Pay TV platform with Interactive TV / internet capability.

Intel, USA has taken a 3.3% effective equity stake in IMC for US$49.23 million in May 2000, giving it a benchmark valuation of US$ 1.5 billion (Rs. 6800 Crores) and making it one of India's most valuable unlisted companies. The Intel investment has been routed through Grant Investrade Limited where HF holds majority stake. The proceeds of the investment are being used for enhancing the broadband capabilities of IMC and expansion to other cities.

Your company would have an effective holding of 62.07% in IMC's paid-up capital of which 52.4% would be through Aasia Industrial Technologies Limited (AITL), a 100% subsidiary of HF. AITL owns a 40,000 sq. ft. modern building in Mumbai with state-of-the-art infrastructure housing our Media and Internet companies. Additional 40,000 sq. ft. FSI is available for carrying on IT related activities. AITL also holds 8% stake in Cable Video India Ltd and 100% of IndusInd Entertainment Ltd.

IMC is gearing itself for raising money in NASDAQ or attracting strategic / financial investments for further expanding its activities.

2. Cable Video India Limited (CVIL) : CVIL owns and operates the popular Hindi movie cable channel CVO. The Channel is today India's premier Hindi Movie cable Channel, and one of the most widely viewed cable channels in India with a coverage of over 6 million households in 108 centers across the country. CVIL's primary asset is its valuable library of over 1800 Hindi movies, the largest in India. CVIL is possibly the only channel in India to have registered profits on its operations from first year of operations.

In recognition of the potential of the industry and to leverage its content library, CVIL proposes to launch a Hindi movie satellite channel shortly by raising funds through IPO or by attracting strategic investment.

Your company would hold effectively 51.35% of CVIL's paid up capital.

3. IndusInd Entertainment Limited (IEL) : The Television Programming division of IMC was recently spun off into a separate company, named IndusInd Entertainment Ltd. The company produces television content and operates a bouquet of popular city specific cable television channels under the umbrella 'IN' brand. These channels, presently available in cities like Mumbai, Delhi, Bangalore and Indore are styled as 'IN Mumbai', 'IN Bangalore' etc.

The bouquet of IN Channels offers a unique local flavour in programming content on a city specific basis. IN channel pioneered the concept of interactive television in India with ‘IN Mumbai’. In addition to the coverage of local events, the ‘IN’ bouquet also airs local news bulletins called ‘IN Time’ in Hindi, Marathi, Gujarati and English.

The company has rights to more than 15,000 hours of television software relating to serials, events coverages, talk shows, music programmes and hundreds of hours of news coverage.

IEL would form the nucleus around which HF proposes to build its content capabilities. Therefore IEL is planning various initiatives to strengthen the ‘IN’ brand and leverage its unique content database and content generating capability in co-ordination with the HF’s plans to offer broadband connectivity. In this context, IEL is planning to acquire a horizontal portal targeted at the global Indian community for enriching its content delivery.

Your company would have an effective holding of 100% of IEL’s paid up capital through AITL.

C. INTERNET

In2cable.com (India) Limited (In2cable) : In2cable has a national level ISP licence and an exclusive arrangement with IMC for providing Internet services over the existing cable network. In conjunction with IMC’s expansion plans, In2cable aims to roll out internet services in 49 cities and achieve a subscriber base of over one million by the fourth year of operation. It has already commenced offering broad band Internet access over the IMC’s cable network in Mumbai and Bangalore. The high speed quality internet services made available 24 hours by the company is appreciated by customers.

The next generation of internet would be broadband driven. In2cable would emerge as one of the large Indian ISPs providing digital television, data, entertainment, games, video conferencing and telephony (as and when permitted by regulators.)

Your company would hold 100% of In2cable’s paid up capital, making it a wholly owned subsidiary.

