

12th Annual Report 1997-99

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VLS FINANCE LTD.

NOTICE

12TH ANNUAL GENERAL MEETING OF SHAREHOLDERS OF THE COMPANY WILL BE HELD AT

AIR FORCE AUDITORIUM
SUBROTO PARK
NEW DELHI - 110 010

AT 10.30 A.M.
ON
TUESDAY, AUGUST 10, 1999

SHARE TRANSFER & INVESTOR SERVICES

Share Department
VLS Finance Ltd.
C-489, Defence Colony
New Delhi - 110 024

N.B.:

1. Members /Proxy are requested to bring their copy of Annual Report at the Meeting as extra copies have not been printed due to high cost of paper.
2. Members to whom specific request for consolidation of folios was made in April/May 99, are requested to contact the Company for necessary endorsement on certificates, if not already made, though the process of consolidations of folios is over.

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BOARD OF DIRECTORS

Dr. P.D. Ojha
Shri M.P. Mehrotra
Shri G.K. Arora
Dr. A.C. Shah
Shri M.G. Diwan
Shri B.D. Shah
Shri T.N. Pandey
Shri V.K. Goel
Shri S.D. Varma
Shri N.C. Sundararajan
Shri Somesh Mehrotra
Shri A.K. Puri

Chairman
Vice-Chairman

COMPANY SECRETARY

Shri H. Consul

AUDITORS

Agiwal & Associates
Chartered Accountants
New Delhi

BANKERS

Punjab National Bank
Dena Bank

FINANCIAL INSTITUTIONS

Industrial Development Bank of India
Unit Trust of India

EQUITY SHARES LISTED AT

Delhi Stock Exchange Association Ltd.
West Plaza, I.G. Stadium
Indraprastha Estate
New Delhi - 110 002

Mumbai Stock Exchange Ltd.

Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001

National Stock Exchange of India Ltd.

Mahindra Towers, 'A' Wing
1st Floor, R.B.C. Worli
Mumbai - 400 018

Madras Stock Exchange Ltd.

Exchange Building Post Box No. 183
11, Second Line Beach
Chennai - 600 001

The Calcutta Stock Exchange Association Ltd.

7, Lyons Range
Calcutta - 700 001

U.P. Stock Exchange Association Ltd.

Padam Towers
14/113, Civil Lines
Kanpur - 208 001

The Stock Exchange - Ahmedabad

Kamdhenu Complex
Near Polytechnic
Panjara Pole
Ahmedabad - 380 015



NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 12th Annual General Meeting of the Members of VLS FINANCE LTD. will be held at Air Force Auditorium, Subroto Park, New Delhi - 110 010 on Tuesday, the 10th day of August, 1999 at 10.30 A.M. to transact the following business:-

ORDINARY BUSINESS

- To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 1999 and the Profit & Loss Account for the period ended on that date together with the Reports of Auditors and Directors thereon.
- To declare dividend on Equity Shares.
- To appoint a Director in place of Dr. P.D.Ojha, who retires by rotation, and being eligible, offers himself for re-appointment.
- To appoint a Director in place of Shri S.D.Varma, who retires by rotation, and being eligible, offers himself for re-appointment.
- To appoint a Director in place of Shri V.K. Goel, who retires by rotation, and being eligible, offers himself for re-appointment.
- To appoint a Director in place of Shri Somesh Mehrotra, who retires by rotation, and being eligible, offers himself for re-appointment.
- To appoint the Auditors and to fix their remuneration.

The term of M/s. Agiwal & Associates, Chartered Accountants, the Statutory Auditors of the Company will end at the conclusion of the 12th Annual General Meeting and being eligible, they offer themselves for re-appointment.

SPECIAL BUSINESS

- Appointment of Shri A.K.Puri as Director.
To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:
"RESOLVED THAT Shri A.K. Puri who was co-opted as Additional Director on 7/5/98 and who holds office till the date of this Annual General Meeting under section 260 of the Companies Act, 1956 and for whose appointment as a Director a notice under section 257 of the Companies Act, 1956 has been received from a member of Company be and is hereby appointed as Director of the Company, liable to retire by rotation."
- Alteration in Articles of Association.
To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:
"RESOLVED THAT pursuant to the provisions of section 31 of the Companies Act, 1956 and other applicable provisions if any, the Articles of Association of the Company be and are hereby altered, substituted or inserted suitably in the manner enumerated below:
A) In existing Article 1, after the Clause "Seal" means Common Seal of the Company," following clause be inserted:
'Member' : Member means duly registered holder from time to time of the shares of the Company of any class and includes any person whose name is entered as a beneficial owner in the records of the depository, but does not include the bearer of share warrant of the Company issued in pursuance of applicable provisions of the Act and other statute, in force.
B) After Clause IV in existing Article 5, following clause V be inserted:
V) Notwithstanding anything else contained to the contrary in these Articles, in the event it is permitted by law for a company to purchase its own shares or securities, the Directors may, when and if thought fit acquire, purchase, buy back and hold, resell or otherwise deal with such Company's own shares and securities as the Board may think necessary upon such terms and conditions and manner and subject to such limits and such approvals as may be prescribed or permitted in law.
C) In existing Article 11 at the end of the last sentence, after the words " in the Companies (Issue of Share Certificates) Rules, 1960" following words be inserted:
"Provided, however, that no certificate(s) shall be issued for shares held in dematerialised form."
D) After the existing Article 12 the following new Article be inserted as Article 12 A:

12 A. Dematerialisation of Securities

- For the purpose of these Articles:
'Beneficial Owner' means beneficial owner as defined under section 2(1)(a) of the Depository Act, 1996.
'SEBI' means Securities & Exchange Board of India established under section 3 of Securities and Exchange Board of India Act, 1992.
'Depository' means a depository as defined under section 2(1)(e) of the Depositories Act, 1996, in which Company's securities are admitted for the time being.
'Depository Act, 1996' shall include any statutory modification or re-enactment thereof for the time being in force.
'Security' means such evidence of right, title or interest in any property and includes securities enumerated in the Securities Contracts (Regulations) Act, 1956 and any other securities specified in that Act, or any other applicable law from time to time and includes existing shares for the time being.

Words and expressions used and not defined in this Act but defined in the Depositories Act, 1996 shall have the same meanings respectively assigned to them in that Act.

ii) Power of Company to dematerialise and rematerialise:

Notwithstanding anything to the contrary in these Articles, the Company shall be entitled to dematerialise its existing securities and/or to offer securities in a dematerialised form pursuant to the Depositories Act, 1996 and to rematerialise any/all its securities held in depository(ies) as the Directors, subject to law in force for the time being, may decide.

iii) Options for Investors

If and when the Directors shall decide, the Company shall exercise to hold its securities with a depository in dematerialised form, then after the depository has confirmed admission of Company's security to depository, every member and person subscribing to securities offered by the Company shall have option to receive

securities certificates or to hold the securities with depository. Person who is beneficial owner of the securities can at any time opt out of a depository, if permitted by law, in respect of any security in the manner provided by the Depository Act and the Company shall in the manner and within the time prescribed, issue to beneficial owner the required Certificates of Securities. If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of security and on receipt of information, the depository shall enter in its record the name of allottee as the beneficial owner of the security.

iv) Securities in Depositories to be in fungible form

All securities held by a depository shall be dematerialised and be in fungible form. Nothing contained in sections 153, 153A, 153B, 187B, 187C, and 372A of the Act shall apply to depository in respect of the securities held by it on behalf of beneficial owners.

v) Rights of Depositories and Beneficial Owners

(a) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner.

