

# **XV ANNUAL REPORT 2001-2002**

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**VLS**



**VLS FINANCE LTD.**

# **NOTICE**

## **15th ANNUAL GENERAL MEETING OF MEMBERS OF THE COMPANY WILL BE HELD AT**

Air Force Auditorium, Subroto Park,  
New Delhi - 110 010

**at 10.30 A.M.  
on Wednesday,  
25th September, 2002**

## **SHARE TRANSFER & INVESTOR SERVICES**

*Shares Department*  
VLS FINANCE LTD.,  
C-489, Defence Colony,  
New Delhi-110 024

**N.B. :** 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.

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## **BOARD OF DIRECTORS :**

Shri Surendra Singh	Chairman
Shri T.B. Gupta	Managing Director
Shri S. Ramesh	
Shri M.G. Diwan	
Shri Ramji Mehrotra	
Shri V.K. Goel	
Shri Divey Dipti Chopra	
Shri N.C. Sundararajan	
Shri Somesh Mehrotra	
Shri A.K. Puri	
Shri B.M. Oza	

## **COMPANY SECRETARY**

Shri H. Consul

## **AUDITORS**

M/s. Agiwal & Associates  
Chartered Accountants,  
New Delhi

## **BANKERS**

Punjab National Bank  
HDFC Bank

## **FINANCIAL INSTITUTIONS**

Industrial Development Bank of India

## **EQUITY SHARES LISTED AT :**

### **THE DELHI STOCK EXCHANGE ASSCN. LTD.**

3/1, Asaf Ali Road, New Delhi - 110 002.

### **THE STOCK EXCHANGE, MUMBAI**

Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai- - 400 001.

### **MADRAS STOCK EXCHANGE LTD.**

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

### **THE CALCUTTA STOCK EXCHANGE ASSOCH. LTD.**

7, Lyons Range, Kolkata-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.

### **THE NATIONAL STOCK EXCHANGE OF INDIA LTD.**

Exchange Plaza, 5th Floor, Plot No. C/1,  
G Block, Bandra Kurla Complex,  
Bandra (E), Mumbai-400051.

**NOTICE OF ANNUAL GENERAL MEETING**

NOTICE is hereby given that the 15<sup>th</sup> Annual General Meeting of the Members of VLS FINANCE LTD. will be held at Airforce Auditorium, Subroto Park, New Delhi- 110010 on Wednesday, the 25<sup>th</sup> day of September 2002 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 31<sup>st</sup> March, 2002 and the Profit & Loss Account for the year ended on that date together with the Reports of Auditors and Directors thereon.
  - To appoint a Director in place of Shri A.K. Puri, 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 Surendra Singh, 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 ensuing Annual General Meeting and being eligible, they offer themselves for re-appointment.

**SPECIAL BUSINESS****6. Appointment of Shri Ramji Mehrotra as Director.**

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

"RESOLVED THAT Shri Ramji Mehrotra who was appointed as Director in casual vacancy caused by resignation of Dr. A.C. Shah under Section 262 of the Companies Act, 1956 and for whose re-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."

**7. Appointment of Shri T.B. Gupta as Director.**

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

"RESOLVED THAT Shri T.B. Gupta who was appointed as Director in casual vacancy caused by resignation of Shri B.D. Shah under Section 262 of the Companies Act, 1956 and for whose re-appointment as a Director a notice under Section 257 of the Companies Act, 1956 has been received from a member of Company, subject to Article No. 109 of Article of Association of Company, be and is hereby appointed as Director of the Company, liable to retire by rotation."

**8. Appointment of Shri Divey Dipti Chopra as Director.**

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

"RESOLVED THAT Shri Divey Dipti Chopra who was appointed as Director in casual vacancy caused by resignation of Shri M.P. Mehrotra under Section 262 of the Companies Act, 1956 and for whose re-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."

**9. Appointment of Shri B.M. Oza as Director.**

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

"RESOLVED THAT Shri B.M. Oza, who was appointed as Director in casual vacancy caused by resignation of Shri G.K. Arora under Section 262 of the Companies Act, 1956 and for whose re-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."

**10. Amendment in Articles of Association of Company.**

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

"RESOLVED THAT pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act 1956, the Articles of Association of the Company be altered in the following manner:

- By inserting the following Article 69A after the existing Article 69.

69A Passing the Resolution by Postal Ballot.

Notwithstanding anything contained in these Articles, the Company shall adopt the mode of passing resolution by its members by means of postal ballot (including voting by electronic mode) and/or other ways as may be prescribed by the Central Government, from time to time, in this behalf in respect of resolutions relating to such business as the Central Government may, by notification, declare to be conducted only by postal ballot.

The Company shall comply with such procedures for postal ballot and/or other ways as may be prescribed by the Central Government in this regard.

- By deleting the existing Article No. 112 and substituting following new Article No. 112 in its place.

- The Company may commence any or all business listed in 'Other Objects' of its Memorandum of Association subject to compliance of provisions of section 149 of the Act and any other provisions/ regulations framed in this regard."