D. TELECOM

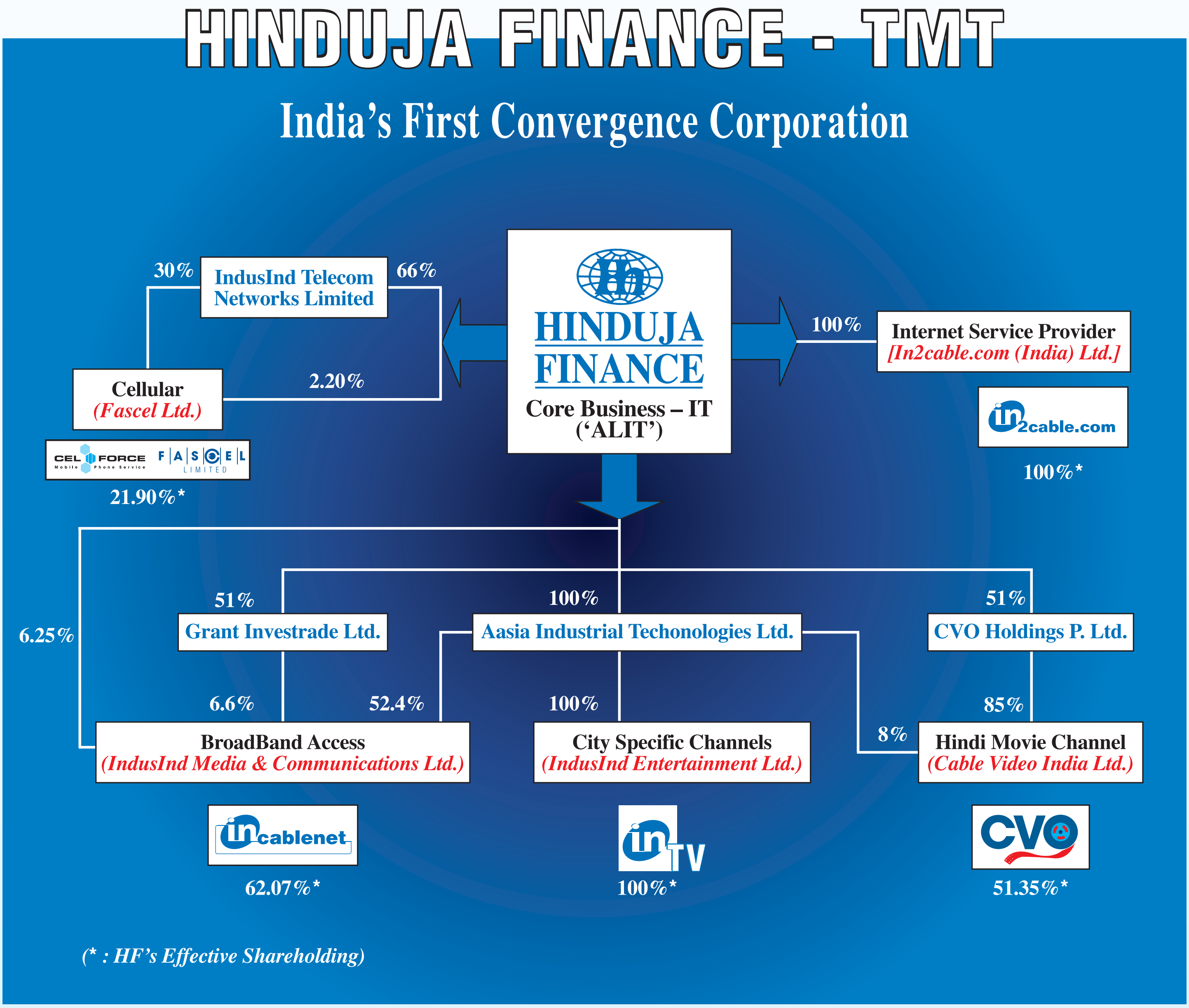
Fascel Limited (Fascel) : The Indian telecommunication market is now seen to be entering a phase of high growth, as the market matures and opportunities in allied areas such as domestic long distance telephony become available. Fascel is one of two cellular mobile phone service operators in the state of Gujarat and holds a twenty years licence effective from December 1995. It operates its services under the brand name ‘Celforce’. The company has built up a subscriber base in excess of 120,000, making it the single largest state circle operator in India. Going forward, Fascel will continue to grow its franchise in Gujarat, both in terms of extending its subscriber base and maintaining its dominant market status in the state as well as widening the breadth of its portfolio of services. The company will actively look to leveraging its assets :

* In terms of its network backbone to offer long distance services.
* In terms of its significant subscriber reach to address convergence opportunities through adoption and integration of emerging technologies.