(b) Save as otherwise provided in (a) above the depository as registered owner of securities shall not have any voting rights or any other rights in respect of the securities held by it.

(c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of the securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.

vi) Service of Documents

Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a depository, the records of the beneficial owner may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs or any other mode permitted for the time being.

vii) Transfer of Securities

Nothing contained in section 108 of the Act or these Articles regarding the necessity of having distinctive Numbers of securities issued by the Company shall apply to securities held with a Depository.

For transfer/transmission of securities of Company, held in electronic and Fungible form i.e. with depository, the provisions of Depositories Act, 1996 will apply and the provisions regarding transfer/transmission of securities contained in Articles 34 to 41 and elsewhere in Articles of Association will apply to securities held in physical form, unless the context requires otherwise.

viii) Register and Index of Beneficial Owners

The Company shall cause to be kept at the Registered Office or at such other place as may be approved, a Register and Index of Members in accordance with sections 150 and 151 and other applicable provisions of the Act, and depositories Act, 1996 with the details of shares held in physical and dematerialised forms in any media as may be permitted by law including in any form of electronic media. The Register and Index of beneficial owners maintained by a depository under Depositories Act, 1996, shall also be deemed to be the Register and Index of Members and security holders for the purpose of this Act. The Company shall have the power to keep in any state or country outside India a branch Register of members resident in that state or country.

ix) Company to recognise interest in securities other than that of Registered holder, under Depositories Act, 1996.

Either the Company or the investor may exercise an option to issue, deal in hold the securities with a depository in electronic form and the certificates in respect thereof shall be dematerialised, in which event the rights and obligation of the parties concerned and matters connected therewith or incidental thereto, shall be governed by the provisions of the Depositories Act, 1996.

x) Intimation to Depository

Notwithstanding anything contained in this clause, where securities are dealt in a depository, the Company shall intimate the details of allotment of securities to depository immediately on allotment of such securities."

By Order of the Board
for VLS FINANCE LTD.

Place : Mumbai
Date : 28/05/99

H. CONSUL
COMPANY SECRETARY

NOTES:-

- Members are requested to intimate the change of address, if any, to the Company at its Registered Office at C-489, Defence Colony, New Delhi- 110 024.
- A Member entitled to attend and vote is also entitled to appoint a proxy to attend and vote instead of himself/herself. The proxy need not be member of the Company. The proxy in order to be effective, must be lodged at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
- The Register of Members of the Company and share transfer books shall remain closed from Friday, 16th day of July, 1999 to Friday, the 23rd day of July, 1999 (both days inclusive). The Board of Directors has recommended dividend @ 7.5% which, if approved at the ensuing Annual General Meeting will be paid to those shareholders or their mandatee(s) whose names appear in the Company's Register of Members on 23rd July, 1999.
- Pursuant to section 205A of the Companies Act, 1956, dividend remaining unpaid for the year 1994 - 95 has been credited to the General Revenue Account of the Central Government. The members who have not encashed their dividend warrants for the said year could claim the amount from the Registrar of Companies, NCT of Delhi & Haryana, Paryavaran Bhavan, CGO Complex, New Delhi. In case any assistance is required, members are requested to write to the Company.
- Pursuant to amendment in Section 205A by Companies Amendment Act, 1999 the unclaimed dividend for the year 1995-96 shall be transferred to Investor Protection & Education fund established u/s 205C of Companies act, 1956 after expiry of seven years i.e. on 30/09/2003. The same therefore has not been transferred to Central



Government General Revenue Account as per provisions prior of aforesaid amendment. Persons who have not claimed the dividend for aforesaid period should immediately contact the Company at its Registered office for the purpose. It must be noted that if the said dividend is not claimed within 7 years then no claim for that shall be entertained, upon transfer of unpaid dividend to said fund.

6. Members who are holding shares in identical order of names in more than one Folio, are requested to write to the Company at its Corporate Office stated above to enable the Company to consolidate their holdings in one Folio.
7. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company during office hours on all working days between 11.00 A.M. to 1.00 P.M. up to the date of the Annual General Meeting, except on Saturdays, Sundays and other Holidays.
8. Member/Proxies are requested to bring their copies of the Annual Report and the attendance slip (duly filled) for attending the meeting.
9. The relative explanatory statements pursuant to section 173 of the Companies Act, 1956 in respect of items 8&9 are annexed hereto.

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

ITEM NO.8

Shri A.K.Puri was appointed as Additional Director in the meeting of the Board of Directors held on 7/5/98. Pursuant to the provisions of Section 260 of the Companies Act, 1956 Shri A.K.Puri will hold office upto date of the ensuing Annual General Meeting. Shri Puri retired as Deputy Managing Director of the State Bank Of India and has vast experience in financial and banking activities. A notice has been received from a member of the company pursuant to section 257 of the Companies Act, 1956 signifying his intention to propose the resolution for appointment of Shri A.K.Puri as Director of the Company at the forthcoming Annual General Meeting. Your Directors recommend appointment of Shri A.K.Puri as Director of Company.

None of the Directors except Shri A.K.Puri is concerned or interested in the resolution.

ITEM NO.9

With the enactment of the Depositories Act, 1996 certain provisions relating to issue, holding, transfer, transmission of shares etc. have been amended. In Depository system securities of shareholder are held in electronic form and operational methodology is similar to operation of bank Account with a bank. The main objective of Depository is to minimise the paper work involved with the ownership, trading and transfer of securities. This will improve the service to the investors being a safer and more convenient method of holding and trading securities of a Company. The Company intends to join the Depository system and hence it is proposed to amend Company's Articles of Association suitably as set out in the resolution at Item 9 to reflect the provisions introduced by the Depository Act, 1996 and to spell out the rights of the beneficial owners of the securities in such a system. Amendment in Article 5 is intended to further elaborate Company's power contained in Articles of Association to buy back its own shares in view of recent amendments in Companies Act, 1956.

The Directors, therefore, recommend this special resolution for your approval.

None of the Directors of the Company is concerned or interested in the resolution.

Place : Mumbai
Date : 28/05/99

By Order of the Board
for VLS FINANCE LTD.

H. CONSUL
COMPANY SECRETARY

DIRECTORS' REPORT TO THE MEMBERS

The Directors are presenting their Twelfth Annual Report together with the Audited Accounts for the period ended 31st March, 1999.