By Order of the Board  
For VLS Finance Ltd.  
H. Consul  
Company Secretary

Place: New Delhi  
Date : 31/7/2002

**NOTES:-**

- 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 a member of the Company. The appointment of 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 in the form, enclosed hereto, duly filled and authenticated.
- The Register of Members of the Company shall remain closed from 19<sup>th</sup> September, 2002 to 24<sup>th</sup> September, 2002 (both days inclusive).
- Members are requested to intimate the change in address, if any, to the Company at its Registered Office at C-489, Defence Colony, New Delhi- 110 024, for shares held in physical mode. Members holding shares in Demat (Electronic) form are requested to notify any change in address, mandate/bank details to their Depository Participants. The changes effected by depository participants will automatically be reflected in Company's records upon updation of beneficiary owners list provided by Depositories.
- The shares of the Company are being traded compulsorily in demat segment only w.e.f. 28<sup>th</sup> August, 2000. Members who still hold the shares of Company in physical form are advised to contact their depository participant for dematerialization of their holdings in their own interest. The ISIN No. allotted to Company is INE709A01018 for both the Depositories viz. The National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).
- All correspondence with regard to share transfers/dividends/ dematerialisation and matters related thereto may be addressed to the Company at its registered office for prompt redressal.
- Members, who are holding shares in identical order of names in more than one Folio, are requested to write to the Company at its Registered Office stated above to enable the Company to consolidate their holdings under one Folio.
- All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company on all days between 11.00 a.m. and 1.00 p.m. up to the date of the Annual General Meeting, except on Saturdays, Sundays and other Holidays.
- Member/Proxies are requested to bring their copies of the Annual Report to the meeting, and the attendance slip duly filled in for attending the meeting. As a measure of economy, copies of Annual Report will not be distributed at the Annual General Meeting.
- The relevant explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, for Item Nos. 6 to 10 of the notice is annexed hereto and forms part of this notice.
- Pursuant to Section 205A of the Companies Act, 1956 ("the Act") all unclaimed/unpaid dividends up to the financial 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, N.C.T. of Delhi and Haryana, C.G.O. Complex, Paryavaran Bhawan, Lodi Road, New Delhi-110003. For any assistance, the members may write to the Company Secretary at the Registered Office of the Company.
- Shareholders are hereby informed that after the amendment of the Companies Act, 1956 w.e.f. 31.10.1998, the Company is to transfer any money lying in the Unpaid Dividend Account, which remains unpaid or unclaimed for a period of seven years from the date of such transfer to the Unpaid Dividend Account, to the credit of Investor Education and Protection Fund ("the Fund") established by the Central Government. In accordance with Section 205C of the Act, no claim shall lie against the Company or Fund in respect of individual amounts of dividend remaining unclaimed or unpaid for a period of seven years from the date they became first due for payment and no payment shall be made in respect of any such claims.
- The members who have not encashed their dividend warrants for the financial year ended on 31.03.1996 or for any subsequent financial years are advised to write to the Company at its registered office for obtaining duplicate dividends warrants/ revalidation of instruments.

The unpaid Dividends and the date on which they are due for transfer to Investor Education & Protection Fund are as follows:

Financial Year Ended on	AGM Date	Date of transfer to Unpaid Dividend A/c	Due for Transfer to fund on
31/03/1996	22/08/1996	4.10.1996	3.10.2003
30/09/1997	11/02/1998	26.3.1998	25.3.2005
31/03/1999	10/08/1999	22.9.1999	21.9.2006
31/03/2000	27/09/2000	NIL#	NIL#
31/03/2001	19/09/2001	NIL#	NIL#

# No dividend was declared in the financial years 1999-2000 and 2000-2001.

- The Company's Refund Account No. 1866 with Punjab National Bank, Okhla Industrial Area, New Delhi has been closed on 6<sup>th</sup> March, 2002 pursuant to provisions of Section 205C of the Companies Act, 1956 and the balance of Rs. 1,63,710/- (Rupees One Lac Sixty Three Thousand Seven Hundred and Ten Only) standing to its credit, being the unclaimed application money/brokerage for public issue of the Company has been transferred to Investor Education and Protection Fund of the Central Government on 06.03.2002. The relevant Return with the Registrar of Companies, N.C.T. of Delhi and Haryana has also been filed on 5<sup>th</sup> April, 2002.
  - The Company's Refund Account No. 10148 with The VYSYA Bank Ltd., IFB Branch, World Trade Center, New Delhi- 110001 has been closed on 13<sup>th</sup> March, 2002 pursuant to provisions of Section 205C of the Companies Act, 1956 and the balance of Rs. 1,38,400/- (Rupees One Lac Thirty Eight Thousand Four Hundred Only) standing to its credit, being the unclaimed application money/brokerage for public issue of the Company has been transferred to Investor Education and Protection Fund of the Central Government on 16.3.2002. The relevant Return with the Registrar of Companies, N.C.T. of Delhi and Haryana has also been filed on 20<sup>th</sup> March, 2002.
- Information regarding Directors seeking re-appointment:



Name of Director	Date of Birth	Date of Appointment	Qualifications and Expertise in specific functional areas	List of Companies, in which Directorship held as on 1st April, 2002	Chairman/Member of the Committees of the Board on which he is a director as on 1st April, 2002
Mr. A.K. Puri	03.08.1935	07.05.1998	M.Sc., LL.B., C.A.I.I.B. He is former deputy Managing of State Bank of India and Ex-Member of the Board for Industrial Finance & Reconstruction, Ministry of Finance, Government of India. He has over 40 years experience in the field of Banking, Finance and Administration	a) Ambuja Cement Eastern Ltd.	i) Remuneration and Compensation Committee, Chairman.
Mr. V.K. Goel	06.11.1940	14.05.1987	I.Sc., Chemical Engineer (2 years.) A leading Industrialist, Chairman of Dhampur Sugar Mills Group and Former President of Indian Sugar Mills Association (ISMA). He has over 40 years experience in finance administration and sugar industry and is associated with various technical committees on sugar industry formed by the Government of India	a) Dhampur Sugar Mills Ltd. b) DSM Agro Products Ltd. c) DSM Hitech Products Ltd. d) Goel Investments Ltd. e) Saraswati Properties Ltd. f) Mansurpur Sugar Mills Ltd. g) Gaurav Overseas Exports (P) Ltd. h) Sumac International Ltd. i) Willard India Ltd. j) Delfon Cables Ltd. k) South Asian Enterprises Ltd. l) Utkal Sugar & Chemicals Ltd. m) Hitech Aluminium Products Ltd. n) DSM Exports (P) Ltd.	N.A. N.A. N.A. N.A. N.A. N.A. N.A. N.A. N.A. N.A. N.A. N.A.
Mr. Surendra Singh I.A.S. (Retd.)	21.07.1937	14.09.2000	M.Sc. Retired I.A.S. Officer and former Cabinet Secretary to the Govt. of India. He has Over 40 years of experience in Administration Govt. & International affairs.	a) CMC Ltd. b) Nagarjuna Chemicals and Fertilisers Ltd. c) NIIT Ltd.  d) Shalimar Wires Industries Ltd. e) UTI Bank Ltd.	i) Audit Committee, Member ii) Share Transfer Committee, Member i) Audit Committee, Member ii) Management Committee, Member i) Audit Committee, Member ii) Shareholders Grievance Committee, Chairman N.A. i) Remuneration Committee, Chairman ii) Shareholders Grievance Committee, Chairman
Mr. Ramji Mehrotra	28.04.1951	27.01.2001	FCA He is a Chartered Accountant of repute with over 15 years of experience as practicing Chartered Accountant.	a) S.R. Management (P) Ltd. Mumbai b) M/s Mehrotra and Mehrotra, Chartered Accountants, Kanpur	N.A. N.A.
Mr. T.B. Gupta	20.10.1940	21.06.2001	M. Tech. (Electrical) from Indian Institute of Technology, Kharagpur.	a) South Asian Enterprises Ltd.  b) VLS Securities Ltd. c) VLS Investments Ltd. d) South Asian Securities Ltd. e) VLS International S.A., Luxembourg.	i) Shareholders Grievance Committee, Chairman ii) Audit Committee, Member iii) Remuneration Committee, Member N.A. N.A. N.A.
Mr. Divy Dipti Chopra	20.05.1960	30.06.2001	He is renowned financial consultant.	a) Hansuttam Finance Ltd. b) Dewan P.N. Chopra Financial Services Pvt. Ltd. c) Trice Infotech Pvt. Ltd. d) C. Mail Infotech Pvt. Ltd. e) International Institute of Integral Health and Living Pvt. Ltd.	N.A. N.A. N.A. N.A. N.A.
Shri B.M. Oza I.F.S. (Retd.)	28.08.1936	30.06.2001	M.A. (Economics) Diploma in Demographic Training He is a distinguished Diplomat with over 40 years of experience in administration and international affairs.	Ni	N.A.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****ITEM NO. 6**