Fascel is in the process of increasing its fibre optic backbone to over 1000 kilometres, which would form the basis of its future broadband network.

Your company would hold a majority stake in IndusInd Telecom Network Limited which holds 30% stake in Fascel. HF also would hold 2.2% equity directly in Fascel. The effective stake of your company is 21.90% of Fascel’s equity.

The pictograph below summarises HF's emerging business focus and interests discussed earlier :



Your company also proposes to change its name to reflect its core business of Information Technology under the brand name 'ALIT'.

Recommendations of Consultants :

M/s. Andersen Consulting (AC), one of the Internationally renowned Management Consultants, were mandated by your company to validate its convergence strategy and the structure of its holdings in the TMT sector and arriving at a potential range of valuation for your company.

AC after studying your company's initiatives, endorsed its TMT strategy for deriving the benefits of convergence. They have further recommended positioning your company as an "Information Technology (IT) Company" and as a parent to the various TMT companies by providing requisite direction, guidance and support in achieving their full potential and thereby maximizing the shareholders value in HF.

On the basis of above recommendation, your board has decided that your company's strategic focus would be two fold :

* **Information Technology :** IT would be your company's core activity as the Hinduja Group's existing information technology operations have been merged into HF and several new initiatives in IT are being pursued aggressively. HF thus will be an operating IT company that draws on synergies arising from its other key focus areas.

  The existing equity trading finance activity would be hived off from the company in due course after receipt of regulatory approvals.

* **Convergence Businesses :** The consolidation of Hinduja Group's valuable assets in the media and telecommunications sectors under HF creates a format for leveraging the consumer access and content of these businesses to foster the 'convergence process' being witnessed globally. The transformation process active across the media and communication sectors is resulting in the emergence of new value chains and new markets. In its parenting role HF would provide overall strategic direction for these businesses and proactively address emerging opportunities thereby creating significant incremental value.

The acquisition of controlling stake by HF in the above companies will be achieved through merger of investment companies presently controlling them. The valuation of the companies has been done by A.F. Fergusson for the purpose of share swap. The merger process will require the approval of courts and EGM and is expected to be completed between September 2000 and April 2001.

The paid up capital / networth of HF after completion of merger process would be as under :

Rs. In Crores

	31st March 2000	31st March 2001	30th April 2001
Paid Up capital	22.97	35.8	45.7
Networth	149.09	323*	344*

* The networth has been computed without taking into account profitability of the current year.

The average paid up capital for the company during the year is expected to be around Rs.30 Crores. If the current trend in profitability continues with higher contribution from IT division, the earning per share for 2000/01 is likely to be much higher than the previous year.

Private Placement of Shares

Your company had obtained the approval for an enabling clause in its AGM on 24th May, 2000 for private placement of 5 million shares. Bank of America had been appointed as the merchant banker to advise us on the deal. As per SEBI guidelines the private placement was to be completed by 23rd August, 2000. A newspaper had reported that we were going to place the shares at the minimum floor price of Rs.320/-, which was totally incorrect.

We believe that the intrinsic value of HF shares is much higher than the prevailing market price as a result of valuable new economy businesses coming under its fold and improved profitability. We would, therefore, like to wait for an opportune moment to place the shares for realising their full value. We shall approach you for fresh approval in due course.

The communication has become a bit too long but we trust that the above presentation will lead to greater clarity and understanding of our efforts to enhance shareholder value.