1. FINANCIAL RESULTS	(Rs. In Lacs)	
	for the period ended 31/3/99 (18 months)	for the period ended 30/9/97 (18 months)
Gross Receipts	5173.80	8,355.42
Profit Before Interest & Depreciation	4828.56	7,767.73
Less: Interest & Finance Charges	1693.30	1,802.31
Profit Before Depreciation	3135.26	5,965.42
Less Depreciation	2917.17	3,893.84
Profit Before Tax	218.09	2,071.58
Provision for Taxation	16.00	Nil
Add: Adjustments relating to earlier year	3.23	0.62
Add: Surplus Brought Forward	269.61	306.43
Available for appropriation	474.93	2,377.39
Appropriations:		
General Reserve	250.00	2000.00
Statutory Reserve	40.42	Nil
Proposed Dividend	71.08	97.98
Dividend Tax	7.82	9.80
Percentage of Dividend	7.50	15.00
Total appropriations	369.32	2107.78
Surplus carried to the Balance Sheet	105.61	269.61

REVIEW OF OPERATIONS

For Non-Banking Financial Companies (NBFCs), the year 1998 had been a difficult year as far as the business is concerned. Most of the NBFCs had suffered huge losses and have gone out of business mainly due to large NPAs in assets and investments and tightening of norms by regulatory authorities. Due to the miserable performance of this sector as a whole, the Banks and FIs had put in very strict norms for granting working capital facilities to NBFCs. In particular, the companies, which mainly depended upon public deposits to source their finance and mismanaged their deployment of funds were forced to be out of business. A number of cases are pending before the Company Law Board and other courts in the country filed by the depositors. In this context, you will be happy to know that your Company is placed on best position as the Company has no public deposits.

There is hardly any debt in the Company. Otherwise also, your company's debt-equity ratio is hardly 0.15:1, which is amongst the lowest in the industry. Your Company has one of the best capital adequacy ratio in the industry as per the prudential norms, prescribed by the Reserve Bank of India. During the period under review the Company has also been granted Certificate of Registration as Non Banking Finance Company, by Reserve Bank of India. It is also very satisfying to note that Reserve Bank of India has recently removed the ceiling on bank credit in respect of all registered NBFCs engaged principally in Leasing, Hire-Purchase, loan and investment activities. Banks may now assess and provide NBFCs need based finance as per loan policy laid down by them with the approval of their Board. This may improve the outlook of business for viable and efficient NBFCs. Accordingly your company may benefit in future.

It may be observed that despite prevailing general unfavourable environment, your Company remained in business and after making certain adjustments from general reserves, your Company has shown a modest profit of Rs. 2.18 crore. These results are not comparable with the projected figures given in prospectus issued in December, 1994 for reasons beyond control. As far as your Company is concerned, almost all NPAs have been provided through Profit & Loss Account and in subsequent years, if they are recovered, your Company will have improved bottomline of its Profit & Loss Account. In spite of all these odds, the strategic decision taken by the management of your Company to focus on non-fund based activities has started bearing fruits and in times to come, the Company will be depending upon non-fund based activities more than fund-based activities.

You will observe that the Accounting Year of your Company is again extended to 31.03.99 in order to synchronise with the Financial Year as per I.T. law and to take benefit of certain measures provided in the Budget for the year 1999-2000.

In view of amendment in Securities and Exchange Board of India (Merchant Bankers) Regulations, 1998, NBFCs can not carry on business of Merchant Banking. Therefore, the said business of Merchant Banking has now been transferred to wholly owned subsidiary of the Company, VLS Securities Ltd.

3. DIVIDEND

Considering the profitability position of the Company your Directors recommend the payment of dividend of 7.5% for the 18 months period ended on 31st March, 1999 on enhanced capital. In addition the Company will bear dividend tax. The shares issued during the said period will be eligible for dividend on prorata basis and dividend will be payable to members whose names appear in register of members till the date of its closure i.e. 23rd July, 1999.

4. FIXED DEPOSITS

The Company has not accepted any fixed deposit during the year under review and the Fixed Deposit of a former Director of Rs. 1,50,000 were repaid during the year. As on date neither the Company has nor it intends to accept any fixed deposit.

5. DIRECTORS

Shri V.K.Goel, Dr. P.D.Ojha, Shri Somesh Mehrotra and Shri S.D.Varma Directors will retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. To enable the Company to obtain their continued valuable direction, guidance and assistance in conduct of your Company's affairs, it is recommended to reappoint them. Shri Vikas Mehrotra, who was appointed as Director of the Company in the casual vacancy caused by resignation of Shri Sundar Iyer has resigned w.e.f. 27/4/98 and consequently Shri R.P.Goel, Alternate Director to Shri Vikas Mehrotra also vacated the office from the same date.

Shri A.K.Puri was co-opted as Additional Director of the Company in meeting of the Board held on 7th May, 1998 and holds office till date of ensuing Annual General Meeting. A notice in writing u/s 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose name of Shri A.K.Puri for election to the office of Director of the Company. The same has been incorporated suitably in the Notice to members for the ensuing Annual General Meeting. Your Directors recommend appointment of Shri A.K.Puri as Director of the Company.

6. AUDITORS

The Board recommends the reappointment of M/s Agiwal & Associates, Chartered Accountants, the statutory auditor of the Company. Their term will end at the conclusion of the ensuing Annual General Meeting and being eligible have given their consent for the re-appointment. The Board may also be authorised, to fix their remuneration.

7. AUDITORS' REPORT

The observations made by the Auditors with reference to notes on accounts for the period under report have been adequately dealt within the relevant Notes On Accounts and need no further comments from Directors.

8. HUMAN RESOURCES

The relationship with employees had been cordial. The Directors place on record their sincere appreciation to the employees at all levels. In terms of the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, there was no employee during the period drawing remuneration more than the stipulated in the said rules.

9. STATUTORY INFORMATION

The information as required in terms of Clause 43 of the Listing Agreement, is enclosed as Annexure I. The Company not being a manufacturing Company is advised that the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to Conservation of Energy and Technology Absorption in Form A & B are not applicable. Details of Foreign Exchange Earnings and Out go is enclosed as Annexure II and forms part of this report. The Company has paid annual listing fee for the year 1999-2000 to all the Stock Exchanges where the shares of the Company are listed viz. Delhi, Mumbai, Kanpur, Ahmedabad, Calcutta, Madras and National Stock Exchange.

**10. SUBSIDIARY COMPANIES**

Statements pursuant to Section 212(1) (e) & (f), read with Sub-Section (3) and sub section (5) of the said section of the Companies Act, 1956, for the Financial Year 1998-99 in respect of the Subsidiary Companies along with their respective relevant Annual Reports are enclosed with Annual Accounts of Company.

11. MILLENNIUM (Y2K) ISSUE

The Company is adequately geared to meet Y2k problem. Since all critical software, hardware and embedded systems are Y2k compliant there is no likelihood of financial or physical damages. The remaining systems are proposed to be phased out gradually and replaced by contemporary systems as per the requirement. The Company is in a position to meet this cost. The Company is well prepared for any system failure. Regular monitoring of plans and systems will be undertaken to take care of disruption of operations in case of any eventuality. The estimated cost of upgrading/replacing non compliant hardware and software would be around Rs.5 Lacs. There are no intermediaries directly dependent on operations/functions of Company.