Shri Ramji Mehrotra was appointed as Director in casual vacancy caused by resignation of Dr. A. C. Shah. Shri Ramji Mehrotra is a Chartered Accountant of repute and is Senior partner of Mehrotra & Mehrotra Chartered Accountants, Kanpur. He has over 15 years experience in the field of Finance, Corporate Laws and Taxation. 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 Ramji Mehrotra as Director of the Company at the forthcoming Annual General Meeting. Your Directors recommend appointment of Shri Ramji Mehrotra as Director of Company.

None of the Directors except Shri Ramji Mehrotra is concerned or interested in the resolution.

**ITEM NO. 7**

Shri T. B. Gupta was appointed as director in casual vacancy caused by resignation of Shri B.D. Shah and was appointed Managing Director of the Company w.e.f. 21.6.2001. Shri T. B. Gupta is M. Tech. (Electrical) from IIT Kharagpur. He has held senior positions with U.P. Financial Corporation, Jay Engineering Works and Khaitan Group. 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 T. B. Gupta as Director of the Company at the forthcoming Annual General Meeting. In terms of Article 109 of Articles of Association of the Company, a director who is appointed as Managing Director of the Company shall not be liable for retirement by rotation so long the person holds the office of Managing Director even though he was appointed as director, liable to retire by rotation. Your Directors recommend appointment of Shri T. B. Gupta as Director of Company.

None of the Directors except Shri T. B. Gupta is concerned or interested in the resolution.

**ITEM NO. 8**

Shri Divy Dipti Chopra was appointed as director in casual vacancy caused by resignation of Shri M. P.

Mehrotra. Shri Divy Dipti Chopra is a renowned financial consultant having 15 years experience in financial sector. 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 Divy Dipti Chopra as Director of the Company at the forthcoming Annual General Meeting. Your Directors recommend appointment of Shri Divy Dipti Chopra as Director of Company.

None of the Directors except Shri Divy Dipti Chopra is concerned or interested in the resolution.

**ITEM NO. 9**

Shri B. M. Oza was appointed as Director of the Company in casual vacancy caused by resignation of Shri G. K. Arora. Shri B. M. Oza is I. F. S. officer (Retd.) and is former Ambassador to South Korea, Sweden, Czechoslovakia, and also former High Commissioner to Singapore. 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 B. M. Oza as Director of the Company at the forthcoming Annual General Meeting. Your Directors recommend appointment of Shri B. M. Oza as Director of Company.

None of the Directors except Shri B. M. Oza is concerned or interested in the resolution.

**Item No.10**

To amend Articles of Association of the Company

As per Section 192A of the Companies Act, 1956 a new concept has been introduced for ascertaining the preference of shareholders, in the case of certain matters, which the Central Government may notify to be conducted only through postal ballot, in case of listed Company, instead of transacting the business in General Meetings. Accordingly, the Article of Association of the Company have to be amended by inserting the aforesaid provisions to enable the Company to make use of these provisions whenever required to do so.

Further the existing Article No. 112 of the Company restricts commencement of business contained in 'Other Objects' of Memorandum of Association of Company except by complying with requirement of section 149 (2B) of the Companies Act. However keeping in view the frequent amendment enactment of regulations, it is



proposed to amend the said article to make it more adaptable to rapidly changing scenario.

None of the Directors of the Company is, in any way, concerned or interested in the Resolution. The Board recommends the Resolution for approval of Members.

A copy of Memorandum and Articles of Association of the Company together with the proposed alterations is available for inspection, by the members of the Company, at its Registered Office between 11 a.m. and 1 p.m. on all days except on Saturdays, Sundays and other Holidays.

By Order of the Board  
For VLS Finance Ltd.

Place: New Delhi  
Date : 31/7/2002

H. Consul  
Company Secretary

#### DIRECTORS' REPORT TO THE MEMBERS

Your Directors are pleased to present the Fifteenth Annual Report of the Company together with the audited statement of accounts for the year ended 31<sup>st</sup> March, 2002.

##### 1. Financial Results

	(Rs. in Lakhs)	
	For the year ended 31 <sup>st</sup> March, 2002	For the year ended 31 <sup>st</sup> March, 2001
Gross Receipts	41328.38	113412.17
Profit/ (Loss) before Interest & Depreciation	(663.58)	527.99
Less: Interest & Finance Charges	.15	330.84
Profit/ (Loss) before depreciation	(663.83)	197.15
Less: Depreciation	117.16	658.22
Profit/ (Loss) before Tax	(780.99)	(461.07)
Less: Provision for Taxation	0.00	60.00
Add: Adjustments relating to earlier year(s)	4.41	0.44
Add: Surplus Brought Forward	0.00	135.11
Available for Appropriation	(776.58)	(385.52)
<b>Appropriations:</b>		
From General Reserve	776.58	385.52
Total Appropriations	776.58	385.52

##### 2. Management Discussion and Analysis

###### Financial Review

During the period under review, the Company posted a loss of Rs. 780.99 lacs after providing for depreciation amounting to Rs. 117.16 lacs. Your directors also wish to inform you that substantial provisioning has been made in accordance with the Accounting Standards prescribed by the Institute of Chartered Accountants of India and the regulations of the Reserve Bank of India, for assets classified as doubtful in terms of said regulations/standards, which in turn has resulted in overall loss.