With best regards,
Yours sincerely,

S. Solomon Raj
Vice Chairman

Place : Mumbai
Date : 2nd September, 2000

HINDUJA FINANCE CORPORATION LIMITED

1st Floor, Hinduja House, Dr. Annie Besant Road, Worli, Mumbai - 400 018
Web Site : www.hindujafinance.com

UNAUDITED FINANCIAL RESULTS (PROVISIONAL) FOR THE QUARTER ENDED 30TH JUNE 2000

(Rs in lacs)

S. No.	Particulars	For the First Quarter ended 30.06.2000	Audited for the Quarter ended 30.06.1999	For the First Quarter of the Previous Year (July-Sep 99)	Audited for the Period ended 31.03.2000 (9 months)	Audited for the Year ended 30.06.1999 (12 months)
		1	2	3	4	5
1.	Sales / Total Income from Operations	**2179.02**	3353.12	**560.59**	1176.12	2126.65
2.	Total Expenditure	**549.42**	85.41	**296.69**	315.15	350.87
	a) Purchases	**189.09**	–	**–**	–	–
	b) Staff Cost	**143.01**	9.90	**52.91**	61.57	74.12
	c) Other	**217.32**	75.51	**243.78**	253.58	276.75
3.	Interest and other Finance charges	**33.83**	143.14	**37.49**	98.51	469.31
4.	Gross Profit (after interest but before Depreciation, Tax and Provision for exceptional items)	**1595.77**	3124.57	**226.41**	762.46	1306.47
5.	Less : Provision for N.P.A.s / Bad Debts written off	**0.00**	72.14	**9.20**	18.58	755.42
6.	Depreciation	**9.05**	38.00	**28.37**	13.91	135.97
7.	Add : Provision for diminution in value of investments written back	**0.00**	0.00	**182.83**	1377.09	0.00
8.	Prior Period & Extraordinary Items	**78.05**	0.00	**0.00**	(9.79)	0.00
9.	**Profit / (Loss) before Tax**	**1664.77**	3014.43	**371.67**	2097.27	415.08
10.	Provision for Taxation	**55.00**	0.00	**125.00**	480.00	104.00
11.	**Profit / (Loss) after Tax**	**1609.77**	3014.43	**246.67**	1617.27	311.08
12.	Paid up Equity Share Capital (Face Value Rs.10/-)	**2399.24**	2297.36	**2399.24**	2297.36	2297.36
13.	Final Dividend				516.91	252.38
14.	Reserves Excluding Revaluation Reserve				12612.33	11568.83
15.	Basic and Diluted E.P.S. (not annualised)	**6.71**	13.12	**1.03**	7.04	1.35
16.	Annualised E.P.S.	**26.84**		**4.11**		

Notes :

1 **High Courts of Bombay and Chennai have already approved the scheme of amalgamation of Ashok Leyland Information Technology Ltd. (ALIT) with Hinduja Finance. The merger shall be effective from 1st July 1999.**

- **a) The quarter ended 30.06.2000 includes financials of our I.T. business, namely that of ALIT. The Profit after Tax includes Rs.1125.75 lakhs pertaining to ALIT.**
- **b) The quarter ended 30.6.1999 is not comparable with the quarter ended 30.06.2000 as the Company changed its accounting year from July - June to April-March in line with RBI guidelines. The figures as on 30.06.1999 do not include performance of ALIT as on that date it was a separate entity. However, the first quarter of the previous year ended 30.9.1999, which includes ALIT, is more relevant for 1st quarter comparison (Refer col. 3).**
- **c) Pursuant to the merger, the Equity Capital will increase by Rs.101.88 lakhs to Rs.2399.24 lakhs and the total reserves will be at Rs.12963.35 lakhs.**
- **d) Audited Results for the period ended 31.03.2000 do not include financials of ALIT since the accounts of ALIT for the period are pending finalisation.**

2 Sales / Total Income from operations include realised / unrealised profit / (loss) from trading activities, gain / (loss) from sale of investments, dividend, interest etc and sales revenues of ALIT.

3 Investments at cost as on 30.06.2000 were Rs. 7589.19 lacs.

- a) Quoted Investments Rs.5657.56 lacs at cost, market value Rs.3757.51 lacs.
- b) Unquoted investments Rs.1931.63 lacs at cost, valuation as per RBI norms Rs.1048.14 lacs.
- c) The provision for diminution in value of investments as per RBI norms has been made.

4 The above results were taken on record, at the meeting of the Board of Directors of the Company held on 31st July 2000.

For Hinduja Finance Corporation Ltd.

Place : Mumbai
Date : 31st July, 2000

S. Solomon Raj
Vice Chairman