12. ACKNOWLEDGEMENTS

Your Directors wish to express their most sincere appreciation and thanks to the Business Associates, Customers, Association of Leasing and Financial Services Companies, Bankers, Financial Institutions, The Reserve Bank of India for their support and assistance and also to the esteemed shareholders of the Company for their valuable support and patronage.

For and on behalf of the Board

Place : Mumbai
Date : 28th May, 1999

P.D.Ojha
Chairman

ANNEXURE I**INFORMATION PURSUANT TO CLAUSE 43 OF THE LISTING AGREEMENT****PROFITABILITY STATEMENT**

	Actuals	Projections (In Lacs)
Total Income	5,173.80	50106.5
Profit after Tax	202.09	22654.5
EPS (Rs)	1.51	169.23*
Dividend (%)	7.5	37.5

* Projected EPS calculated on present equity capital of Rs. 13.39 Crores.

ANNEXURE II**FOREIGN EXCHANGE EARNINGS AND OUTGO**

Foreign Exchange earned	: Nil
Foreign Exchange used	: Rs. 5,69,900/-

For and on behalf of the Board

Place : Mumbai
Date : 28th May, 1999

P.D.Ojha
Chairman

AUDITORS' REPORT**TO THE MEMBERS OF VLS FINANCE LTD.**

We have audited the attached Balance Sheet of VLS Finance Ltd. having its Regd. Office at "VLS House", C-489, Defence Colony, New Delhi-110 024, as at 31st March, 1999, and the annexed Profit and Loss Account for the period of 18 months ended on that date and report as under:-

We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

- In our opinion, proper books of accounts, as required by law, have been kept by the Company, so far as appears, from our examination of such books. In respect of the Branch Offices of the Company at Mumbai, Chennai and Kanpur, no separate books of accounts are being maintained and all the income and expenses of the Branch Offices have been accounted for in the books of accounts maintained at the Registered Office.
- The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of accounts.
- In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required.
- In our opinion the Profit & Loss Account & Balance Sheet comply with the Accounting Standards referred to the sub-section (3C) of Section 211 of the Companies Act, 1956 subject to,

- Note I.F.2. Leave encashment on retirement which is accounted for on PAY-AS-YOU-GO method, which is not in accordance with the Accounting Standard 15 of the Institute of Chartered Accountants of India.

- Note II.A. An aggregate amount of Rs.32,15,55,441 has been transferred from General Reserve to Profit & Loss Account towards adjustments of Bad Debts written off amounting to Rs.27,83,81,258, Stock Trading Loss amounting to Rs.1,66,76,751 and Provision for Non-performing Assets amounting to Rs.2,65,17,432 including Rs.2,10,09,989 towards reversal of interest income. Had these adjustments not been made, the General Reserve would have been higher and profit for the period would have been lower by the said aggregate amount.

- give a true and fair view:-
- In so far as it relates to the Balance Sheet, of the state of affairs of the Company as at 31st March, 1999, and
- In so far as it relates to the Profit and Loss Account, of the profit of the Company for the period of 18 months ended on that date.

As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988, and on the basis of such checks of the books and records of the Company, as we considered appropriate and the information and explanations given to us during the course of our audit, we further report as follows:-

- The Company is maintaining proper records showing full particulars, including quantitative details, and situation of all its tangible fixed assets. We have been informed that the fixed assets of the Company are being physically verified at random, by the management, at reasonable intervals during the period and no discrepancies were noticed on such verification.
- The Company has not re-valued any of its fixed assets during the period.
- The Company has not taken any loan from Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. We have been informed that there are no Companies under the same management within the meaning of Section 370(1B) of the Companies Act, 1956.
- In respect of the loans and advances granted by the Company to the parties listed in the register maintained under Section 301 of the Companies Act, 1956, the terms and conditions of the loans and rate of interest charged are not prima facie prejudicial to the interests of the Company or its members. We have been informed that there are no Companies under the same management within the meaning of Section 370(1B) of the Companies Act, 1956.
- The parties to whom loans and advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated and are also generally regular in payment of interest, wherever applicable except in some cases for which the Company has followed the Guidelines issued by the Reserve Bank of India to all Non-Banking Financial Companies for Asset Classification and provisioning for and income recognition on non-performing assets.
- In our opinion and according to the information and explanations given to us, the Company has an adequate internal control procedure commensurate with its size and nature of its business, for the purchase of machinery, equipment and other assets.
- The transactions of services, made in pursuance of contracts or arrangements entered in the Register(s) maintained under Section 301 of the Companies Act, 1956, as aggregating during the period to Rs.50,000 (Rupees Fifty thousand only) or more in respect of each party, have been made at the rates which are reasonable having regard to prevailing market rates for such services or rates at which transactions for similar services have been made with other parties.
- In our opinion, and according to information and explanations given to us, the Company has complied with the provisions of directives issued by the Reserve Bank of India in the form of Non-Banking Financial Companies (Reserve Bank) Directions, 1977, with regard to deposits accepted from the public.
- In our opinion, the Company has, an adequate internal audit system, commensurate with its size and nature of its business.
- The dues under the Employees Provident Fund and Miscellaneous Provisions Act, 1952, and the Employees State Insurance Act, 1948, have regularly been deposited with the appropriate authorities by the Company.
- According to the information and explanations given to us, there are no undisputed amounts payable in respect of Income Tax, Wealth Tax and Sales Tax as at 31st March, 1999, which are outstanding for a period of more than six months from the date they became payable. The provisions of Custom Duty and Excise Duty are not applicable to the Company.
- According to the information and explanations given to us, no personal expenses have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
- The Company is not a Sick Industrial Company within the meaning of Clause (o) of Sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
- The service activities of the Company do not involve consumption of materials and, hence, the question of reporting existence or otherwise of a reasonable system to record the receipts, issues and consumption of materials does not arise.
- The Company maintains adequate documents and records for loans and advances granted on the basis of hypothecation of assets and also against pledge of shares, debentures, etc.
- In respect of the Company's investment portfolio consisting of shares, securities, debentures and bonds, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the Company in its own name except to the extent of the exemption, if any, granted under Section 49 of the Companies Act, 1956 (1 of 1956). Some shares and debentures are in the process of transfer in the name of the Company as at the close of the period.
- In our opinion, Clause 4(A)(iii) to 4(A)(vi), 4(A)(xii), 4(A)(xiv) and 4(A)(xvi) of this order are not applicable to the Company.