###### Industry Structure and Development

The overall recession of the financial market in the preceding years had virtually swept the Non-Banking Finance Companies (NBFCs) off the board with most of the NBFCs suffering huge losses due to defaults and consequently erosion in the network. The stricter regulations by regulatory authorities and lack of favourable recovery mechanism have further added to the not so desirable performance by the NBFC Sector. However, the NBFCs, which have professional expertise and efficiency and focusing on core competence shall dominate the sector in future. Based on inherent strengths, your Company concentrated in securities related operations, investments & corporate consultancy as primary activity. Due to its core competence of the same, it could sustain itself from the unprecedented volatility in the stock market. It is presently in the process of consolidating its resources.

###### Outlook, Risks and Concerns

The Company is likely to maintain its focus on corporate consultancy, private placement, investments, securities trading operations and strategic investments and will continue to consolidate its position. The Company will also keep a close watch at other alternative opportunities in other growth areas in the financial sector, which should however suit the strategies and core competence of the Company. The Company has also taken the strategic decision to cut down its exposure to credit operations consisting of loans, leasing, hire purchase etc. to insignificant level due to very high risk of defaults and unfavourable interest regime.

The political turmoil in both at national and international level has direct relation with the industrial growth and Capital Market. In absence of stability at political level, the growth of Capital Market may not be in line with as envisaged. The Company is exposed to normal industry risk factors of interest rate volatility, economic, political and social risk. The Company shall however meet these challenges and concerns by adopting more prudent and comprehensive business policies.

###### Opportunities and threats:

Being a developing country, the Indian Economy provides several growth opportunities with GDP generally forecast to grow by 5% or more. Generating confidence in the common investor psyche is one of the major area of concern in the mind of the regulatory authorities. With the stock market consolidating and growing over a period of time, the Company can make full use of its potential in corporate consultancy, investment and securities related operations to enhance the net worth of the Company.

###### Adequacy of internal Control Systems

The Company has proper and adequate system of internal control to monitor proper recording of transactions authorized according to policies and procedures laid down by the Company. The Company ensures that all regulatory guidelines are complied with at all levels.

The Audit Committee reviews the internal control mechanisms periodically.

###### Segment wise Performance

As against layout of Rs. 9339.16 Lacs in financial services segment, the total revenue earned was Rs.41,277.13 Lacs. In Investment segment, revenue earned stood at Rs. 55.67 Lacs for a layout of Rs.6555.66 Lacs during the year under review. The losses in respective segments prior to interest and tax stood at Rs. 311.78 Lacs and Rs. 145.33 Lacs respectively.

##### 3. Dividend

In view of losses suffered by the Company during the year under review, no dividend is recommended.

##### 4. Directors

Shri P.D. Ojha, who was on the Board since February 1991 resigned w.e.f. 27/1/2002. The Board accepted his resignation and placed on record its appreciation of the invaluable contribution made by him during his tenure.

Shri V.K. Goel, Shri Surendra Singh, Shri A.K. Puri, Directors would retire by rotation at the forthcoming Annual General Meeting and all, being eligible, offer themselves, for reappointment. To enable the Company to obtain their continued valuable direction, guidance and assistance in conduct of the affairs of your Company, it is recommended that their reappointment be approved.

Further it is proposed to appoint Shri T.B. Gupta, Shri D.D. Chopra, Shri B.M. Oza and Shri Ramji Mehrotra, who were earlier appointed to fill the casual vacancies as Directors liable to retire by rotation. The Company, in terms of Section 257 of the Companies Act, 1956 had received notice(s) in respect of each of the above Directors seeking fresh appointment from members of the Company signifying their intention to propose the above names for office of the Director of the Company. The same has been suitably incorporated in the notice to the members of the Company for the ensuing Annual General Meeting.

The Board recommends the appointment of the above persons as director to have their valuable guidance, direction and assistance in conduct of the affairs of the Company.

##### 5. Directors' Responsibility Statement

Pursuant to the provisions of section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility statement, the Directors hereby confirm:

- that in the preparation of the annual accounts for the financial year ended 31<sup>st</sup> March, 2002, the applicable accounting standards have been followed, along with proper explanation relating to material departures;
- that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- that they have taken proper and sufficient care for the maintenance of proper accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- that they have prepared the annual accounts for the financial year ended 31<sup>st</sup> March, 2002 on a going concern basis.

##### 6. Corporate Governance

The Report on Corporate Governance, in terms of Clause 49 of the Listing Agreement is annexed to this report.

##### 7. Auditors

The Auditors, M/s. Agwal & Associates, Chartered Accountants, will retire at the forthcoming Annual General Meeting. The Company has received a Certificate from the Auditors that they are qualified under section 224 (1B) of the Companies Act, 1956 to act as the Auditors of the Company, if reappointed. The Board recommends the reappointment of M/s. Agwal & Associates, Chartered Accountants, as the statutory auditors of the Company. The Board may also be authorised to fix their remuneration.

##### 8. Auditors' Report

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

##### 9. Statutory Information

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 in its case. Details of foreign exchange earnings and outgo are given below.

###### Foreign Exchange Earnings and Outgo:

Foreign Exchange earned	Nil
Foreign Exchange used	Rs. 6.756

The Company has paid annual listing fees for the year 2002-03 to the Stock Exchange-Mumbai and the National Stock Exchange. The shares of Company are listed on the Delhi Stock Exchange, the Stock Exchange-Mumbai, the National Stock Exchange, Madras Stock Exchange, the Stock Exchange, Ahmedabad, the U.P. Stock Exchange and the Calcutta Stock Exchange.

##### 10. Fixed Deposits

The Company has neither held, nor accepted any fixed deposit, during the year under review. As on date, the Company has no plans to solicit and accept any deposits from public in future also.

##### 11. Human Resources

The relationship with employees continued to be cordial during the year. 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 year drawing remuneration more than the stipulated amount in the said rules. The Company has team of able and experienced industry professionals. The number of employees stood at 25.

##### 12. 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 2001-2002 in respect of the subsidiary companies are enclosed with Annual Accounts of the Company.

##### 13. Consolidated Financial Statements

In compliance of Clause 41 of the Listing agreement, the Consolidated financial statements in accordance with the prescribed accounting standards are annexed to Audited Annual Accounts for the year under review.

##### 14. Compliance Certificate

A certificate from the Auditors of the Company regarding compliance of conditions of Corporate governance as stipulated under clause 49 of the listing agreement is attached to the said report.