For Agiwal & Associates
Chartered Accountants

May 28, 1999
Mumbai

(P.C. AGI WAL)
Partner,

**VLS FINANCE LTD.****BALANCE SHEET AS AT 31ST MARCH, 1999**

Amount in Rupees

	Sch. No.	As at 31st March, 99	As at 30th Sep., 97
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Capital	1	13,38,72,250	6,65,47,250
b) Reserves & Surplus	2	150,13,53,959	183,78,62,579
2. Loan Funds			
a) Secured Loans	3	11,41,83,058	13,47,92,915
b) Unsecured Loans	4	15,20,50,726	51,17,58,375
Total Sources		190,14,59,993	255,09,61,119
II. APPLICATION OF FUNDS			
3. Fixed Assets	5		
a) Gross Block		137,88,02,471	143,84,94,799
b) Less : Depreciation		98,42,46,511	75,21,58,779
c) Net Block		39,45,55,960	68,63,36,020
d) Advances for Capital Expenditure		NIL	45,832
4. Investments (At cost)	6	48,79,34,670	42,51,50,651
5.A. Current Assets, Loans & Advances			
a) Debtors	7	1,88,93,138	4,83,30,853
b) Net Stock on Hire	8	3,39,51,865	29,32,70,946
c) Share Stock in trade	9	6,30,40,818	7,37,47,269
d) Cash & Bank Balances	10	43,96,013	4,65,20,917
e) Bills of Exchange (Net)		NIL	20,00,000
f) Other Current Assets	11	17,77,66,184	13,32,16,021
g) Loans and Advances	12	70,42,03,145	83,11,68,521
5.B. Less: Current Liabilities & Provisions		100,22,51,163	142,82,54,529
a) Liabilities	13	1,20,46,321	2,09,77,638
b) Provisions	14	94,90,811	1,07,84,392
Net Current Assets (A-B)		2,15,37,132	3,17,62,030
6. Miscellaneous Expenditure (To the extent not written-off or adjusted)	15	98,07,14,031	139,64,92,499
Total Deployments		3,82,55,332	4,29,36,117
		190,14,59,993	255,09,61,119
Notes on Accounts	21		

As per our report of even date
For Agiwal & Associates
Chartered Accountants

M.P. Mehrotra
(Vice-Chairman)

V.K. Goel
(Director)

Gagan Pant
(Vice-President Corporate Affairs)

H. Consul
(Company Secretary)

P.C. Agiwal
(Partner)
Date : 28th May, 1999
Place : Mumbai

PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED ON 31ST MARCH, 1999

Amount in Rupees

	Sch. No.	For the 18 months ended 31st March, 1999	For the 18 months ended 30th Sept., 1997
INCOME			
Income from Credit Operations Division	16	47,99,98,378	70,82,98,088
Income from Investments Division		2,42,16,369	10,41,15,654
Income from Financial Services Division		52,90,178	2,21,75,033
Income from Merchant Banking Division		8,54,919	9,52,823
Other Income		41,92,181	NIL
Bad Debts Recovered		28,26,321	NIL
Total (A)		51,73,80,346	83,55,41,598
EXPENDITURE			
Interest & Finance Charges	17	16,93,30,202	18,02,31,281
Administrative & Other Expenses	18	2,30,48,318	3,71,64,768
Employees' Cost	19	77,66,581	1,47,09,683
Lease Rentals		NIL	31,83,991
Depreciation		29,17,16,757	38,93,84,903
Miscellaneous Expenditure Written-off		37,09,218	37,09,218
Total (B)		49,55,71,076	62,83,83,844
PROFIT		2,18,09,270	20,71,57,754
Less : Additional depreciation on Leased Assets		NIL	12,39,21,868
Less: Provision for Non-performing Assets		2,65,17,432	2,92,01,675
Less: Bad Debts Written-off		27,83,61,258	5,52,32,701
Less: Stock Trading Loss	20	1,66,76,751	25,69,83,155
Add: Amount adjusted from General Reserve		32,15,55,441	46,53,39,399
PROFIT BEFORE TAXATION		2,18,09,270	20,71,57,754
Less: Provision for Taxation		16,00,000	NIL
PROFIT AFTER TAX		2,02,09,270	20,71,57,754
Add: Surplus b/fd. from previous year		2,69,60,743	3,06,43,392
PROFIT BEFORE PRIOR YEAR ADJUSTMENTS			
Add: Excess Provision written back		53,362	11,458
Add: Investment Allowance Reserve Written Back		2,70,000	NIL
Less: Prior year adjustments		NIL	73,236
PROFIT AVAILABLE FOR APPROPRIATIONS		4,74,93,375	23,77,39,368
APPROPRIATED TO:			
General Reserve		2,50,00,000	20,00,00,000
Statutory Reserve u/s 45IC of the RBI Act, 1934		40,41,854	NIL
Proposed Dividend		71,08,838	97,98,750
Dividend Tax		7,81,973	9,79,875
TOTAL APPROPRIATIONS		3,69,32,665	21,07,78,625
SURPLUS CARRIED TO BALANCE SHEET		1,05,60,710	2,69,60,743
Notes on Accounts	21		

As per our report of even date
For Agiwal & Associates
Chartered Accountants

M.P. Mehrotra
(Vice-Chairman)

V.K. Goel
(Director)

Gagan Pant
(Vice-President Corporate Affairs)

H. Consul
(Company Secretary)

P.C. Agiwal
(Partner)
Date : 28th May, 1999
Place : Mumbai

Amount in Rupees

Of the above amount of Rs. 1,23,31,46,235/-, an amount of Rs. 4,76,67,750 is relating to share premium received on forfeited shares.

Amount in Rupees

SCHEDULE 6 - INVESTMENTS (AT COST)

Particulars	QUANTITY			AMOUNT (In Rs.)	
	Face Value	As at 31.03.99	As at 30.09.97	As at 31.03.99	As At 30.09.97
B. IN EQUITY SHARES					
1. Un-quoted & Fully Paid					
Centurian Bank Ltd.	10	10,000	—	1,00,000	—
Foremost Factors Ltd.	10	40,000	40,000	4,00,000	4,00,000
Indhradhan Agro Ltd.	10	1,50,000	1,50,000	15,00,000	15,00,000
Invest India Economic Foundation Private Ltd.	10	2,000	2,000	20,000	20,000
South Indian Bank Ltd.	10	10,000	10,000	11,36,000	11,36,000
Sunair Hotels Ltd.	10	70,00,000	70,00,000	21,00,00,000	21,00,00,000
Television Eighteen (India) Ltd.	10	—	4,60,000	—	4,20,80,000
VLS Trust (P) Ltd.	10	100	100	1,000	1,000
SUB-TOTAL (B-1)				21,31,57,000	25,51,37,000



SCHEDULE - 6 Contd.

Particulars	Face Value	QUANTITY		AMOUNT (In Rs.)	
		As at 31.03.99	As at 30.09.97	As at 31.03.99	As At 30.09.97
2. Quoted & Fully Paid					
Bestavision Ltd.	10	80,00,000	—	16,00,00,000	—
ICDS Ltd. +	10	27,412	1,86,306	—	1,49,65,105
Nucleus Software Exports Ltd.	10	1,50,000	8,74,628	78,00,000	4,27,36,238
DSM Agro Products Ltd.	10	1,26,000	1,26,000	15,22,500	15,22,500
SUB-TOTAL (B-2)				16,93,22,500	5,92,23,843
C. IN EQUITY SHARES OF SUBSIDIARIES					
Un-quoted & Fully Paid-up					
VLS Securities Ltd.	10	50,00,000	49,00,000	5,00,00,000	4,90,00,000
VLS Investments Ltd.	10	10,020	10,020	1,00,200	1,00,200
VLS View Asset Management Ltd.	10	70,100	70,100	7,01,000	7,01,000
VLS International					
S.A. Luxembourg	US\$ 1000	1,500	1,500	5,20,30,000	5,20,30,000
SUB-TOTAL (C)				10,28,31,200	10,18,31,200
D. DEBENTURES & BONDS					
Quoted & Fully Paid-up					
Triveni Engineering Works Ltd. (14% NCDs)	85	382	382	32,470	32,470
Unquoted & Fully Paid-up					
Lord Krishna Bank Ltd. (16.5% LKB Bonds 97)	500	500	500	24,87,500	24,87,500
SUB-TOTAL (D)				25,19,970	25,19,970
GRAND TOTAL (A+B+C+D)				48,79,34,670	42,51,50,651
I. Aggregate value of quoted investments			At Cost	16,94,58,970	6,56,94,951
			Market Value	9,14,47,950	4,10,88,072
II. Aggregate value of un-quoted investments :					
- In Subsidiaries			At Cost	10,28,31,200	10,18,31,200
- Others			At Cost	21,56,44,500	25,76,24,500

+Bonus Shares received, hence cost of acquisition is NIL

Amount in Rupees

	As at 31st March, 99	As at 30th Sept., 97
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SCHEDULE 7 - DEBTORS

Instalments Receivable (Unsecured)		
Considered Good		
1. Due for more than six months	95,87,472	2,58,11,823
2. Others	1,04,75,426	3,44,97,357
Sub-total	2,00,62,898	6,03,09,180
Less: Provision for Non-performing Assets	11,89,760	1,19,78,327
Total	1,88,93,138	4,83,30,853

SCHEDULE 8 - STOCK ON HIRE

Disbursed Value less capital repayments matured (Fully secured and considered good)	3,39,51,865	29,32,70,948
Total	3,39,51,865	29,32,70,948

SCHEDULE 9 - SHARE STOCK IN TRADE
(At Cost or market price whichever is lower)

Name of the Company	As on 31.03.99		As on 30.9.97	
	Quantity	Value (Rs.)	Quantity	Value (Rs.)
A) Stock of Quoted Equity shares (Fully Paid)				
Amrit Banaspathi Company Ltd.	100	505	100	850
Ansal Properties Ltd.	4,13,450	50,64,763	4,13,450	57,88,300
Apollo Hospitals & Enterprises Ltd.	2,83,800	93,81,550	2,83,800	82,30,200
Apollo Tyres Ltd.	3,000	1,54,350	—	—
Aptech Ltd.	—	—	100	69,199
Arihant Cotsyn Ltd.	2,000	1,600	2,000	3,000
Ballarpur India Ltd.	5,000	1,10,000	—	—
Balrampur Chini Mills Ltd. \$	78	—	—	—
Bharat Electronics Ltd.	30,000	815,305	—	—
Carrier Aircor Ltd.	200	36,380	200	36,380
Central Roadlines Corporation Ltd.	2,85,800	80,02,400	2,85,800	1,02,88,800
CIPLA Ltd.	—	—	100	76,700
Consolidated Containers Ltd.	10,000	10,000	10,000	10,000
Cybermate Intotek Ltd.	9,700	97,000	—	—
Dena Bank Ltd.	5,800	70,180	5,800	1,23,540
Dhampur Sugar Mills Ltd.	23,050	5,30,150	27,000	20,38,500
Essar Steel Ltd.	31,900	2,75,935	—	—
Flex Chemicals Ltd.	—	—	200	3,700
Flex Engineering Ltd.	48,400	2,78,300	48,400	9,19,600
Flex Industries Ltd.	27,400	3,80,880	—	—
Gail Corporation Ltd. #	1,45,855	32,08,810	—	—
GR Magnets Ltd.	200	640	—	—
Gangotri Textiles Ltd.	49,400	6,66,900	49,400	1,000
Great Eastern Shipping Co. Ltd.,	5,000	1,12,500	—	—
Hawkins Cookers Ltd.	—	—	1,700	69,700

SCHEDULE - 9 Contd.

Name of the Company	As on 31.03.99		As on 30.9.97	
	Quantity	Value (Rs.)	Quantity	Value (Rs.)
Hindustan Adhesives Ltd.	1,000	1,000	1,000	4,000
Hentage Food Ltd.	4,000	74,800	—	—
Hitech Drilling Services Ltd.	1,000	87,250	—	—
Hotline Glass Ltd.	12,500	50,000	12,500	71,250
iFCI Ltd.	7,900	91,640	11,600	3,42,200
India Cements Ltd.	500	15,086	—	—
Interkraft Ltd.	29,000	1,01,500	29,000	1,59,500
Indraprastha Medical Corp. Ltd.	11,900	1,10,075	—	—
Jagajit Industries Ltd.	—	—	19,200	521,135
J.K. Corporation Ltd.	5,000	72,500	—	—
Kothari Products Ltd.	1,35,300	1,38,75,750	10,300	8,75,500
Nagarjuna Constructions Ltd.	1,200	20,880	1,200	31,900
NALCO Ltd.	50,000	7,37,500	—	—
Nihon Nirman Ltd.	2,000	4,000	2,000	2,000
Nippon Denso Ltd.	2,100	54,837	—	—
Onida Savak Ltd.	1,00,000	6,00,000	1,00,000	3,30,000
Premier Automobiles Ltd.	15,350	1,55,035	1,53,250	26,05,250
Rassi Cements Ltd.	100	13,625	100	5,125
Relaxo Footwears Ltd.	13,500	6,75,000	13,500	7,02,000
Reliance Petroleum Ltd.	6,000	1,13,100	—	—
Rtish Industries Ltd.	89,100	1,33,650	89,100	2,85,120
South Asian Enterprises Ltd.	17,84,950	57,11,840	17,84,950	2,17,76,390
SM Dychem Ltd.	32,000	1,56,400	—	—
Swaraj Mazda Ltd.	3,000	1,12,200	—	—
Swede India Ltd.	200	260	200	500
Symphony Comfort Systems Ltd.	100	890	100	350
TCI Industries Ltd. #	4,24,881	93,47,382	—	—
Transcorp International Ltd.#	31,707	6,97,554	—	—
Transport Corporation of India Ltd.	31,707	6,97,554	6,34,150	1,65,36,675
Tamil News Prints Ltd.	10,000	1,47,500	—	—
UTI Master Growth	200	2,280	40,200	4,74,360
UTI Master Plus	—	—	72,300	13,05,015
Sub-total (a)	41,86,328	6,30,40,818	41,02,900	7,37,47,269
b) Stock of quoted shares (Partly Paid-up)				
Ace Exports Ltd.	6,00,000	—	6,00,000	—
Malvika Steel Ltd.	2,89,900	—	2,89,900	—
Flex Engineering Ltd. (Warrants)	7,700	—	7,700	—
Sub-total (b)	8,97,600	—	8,97,600	—
Total (a+b)	50,83,928	6,30,40,818	50,00,500	7,37,47,269

#Bonus Shares

Shares received in lieu of the shares of Transport Corporation of India Ltd. pursuant to the scheme of arrangement approved by the Hon'ble High Court of Andhra Pradesh between TCI Industries Ltd., Transport Corporation of India Ltd., Transcorp International Ltd. and Gail Corporation Ltd.