##### 15. Acknowledgements

Your Directors wish to place on record their sincere appreciation and gratitude to the Company's business associates, customers, Association of Leasing and Financial Services Companies, Bankers, Financial Institutions and the Reserve Bank of India for their continued 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 : New Delhi  
Date : July 31, 2002

Surendra Singh  
Chairman

**REPORT ON CORPORATE GOVERNANCE****Our Mission:**

To be a top ranking NBFC to achieve sustained growth of business and profitability in core areas of investments, private placements and securities related operations, fulfilling socio economic obligations, excellence in customer service through upgradation of skills of staff, their effective participation and making use of state of art technology

**Corporate Philosophy:**

The philosophy of the Company is to enhance the long term economic value of the Company, its stake holders and the society at large by adopting better corporate practice in fair and transparent manner by aligning interest of the Company with its shareholders and other key stake holders. Your Company has been practicing the principles of good Corporate Governance over the years and has been the follower of rewarding its shareholders over a sustained period of time.

**(i) Board of Directors:**

a) The total strength of the Board is 11 Directors all being non-executive, except the Managing Director, comprising of 2 (Two) Promoter Directors, 7 (Seven) Independent Directors and 2 (Two) Non-Independent Directors.

S.No.	Name of the Director	Whether Promoter/Executive or Non-Executive/Independent	No. of Board Meeting attended during 2001-02	Whether attended AGM held on 19.09.2001	No. of Directorship in other Public Ltd. Companies	No. of Committee position held in other Public Ltd. Co.	
						Chairman	Member
1.	Shri Surendra Singh (Chairman)	Non executive Independent	3	No	5	3	4
2.	Shri T. B. Gupta (Managing Director)	Executive Non Independent	5	Yes	5	1	2
3.	Shri Ramji Mehrotra	Non executive, Not Independent	0	No	—	—	—
4.	Shri Somesh Mehrotra	Non executive, Promoter	4	No	6	—	3
5.	Shri V. K. Goel	Non executive, Promoter	1	No	11	—	—
6.	Shri N. C. Sundararajan	Non executive, Independent	3	No	—	—	—
7.	Shri A.K. Puri	Non executive, Independent	5	No	1	—	1
8.	Shri M.G. Diwan	Non executive, Independent	2	No	8	2	3
9.	Dr. S. Ramesh	Non executive, Independent	3	Yes	2	—	1
10.	Shri B. M. Oza	Non executive, Independent	2	No	—	—	—
11.	Shri D.D. Chopra	Non executive, Independent	4	No	—	—	—

None of the directors is a member of more than 10 Board-level committees, or a Chairman of more than five such committees, as required under Clause 49 of the listing agreement.

b) During the year ended on 31.03.2002, 5 (Five) Board Meetings were held with at least one meeting in every Quarter on: 21.06.2001, 30.06.2001, 27.07.2001, 30.10.2001 and 31.01.2002.

c) The information regarding pecuniary transaction or relationship with the non executive Directors have been disclosed in Annual Accounts for the year under review in 'Clause K' under the head 'Notes on Accounts'.

d) During the year following changes have taken place in Board:

1) Shri M. P. Mehrotra, Shri T.N. Pandey, Dr. P.D. Ojha, Shri G. K. Arora and Shri B. D. Shah, Directors have resigned from the Board.

2) Dr S. Ramesh, Shri Divy Dipti Chopra, Shri B. M. Oza and Shri T. B. Gupta have joined as director of the Company.

3) Mr. Surendra Singh was elected Chairman of Board consequent to resignation of Dr. P.D.Ojha as Director and Non executive chairman.

e) Information supplied to the Board :

The Board has unfettered and complete access to any information within the Company, and to any employee of the Company. At meetings of the Board, it welcomes the presence of senior executives who can provide additional insights into the items being discussed.

All relevant information including those envisaged in Clause 49 of Listing Agreement was regularly provided to the Board and Committees thereof.

f) Remuneration of Directors, Sitting fee, perquisites and commissions paid during the year ended on 31.03.2002 for attending meeting of Board and committees thereof

Name of the Director	Salary (in Rs.)	Perquisites (in Rs.)	Sitting Fee (in Rs.)	Commissions (in Rs.)	Total (in Rs.)
Shri Surendra Singh	N.A.	N.A.	6000	N.A.	6000
Shri T. B. Gupta	439040	178228	N.A.	N.A.	617268
Shri Somesh Mehrotra	N.A.	N.A.	17000	N.A.	17000
Shri Ramji Mehrotra	N.A.	N.A.	Nil	N.A.	Nil
Shri M.G. Diwan	N.A.	N.A.	4000	N.A.	4000
Shri D.D. Chopra	N.A.	N.A.	10000	N.A.	10000
Shri V. K. Goel	N.A.	N.A.	2000	N.A.	2000
Shri B. M. Oza	N.A.	N.A.	24000	N.A.	24000
Dr. S. Ramesh	N.A.	N.A.	10000	N.A.	10000
Shri N. C. Sundararajan	N.A.	N.A.	10000	N.A.	10000
Shri A.K. Puri	N.A.	N.A.	16000	N.A.	16000
Shri M.P. Mehrotra*	N.A.	N.A.	6000	N.A.	6000
Dr. P.D. Ojha*	N.A.	N.A.	2000	N.A.	2000
Shri T.N. Pandey*	N.A.	N.A.	5000	N.A.	5000
Shri G.K. Arora*	N.A.	N.A.	2000	N.A.	2000
Shri B.D. Shah*	N.A.	N.A.	Nil	N.A.	Nil

\* : Since Resigned.

N.A. : Not Applicable.

**(ii) Audit Committee:**

The Audit Committee comprises of Dr. S. Ramesh (Chairman of the Committee), Shri N. C. Sundararajan, Shri A. K. Puri, Shri Somesh Mehrotra, Shri Ramji Mehrotra, Shri Divy Dipti Chopra and Shri B. M. Oza. The role, terms of reference, authority and powers of the Audit Committee are in conformity with the listing agreement. The Company Secretary is the Secretary of the Committee.

During the year ended on 31.03.2002, 4 ( Four) Audit Committee Meetings were held.

S.No.	Meeting Date	Shri A. K. Puri	Shri N. C. Sundararajan	Shri B.M. Oza	Shri Somesh Mehrotra	Shri D. D. Chopra	Shri Ramji Mehrotra	Dr. S Ramesh
1	28.06.2001	YES	YES	N.A.	YES	N.A.	N.A.	N.A.
2	18.09.2001	YES	NO	NO	YES	NO	NO	YES
3	29.10.2001	YES	NO	NO	YES	NO	NO	YES
4	30.01.2002	YES	YES	YES	YES	NO	NO	YES

**(iii) Shareholders/Investors Grievance Committee:**

Prior to 30.06.2001 a committee of Board namely the share transfer committee was empowered to look after the share transfer and related services to members. It comprised of Shri T. N. Pandey, Shri M. P. Mehrotra and Shri Somesh Mehrotra. The Committee was reconstituted and re-designated as the Shareholders/Investors Grievance Committee on 30.6.2001 comprising of Shri B. M. Oza (Chairman of the Committee), Shri T. B. Gupta, Shri Somesh Mehrotra, Shri Ramji Mehrotra and Shri Divy Dipti Chopra. The Committee is vested with the requisite powers and authority to specifically look into the redressal of the shareholders and investor's grievances. The Board has designated Shri H. Consul, Company Secretary as the Compliance Officer and Secretary of Committee.