Amount in Rupees

	As at 31st March, 99	As at 30th Sept., 97
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SCHEDULE 10 - CASH & BANK BALANCES

a) Cash on Hand	8,14,548	1,15,581
b) Balances with scheduled banks		
1. In Current Accounts	35,51,465	4,63,72,336
2. In Deposit Accounts	30,000	30,000
Total	43,96,013	4,65,20,917

SCHEDULE 11 - OTHER CURRENT ASSETS

a) Interest Accrued but not due	9,44,13,923	6,81,73,051
Less: Adjustments for NPA Accounts	2,26,47,530	16,37,541
	7,17,66,393	6,65,35,510
b) Security Deposits	46,92,061	7,36,761
c) Due from Share Brokers	35,97,323	1,53,75,347
d) Other Receivable	10,15,88,626	5,06,63,115
Less: Provision for Non-performing Assets	36,88,219	1,16,712
	9,77,10,407	5,06,66,403
Total (a+b+c+d)	17,77,66,184	13,32,16,021

SCHEDULE 12 - LOANS AND ADVANCES

(Unsecured, considered good, unless otherwise specified)		
a) Short term Loans and Advances	70,06,85,827	83,26,82,391
Less: Provision for Non-performing Assets	3,07,24,824	1,81,80,321
	66,99,61,003	81,45,02,070
b) Loans to subsidiaries	1,97,33,099	9,79,003
c) Advances Recoverable in cash or in kind or for value to be received	1,45,09,043	1,56,87,448
Total	70,42,03,145	83,11,68,521

SCHEDULE 13 - LIABILITIES

a) Creditors for Expenses		
i) Total Outstanding dues of small scale industrial undertakings	NIL	NIL
ii) Total outstanding dues of creditors other than small scale industrial undertakings	20,10,266	31,98,562
b) Creditors for Capital Goods	2,36,874	3,11,529
c) Advance Payments received	87,72,593	1,40,17,077
d) Other Liabilities	10,26,588	34,50,470
Total	1,20,46,321	2,09,77,638

SCHEDULE 14 - PROVISIONS

a) Provision for Taxation		
Balance B/d	5,767	5,767
Add: Provision for the year	16,00,000	NIL
	16,05,767	5,767
Less: Adjusted during the year	5,767	NIL
	16,00,000	5,767
b) Proposed Dividend (including dividend tax)	78,90,811	1,07,78,625
Total	94,90,811	1,07,84,392



VLS FINANCE LTD.

SCHEDULES TO BALANCE SHEET Contd.

	As at 31st March, 99	As at 30th Sept., 97
SCHEDULE 15 - MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
a) Deferred Revenue Expenditure		
Balance B/d.	1,56,91,430	1,94,00,648
Less: Written off to Profit & Loss Account	37,09,218	37,09,218
Sub-total (a)	1,19,82,212	1,56,91,430
b) Investment Conversion Loss	2,82,73,126	2,72,44,587
Total (a+b)	3,82,55,332	4,29,36,117

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR 18 MONTHS PERIOD ENDED ON 31st MARCH 1999

	For the period ended 31st March, 99	For the period ended 30th Sept., 97
SCHEDULE 16 - INCOME FROM CREDIT OPERATIONS		
Income from Leasing	33,86,70,295	48,13,56,466
Income from Hire Purchase Financing	1,35,93,843	6,88,17,873
Income from other Credit Operations	12,77,34,240	15,81,23,749
Total	47,99,98,378	70,82,98,088

SCHEDULE 17 - INTEREST & FINANCE CHARGES

Interest on Term Loans		
i) Bank working capital term loans	2,24,42,293	1,64,11,387
ii) Institutional term loans	91,94,398	2,00,30,104
Bank Interest	50,75,972	67,50,588
Bank/Finance Charges	5,90,722	20,63,977
Interest on other loans	10,039	3,86,722
Discounting and other charges	13,36,16,881	13,45,88,503
Total	16,93,30,282	18,02,31,281

SCHEDULE 18 - ADMINISTRATIVE & OTHER EXPENSES

Auditors' Remuneration	42,000	40,000
a) Audit Fees		
b) For Other Services	41,000	20,000
- For Tax audit	65,000	49,000
- For Certification work	18,045	17,940
- Out of pocket expenses	1,73,000	1,61,000
Directors' Sitting Fees	39,81,776	93,80,008
Travelling Expenses & Conveyance	37,85,055	46,99,466
Office Expenses	18,38,820	29,61,678
Advertisement & Business Promotion	29,92,273	32,72,780
Consultancy & Service Charges		
Repairs & Maintenance		
- Building	10,86,127	48,891
- Others	23,58,863	23,46,168
Insurance	6,96,728	16,65,038
Communication	32,80,658	43,35,428
Rent	11,28,280	2,01,195
Rates & Taxes	51,458	7,58,321
Net Loss on Transfer of Fixed Assets	6,493	50,00,176
Loss on speculation of shares	7,76,278	Nil
Miscellaneous Expenses	7,28,663	22,07,679
Total	2,30,48,318	3,71,64,788

SCHEDULE 19 - EMPLOYEES COST

Salaries	63,25,947	1,06,33,484
Managing Director's Remuneration		
- Salary, Perquisites etc.	1,21,332	8,09,982
- Provident fund contribution	5,756	54,600
- Contribution to Gratuity Fund	426	10,914
Staff Amenities	6,68,759	23,25,272
Employer's Contribution to PF, ESI, Gratuity Fund etc.	6,39,562	8,75,431
Total	77,06,581	1,47,09,683

SCHEDULE 20 - SHARE TRADING ACCOUNT

Opening Stock of Shares	7,37,47,269	33,22,49,667
Add: Purchases made during the period	15,54,35,735	56,18,59,377
	22,91,83,004	89,41,09,044
Less: a) Sales made during the period	14,94,65,435	56,33,78,620
b) Closing Stock (At cost or market price whichever is lower)	6,20,40,618	7,37,47,269
	21,25,06,253	63,71,25,899
Net Loss from Stock trading operations	1,66,76,751	25,69,83,155

SCHEDULE: 21

Notes on Accounts for the period ended on 31st March, 1999

I. SIGNIFICANT ACCOUNTING POLICIES:-

A. ACCOUNTING METHODOLOGY

The Company adopts accrual basis of accounting except in respect of income on account of Lease and Hire Purchase Management Fees, Dividends, Overdue Instalment Charges, Penal Interests and Escalation Charges which are accounted on receipt basis.