During the year under review, thirteen meeting of Committee were held. The Committee has w.e.f. 16/03/2002 delegated the power to approve demat requests to Shri T.B. Gupta, Managing Director, during the intervening period between two committee meetings as a step for providing better services to Shareholders.

The Summary of meetings attended by members of committee is as under :

Name	Shri M. P Mehrotra	Shri T. N. Pandey	Shri B.M. Oza	Shri Somesh Mehrotra	Shri D.D. Chopra	Shri T. B. Gupta	Shri Ramji Mehrotra
No. of Meeting attended	4	3	9	2	1	9	0

(iv) **GENERAL BODY MEETINGS**

Details of the last three Annual General Meetings are given below.

Financial year (ended)	Date	Time	Venue
March 31, 1999	August 10, 1999	10.30 a.m.	Air Force Auditorium, Subroto Park, New Delhi
March 31, 2000	September 27, 2000	2.30 p.m.	Air Force Auditorium, Subroto Park, New Delhi
March 31, 2001	September 19, 2001	2.30 p.m.	Air Force Auditorium, Subroto Park, New Delhi

(v) **Disclosures regarding appointment or re-appointment of directors.**

According to the article no. 89 of Articles of Association of Company, one third of the of the total strength of directors are liable to retire by rotation at every Annual General Meeting and if eligible, may offer themselves for re-election. Shri V. K. Goel, Shri Surendra Singh and Shri A. K. Pun will retire by rotation in the forth coming Annual General Meeting and being eligible have offered themselves for reappointment. Further, Shri T.B. Gupta, Shri Divy Dipti Chopra, Shri B. M. Oza and Shri Ramji Mehrotra are proposed to be appointed as Director of Company. The Board has recommended the re-election of all these directors to the shareholders. The relevant information about these Directors has been furnished in notice convening the ensuing Annual General Meeting.

(vi) **Legal proceedings**

There are certain pending cases relating to disputes over title to shares, in which the Company has been made a party. However, these cases are not material in nature.

(vii) **Postal Ballots**

During the year under review no matter which required approval through postal Ballot was transacted.

(viii) **Shareholders Information :**

**A. Annual General Meeting**

Date and Time : 25<sup>th</sup> September, 2002 at 10:30 a.m.  
Venue : AIR FORCE AUDITORIUM, SUBROTO PARK, NEW DELHI-110010

**B. Book Closure**

From 19<sup>th</sup> September, 2002 to 24<sup>th</sup> September, 2002.

**C. Registrar and Transfer Agents and Share Transfer System :**

The Company has in-house set up for processing request for transfer and other shareholders services including Dematerialisation of shareholding. However for connectivity Services with Depositories, the Company has appointed M/s. RCMC Share Registry Pvt. Ltd., 1515, 1<sup>st</sup> floor, Bhisham Pitamah Marg, Kotla Mubarakpur, Near South Extension, New Delhi-110003 (Phone No. 4692346, 4601017). For any assistance in said matters queries may be addressed to the Company Secretary at Registered Office of the Company.

**D. Investors Correspondence**

For any query relating to transfer/transmission of shares, dematerialisation, change of address and other shareholder services, etc. please write to :

The Company Secretary  
VLS Finance Ltd.  
C-489, Defence Colony, New Delhi-110024  
Phone: 4601910, Fax: 4616224  
Email: vls@vsnl.com

**E. Shareholders Complaints.**

All complaints received through SEBI, Stock Exchange or Individual during the year were redressed to the satisfaction of Investors and none remained outstanding at the end of the year under report.

**F. Dematerialisation of Shares and Liquidity:**

62.25 % of the total share holdings of equity shares have been dematerialized up to 31.03.2002. Trading in Company's shares is permitted only in demat form w.e.f. 28.08.2000 as per notification issued by the Securities and Exchange Board of India.

**G. Listing at Stock Exchanges**

The Shares of the Company are listed at following Stock Exchanges :

1. The Stock Exchange, Mumbai. (Code: 511333)
2. The Delhi Stock Exchange Association Ltd., New Delhi.
3. U.P. Stock Exchange Association Ltd. Kanpur.
4. National Stock Exchange, Mumbai. (Code: VLSFINAC)
5. The Calcutta Stock Exchange Association Ltd. Calcutta.
6. Madras Stock Exchange Ltd., Chennai.
7. The Stock Exchange, Ahmedabad.

The annual listing fees has been duly paid to The National Stock Exchange, Mumbai and The Stock Exchange, Mumbai for the year 2002-2003.

**H. Communication to shareholders:**

The Company does not send newsletter to shareholders on quarterly or half yearly basis. The Company publishes un-audited quarterly results alongwith segment wise report, in two newspapers viz. The Financial Express and Jansatta regularly and the same is also available on Company's website <http://www.vlsfinance.com>. The official news releases and presentations made to analysts/ institutional investors shall henceforth also be posted on the website. The Management discussion and analysis forms part of Annual Report for year under review.

**I. Distribution of shareholding as on March 31, 2002**

Distribution of Shareholding according to categories of shareholders as at March 31, 2002

Slab of Shareholdings (No. of Shares)	No. of Shareholders	%	Nominal value of Shares held (in Rs.)	%	Serial No.	Categories	No. of shares	Amount in Rs.	Percentage of shareholding
1- 500	7732	24.1286	20727880	5.2087	1	Promoters, Directors and Relatives	15007544	150075440.00	37.7121
501- 1000	20183	62.9833	124148310	31.1970	2	Financial Institution and Banks	15600	156000.00	0.0392
1001- 2000	2818	8.7939	38439930	9.6595	3	Mutual Fund	100	1000.00	0.0003
2001- 3000	675	2.1064	17315730	4.3512	4	FIs	300	3000.00	0.0008
3001- 4000	177	0.5523	6352350	1.5963	5	Corporate Bodies	1203394	12033940.00	3.0240
4001- 5000	131	0.4088	5925980	1.4891	6	Indian Public	23548462	235484620.00	59.1744
5001-10000	235	0.7333	15960460	4.0107	7	NRI/OCBs	19600	196000.00	0.0493
10001-50000	82	0.2559	13860990	3.4831		Grand Total	39795000	397950000.00	100.0000
50001-100000	4	0.0125	2622000	0.6589					
Above 100000	8	0.250	152596370	38.3456					
Total	32045	100.0000	397950000	100.0000					