B. REVENUE RECOGNITION

- Income from Hire Purchase transactions is calculated following Sum of Digits method.
- Instalments of Leasing and Hire Purchase Loans are received one month in advance. Thus, the instalments collected in the last month of the accounting year include a portion of the income of the next accounting year. However, this portion is not accounted as income received in advance, as the method is consistently followed and the amount involved is not material considering the total receipts of the Company and its 'set-off effect' on the accounts.

C. FIXED ASSETS

- Assets under Lease and Hire Purchase financing are accounted in the books at Invoice Value and the difference between the Invoice Price and Loan amount is accounted as Security Deposits, grouped under Adjustable Deposits (shown under Schedule 4 Unsecured Loans) and the same is adjusted to the respective asset account on the expiry of the loan.
- Assets for own use are accounted for in the books at Cost including incidental charges less accumulated depreciation.
- Depreciation is provided as under:

a) On Own Assets:

On Written Down Value Method as per the rates prescribed under Schedule XIV of the Companies Act, 1956.

b) On Leased Assets:

100% of the cost of asset is depreciated over the primary lease period applying interest rate implicit in the lease on the outstanding investment on lease to calculate the finance earnings for the period and the difference between the lease rental and finance earnings is charged as depreciation. This method is being consistently followed by the Company and effect of this method is similar to the method recommended by the Institute of Chartered Accountants of India.

- The Company follows a procedure of writing off all capital expenses which do not exceed Rs.1000/- in each case.

D. INVESTMENTS

Investments are valued at Cost which does not include cost of share transfer stamps and service tax on brokerage paid.

E. DEFERRED REVENUE EXPENDITURE

Deferred Revenue Expenditure is written off equally over a period of ten years.

F. PROVISION FOR RETIREMENT BENEFITS

- Gratuity liability of the Company is met through the Group Gratuity Scheme of Life Insurance Corporation of India. The contribution made to the said scheme has been charged to the Profit & Loss Account.
- Leave encashment is accounted for on PAY AS YOU GO method.

H. NOTES ON BALANCE SHEET AS AT 31st March, 1999

- An aggregate amount of Rs.32,15,55,441 has been transferred from General Reserve to Profit & Loss Account towards adjustments of Bad Debts written off amounting to Rs.27,83,61,258, Stock Trading Loss amounting to Rs.1,66,76,751 and Provision for Non-performing Assets amounting to Rs.2,85,17,432 including Rs.2,10,09,989 towards reversal of interest income. Had these adjustments not been made, the General Reserve would have been higher and profit for the period would have been lower by the said aggregate amount.

B. CONTINGENT LIABILITY NOT PROVIDED FOR IN RESPECT OF

- Uncalled liability on partly paid-up Shares and Debentures Rs.1,31,97,000 (Previous Period Rs.1,31,97,000)

- Guarantees given: Rs. 400.20 lacs. (Previous Period: Rs.600.20 lacs)

- Interest Tax provision has not been made in the account since the Company is not assessed for Interest Tax till date and proposes to contest the demand if arises in the future in this regard.

B. CONFIRMATION OF BALANCES

In some cases balances in the accounts of Debtors, Loans and Advances, Other Current Assets and Creditors are subject to confirmation by the respective parties.

C. INVESTMENTS

- Some of the Investments of the Company in Shares are in the process of transfer in the name of the Company.

- Investment in Units of UTI Rs. Nil (Previous Period Rs.3,68,638) and Government Securities Rs.1,04,000 (Previous Period Rs.60,70,000).

D. CASH AND BANK BALANCES

Cash & Bank Balances include Share Transfer Stamps and Postage Stamps of Rs.2,691/- (Previous Period Rs.4,179).

E. PRUDENTIAL NORMS OF RESERVE BANK OF INDIA

The Company has followed the Guidelines issued by the Reserve Bank of India to all Non-Banking Financial Companies regarding Capital Adequacy, Asset Classification, provisioning for and income recognition on non-performing assets.

III. NOTES ON PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED ON 31.03.99

A. INCOME FROM INVESTMENTS

- The Company has consistently followed "FIFO Method" for calculating the cost of each investment sold by the Company for arriving at the profit/loss.

- Additional information pursuant to the provision of paragraphs 3, 4C & 4D of Part II of Schedule VI of the Companies Act, 1956

Trading Items		Opening Stock in trade as on 1.10.97		Purchases		Sales		Closing Stock in trade as 31.03.99	
Item	Units	Qty.	Value Rs.	Qty.	Value Rs.	Qty.	Value Rs.	Qty.	Value Rs.
Shares	Nos.	5000500	73747269	921328	155435735	837900	149465435	5083928	63040818

3. Income from investments include:

	Current Period (Rs.)	Previous Period (Rs.)
Dividend Income (Gross)	1,34,62,794	1,13,60,229
Tax Deducted at Source	800	87,987
Interest on Debentures & Bonds (Gross)	9,60,061	9,32,279
Tax Deducted at Source	217615	1,08,563

B. INCOME FROM CREDIT OPERATIONS

Interest Receipts (Gross) Rs.12,00,00,580 (Previous Period Rs.14,06,38,676) grouped under the above head includes Tax Deducted at Source amounting to Rs.83,40,527 (Previous Period Rs.17,91,204).

C. PROVISION FOR TAXATION

Provision for taxation has been made for Minimum Alternate Tax (MAT).

D. EXPENDITURE IN FOREIGN EXCHANGE

	Period ended on 31.03.99	Previous Period ended on 30.09.97
	Rs.	Rs.
Foreign Travel Expenses	473192	34,46,224
Others	96708	20,37,500

E. BRANCH OFFICE EXPENSES

The expenses incurred by the branches of the Company at Mumbai, Chennai and Kanpur have been incorporated in the respective heads of accounts.

IV. GENERAL:-

- Previous year figures have been regrouped/rearranged wherever necessary.
- Schedules from 1 to 21 form an integral part of accounts.

As per our report of even date

For Agiwal & Associates

Chartered Accountants

On the behalf of the Board

M.P. Mehrotra

Vice-Chairman

V.K. Goel

Director

Gagan Pant

Vice-President (Corporate Affairs)

H. Consul

Company Secretary

P.C. Agiwal

Partner

Date : 28th May, 1999

Place : Mumbai

Auditors' Certificate

We have verified the attached Cash Flow Statement of VLS Finance Ltd., derived from audited financial statements and the books and records maintained by the Company for the period of 18 months ended on 30th September, 1997 and 31st March, 1999 and found in agreement therewith.

For Agiwal & Associates
Chartered Accountants

Date : 28th May, 1999

Place : Mumbai

P.C. Agiwal

Partner