**J. Stock Market data related to shares listed in India:**

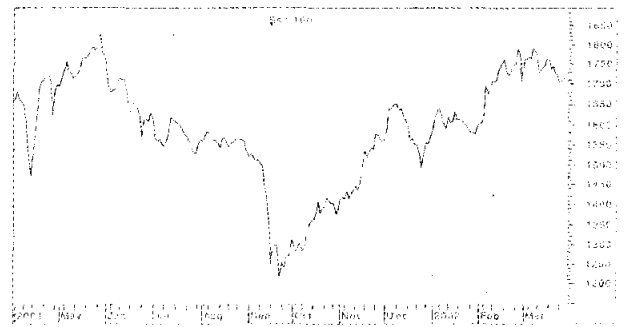
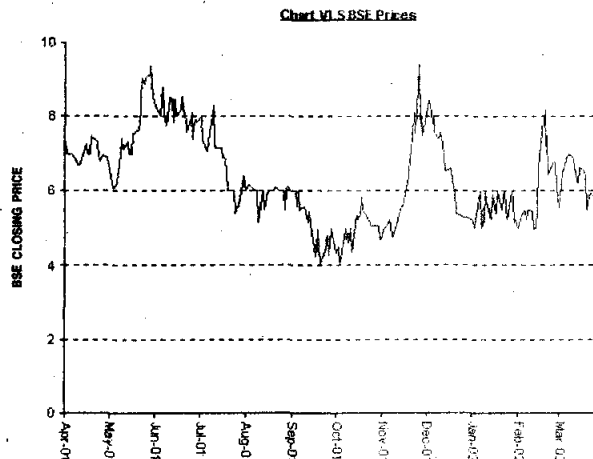
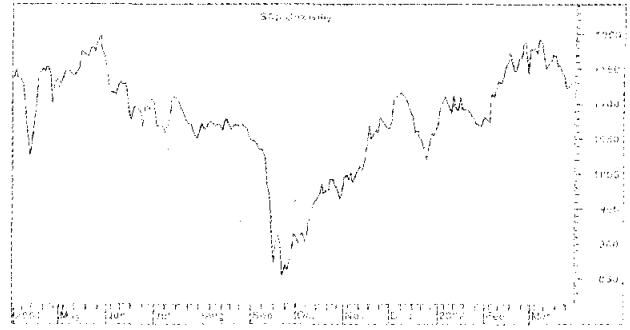
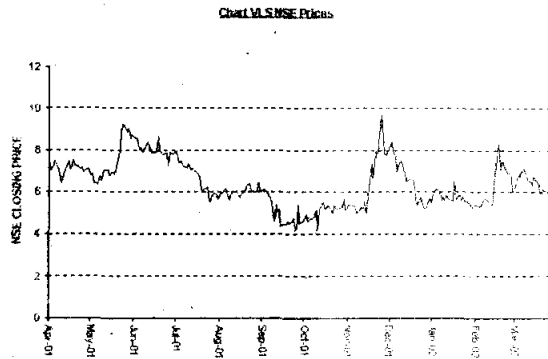
Monthly highs, lows and trading volume for Financial Year-2001-2002  
NSE

SOURCE : META STOCK

BSE

date	high Rs.	low Rs.	volume Nos.	high Rs.	low Rs.	volume Nos.
Apr-01	8	6.25	130474	7.55	6.05	45553
May-01	9.7	3.25	187290	9.5	5.5	93937
Jun-01	8.95	7.05	172616	8.9	7.25	91636
Jul-01	7.95	4.2	34258	8.3	5.4	27394
Aug-01	6.8	5.5	34085	6.35	5.1	22625
Sep-01	6.3	3.5	39050	6	4	24422
Oct-01	5.95	4.2	29312	6	4	16997
Nov-01	10	4.3	181672	9.8	4.4	178304
Dec-01	8.5	4.7	87007	8.75	4.75	51829
Jan-02	7	5.1	89337	7	5	22720
Feb-02	7.85	4.75	225413	8.7	4.85	95553
Mar-02	7.45	5.65	229672	7.35	5.5	366349
Total			1440386			1037319

Graphical representation of Shares Price in NSE and BSE vis-a-vis INDEX movement :



Source: METASTOCK

K. There were no ADRs/GDRs/ Warrants or other convertible instruments out standing as on 31.03.2002. Further, no dividend has been recommended by the Board for the year in view of losses.

**L. Financial Calendar (Tentative)**

Financial reporting for:

Quarter ending	June 30, 2002	End of July 2002
Quarter ending	September 30, 2002	End of October 2002
Quarter ending	December 31, 2002	End of January 2003
Year ending	March 31, 2003 #	End of May 2003
Annual General Meeting for the year ended March 31, 2002.		25 <sup>th</sup> September, 2002

# For the quarter ending 31.03.2003 unaudited results may not be published and only audited results will be published, unless decided otherwise.

**(viii) Compliance of Non Mandatory requirements**

- The Company does not maintain separate office for the Non executive chairman, however he is entitled to reimbursement of expenses incurred for performance of duties as chairman. No expenses on this account has been claimed during the year under review.
- Remuneration Committee:**  
The Remuneration Committee comprises of Shri B.M.Oza, Shri Somesh Mehrotra and Shri D.D.Chopra. The committee shall recommend remuneration package of executive Director(s)/whole time Director(s) that may be appointed and perform other roles detailed out in listing agreement executed with the stock exchanges. No meeting of said committee was held during the year under review. The Board in its meeting held on 31.7.2002 has decided to nominate Mr. D.D.Chopra in the said committee in place of Mr. T.B.Gupta whose nomination was withdrawn with immediate effect.
- The half yearly results were not sent to every shareholder however, they have been published in newspapers as prescribed in listing agreement.
- No postal ballot was conducted by Company in the year under review.

**(ix) Disclosures**

- Disclosure on materially significant related party transactions i.e. transactions of the Company of material nature, with its Promoters, the Directors or the Management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large:**  
There were no transactions with promoters, Directors and related persons which were materially significant, having conflict with the interest of Company at large, during the financial year under review. However, necessary disclosure has been made in Audited Financial Accounts for the year under review under the head "Notes on Accounts".
- Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years:**
  - Rs 25,000/- (Rupees Twenty five thousand) as penalty was imposed by the adjudicating officer, SEBI on the Company for alleged violation of Regulations 6(1) and 6(2) of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1994 in the matter of acquisition of shares of Trackparts of India Ltd. vide order No. 107 dated 05/09/2001. Although the Board is of firm opinion that there has been no violation of the said regulations but keeping in view the expenses involved in furthering the matter, it has taken the decision to pay under protest the said sum.
  - The trading of securities of the Company has been temporarily disallowed w.e.f. 27.6.2002 by the National Stock Exchange for alleged violations of provisions of listing agreement. The Company has interalia denied violation in its submission made to stock exchange and has submitted required explanation on the queries of Stock Exchange. It is learnt that the case is under consideration by a designated committee of Exchange for this purpose. However, vigorous follow up is being made for reinstatement of Company's securities for trading in the said Stock Exchange.



**Auditors' Certificate on Corporate Governance**

As required by Clause 49 of the Listing Agreement, the auditors' certificate is annexed hereto.

**CERTIFICATE**

To the Members of  
VLS Finance Ltd.

We have examined the compliance of conditions of corporate governance by VLS Finance Ltd., for the year ended on March 31, 2002, as stipulated in clause 49 of the Listing Agreement of the said company with stock exchange(s).

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the company as per the records maintained by the company.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For an on behalf of

**AGIWAŁ & ASSOCIATES**  
Chartered Accountants

(P.C. Agiwal)  
(Partner)

Place : New Delhi  
Date : 31.07.2002

**AUDITORS' REPORT**

To,  
The Members  
VLS Finance Ltd.  
New Delhi

We have audited the attached Balance Sheet of VLS Finance Ltd. as at 31st March 2002 and also Profit and Loss Account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the company law board in terms of section 227 (4A) of the Companies Act 1956 we enclose in the annexure a statement on the matters specified in paragraph 4 & 5 of the said Order, to the extent applicable to the company.
2. Further to our comments in the annexure referred to in paragraph one above we report that:
  - a) 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;
  - b) 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 those books;
  - c) The balance sheet and Profit & Loss Account dealt with by these report are in agreement with the books of accounts;
  - d) In our opinion the Balance sheet and profit & Loss account dealt with by these report comply with the accounting standards refer to in subsection (3C) of section 211 of the Companies Act, 1956;
  - e) On the basis of written representations received from the directors as on 31st March 2002, and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March 2002 from being appointed as a director in terms of clause (g) of subsection (1) of section 274 of the companies Act 1956;
  - f) In our opinion and to the best of our information and according to the explanation given to us, the said accounts, subject to:

Note 'F2' of schedule 21 regarding change in method of accounting for cost of investments in compliance with the Accounting Standard-13 issued by the Institute of Chartered Accountants of India, thus understating the loss by Rs.4,25,000/-

Note 'H' of schedule 21 regarding change in method of accounting of leave encashment on retirement which is accounted for on accrual basis vis-à-vis on cash basis up to the immediately preceding accounting year in compliance with the Accounting Standard - 15 issued by the Institute of Chartered Accountants of India, thus overstating the loss by Rs. 1,22,407/-

Note 'O' of schedule 21 regarding non-provision of interest on Bank and Financial Institution's loan and reclassification of loan from IDBI under different head made during the previous year thus understating the loss to the extent of non-provision.

And read together with other notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

- 1) In the case of balance sheet of the state of affairs of the company as at 31st March 2002 and,
- 2) In the case of the profit and loss account of the loss of the company for the year ended on that date.

For Agiwal & Associates  
Chartered Accountants

(P.C. Agiwal)  
Partner

Place: New Delhi  
Date: 29.06.2002

**ANNEXURE TO AUDITORS' REPORT  
REFERRED TO IN PARAGRAPH (1) OF OUR REPORT OF EVEN DATE**

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. All the assets have been physically verified by the management during the year. No material discrepancies were noticed on such verification.
2. The Fixed assets of the company have not been revalued during the year.
3. The securities held as stock-in-trade have been physically verified by the management during the year. In our opinion the frequency of verification is reasonable.
4. In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the management were found reasonable and adequate in relation to the size of the company and the nature of its business.
5. The discrepancies noticed on verification between the physical stocks and book records which are not material in relation to the Company, have been properly dealt with in the books of accounts.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles.
7. 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.
8. The company has not granted any loans and advance of the parties listed in the register maintained under section 301 of the Companies Act, 1956. We have been informed that there are no Companies under same management within meaning of section 370(1B) of the Companies Act, 1956.
9. The parties to whom loans and advance in the nature of loans have been given by the company are generally repaying the principal amounts as stipulated and are also generally regular in payment of interest wherever applicable except the loans classified as non performing assets.
10. 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 fixed assets and for purchase/sale of securities.
11. The transaction of services, made in pursuance of contracts or arrangements entered into Register(s) maintained under section 301 of the Companies Act, 1956 as aggregating during the period of Rs.50,000/- (Rs 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.
12. The company has not accepted any deposits from the public during the year. Hence provisions of section 58A of the Companies Act, 1956 and Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits are not applicable to the Company.
13. In our opinion, the company has an internal audit system, commensurate with its size and nature of its business, which is required to be more strengthened.
14. The dues under the Employees Provident Fund and Miscellaneous Provisions Act, 1952 and the Employees State Insurance Act, 1948, have been regularly deposited with appropriate authorities by the Company.
15. According to information and explanations given to us, there are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax and Service Tax as at 31.03.2002 which are outstanding for a period of more than six months from date they became payable. The provisions of customs Duty and Excise Duty are not applicable to the Company.
16. According to 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.
17. Being a Finance Company the provisions of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 are not applicable to the company.
18. The Company has not granted Loans & Advances on the basis of security by way of pledge of Shares, Debentures & other Securities.
19. The provisions of any special statute applicable to chit funds, nidhi or mutual benefit society do not apply to the company.
20. The company has maintained proper record of transaction and contracts in respect of trading in shares, Debentures & other Securities and timely entries have been made therein. The investments are held by the company in its own name except for certain shares, which are lodged for transfer/held with valid transfer deed.
21. In our opinion and as explained to us Para no. (xii), (xiv) and (xvi) of the above said order are not applicable to the company.

For Agiwal & Associates  
Chartered Accountants

(P.C. Agiwal)  
Partner

Place: New Delhi  
Date: 29.06.2002