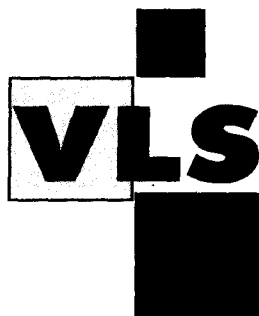


XVI ANNUAL REPORT 2002-2003

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VLS FINANCE LTD.

NOTICE**16th ANNUAL GENERAL MEETING OF
MEMBERS OF THE COMPANY
WILL BE HELD AT**

Sri Sathya Sai International Centre Auditorium
Lodhi Road Institutional Area, Lodhi Road
Pragati Vihar, New Delhi - 110 003
at 10.30 A.M.
on Thursday,
25th Day of September, 2003

SHARE TRANSFER & INVESTOR SERVICES

M/s RCMC Share Registry Pvt. Ltd.
Unit: VLS Finance Ltd.
1515, 1st Floor, Bhishm Pitamah Marg,
Kotla Mubarakpur, Near South Extn., New Delhi-110003

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 T.B. Gupta Managing Director
Dr. 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
Shri S.K. Agarwal

COMPANY SECRETARY

Shri H. Consul

AUDITORS

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

BANKERS

HDFC Bank
UCO 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 16th Annual General Meeting of the Members of VLS FINANCE LTD. will be held at Sri Sathya Sai International Centre Auditorium, Lodhi Road Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003 on Thursday, the 25th day of September, 2003 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, 2003, the Profit & Loss Account for the year ended on that date and the consolidated financial statements for the said period together with the Reports of Auditors and Directors thereon.
- To appoint a Director in place of Shri Somesh Mehrotra, who retires by rotation, and being eligible, offers himself for re-appointment.
- To appoint a Director in place of Shri N.C. Sundararajan, who retires by rotation, and being eligible, offers himself for re-appointment.
- To appoint a Director in place of Shri M.G. Diwan, who retires by rotation, and being eligible, offers himself for re-appointment.
- To appoint a Director in place of Dr. S. Ramesh, 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

7. Appointment of Shri S. K. Agarwal 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 S. K. Agarwal, who was appointed as an Additional Director on 28th May, 2003 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."

8. ALTERATION IN OBJECTS CLAUSE OF MEMORANDUM OF ASSOCIATION OF THE 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 the provisions of section 17 of the Companies Act, 1956 and other applicable provisions, if any, and/or such other approvals as may be required, the following clause 5 be and is hereby inserted in the Main Objects of the Company after clause no. 4:

5. To acquire and hold shares, stocks, debentures, debenture stocks, bonds, obligations, derivatives, other variants thereof, and securities of any other type recognized for the time being, issued or guaranteed by any Company constituted or carrying on business in the Republic of India or elsewhere, any debentures, debenture stocks, bonds, obligations and securities issued or guaranteed by any Government, Sovereign, Ruler, Commissioners, public body or authority supreme, municipal, local or otherwise whether at home or abroad, to acquire any shares, stocks, debentures, debenture stocks, bonds, obligations or securities by original subscription, tender, purchase, exchange or otherwise and to subscribe for the same either conditionally or otherwise and to guarantee the subscription thereof and to exercise and enforce all rights and powers conferred by or incidental to the ownership thereof, to invest in any other instruments including term deposits or any other scheme in vogue with Banks, financial institutions or other entities whether in India or abroad, to do the business of securitization and professional guarantor, whether as principal, agent, associate or otherwise, to float and administer chit or other scheme, and to export, import, buy, sell, trade, barter, exchange, pledge, make advance upon, invest in and otherwise deal in gold, silver, bullion, stocks, other securities (including derivatives and variants thereof), immovable properties, lease hold assets and merchandise of all kinds and description.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution the Board of Directors or its committee or person(s) authorized by the Board be and is/are authorized to do such things, deeds and acts as may be considered necessary, desirable or expedient for implementing the aforesaid resolution and to resolve any question or doubts relating thereto, or otherwise considered necessary in the best interest of the Company including the modification (s) if any, suggested by the concerned authorities."

9. VOLUNTARY DELISTING OF EQUITY SHARES OF THE COMPANY FROM DELHI, AHMEDABAD, CALCUTTA, MADRAS AND UTTAR PRADESH STOCK EXCHANGES.

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

"RESOLVED THAT subject to such consents, permissions, sanctions as may be required from any authority, statutory or otherwise, particularly from Securities and Exchange Board of India (SEBI) and pursuant to Section 61 and all other applicable provisions of the Companies Act, 1956 and Guidelines, Rules etc. framed by SEBI in this regard, Securities Contracts (Regulation) Act, 1956, and Rules framed thereunder, Listing Agreements and all other applicable laws and in supersession of approval given earlier in this regard, the consent of the Company be and is hereby accorded for delisting of securities of the Company from all or any of the stock exchanges stated hereinafter and the Board of Directors of the Company be and is hereby authorised to seek voluntary delisting of equity shares of the Company from the stock exchanges at Delhi, Ahmedabad, Calcutta, Madras and Kanpur whether simultaneously or in one or more tranches, as may be thought fit, and to approach the said stock exchanges and/or any other concerned authorities seeking its/their approval for voluntary delisting of equity shares from the said stock exchanges.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to settle all questions/difficulties/doubts as may arise in this regard as it may in its absolute discretion deem fit and in case being required to seek any further approval of the members or otherwise to end and intend that the members shall be deemed to have given their approval expressly by authority of this resolution.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby further

authorised to take all necessary steps in this regard in order to comply with all the legal, procedural formalities and further to authorise any of its committee or any of its Directors and/or any of the officers of the Company to do all such acts, deeds or things to give effect to the aforesaid resolution."

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

Place: New Delhi
Date: 26/07/2003

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.
- In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
- Corporate Members intending to send their authorized representative are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
- The Register of Members of the Company shall remain closed from 19/09/2003 to 25/09/2003 (both days inclusive).
- The Company has appointed **M/s RCMC Share Registry Pvt. Ltd., 1515, 1st floor, Bhishm Pitamah Marg, Kotla Mubarakpur, Near South Extension, New Delhi-110003 (Phone No. 24692346, 24601017) as its Registrar & Transfer Agents w.e.f. 01/04/2003** for entire shareholder services viz. processing request for transfer, other shareholder services, dematerialisation of holding providing connectivity services with depositories in compliance of SEBI's circular No.D&CC/F/TTC/CIR-15/2002 dated 27/12/2002. All correspondence, therefore, may be addressed to the said Registrar. However, for any further assistance in said matters, queries may be addressed to the Company Secretary at Registered Office :-C-489, Defence Colony, New Delhi-110024, Phone No. 51553081 (5 lines), Fax:24335941,51553091.
- Members are requested to intimate the change in address, if any, to the Company's Registrars or 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 respective 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. 28th 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).
- 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 or to its Registrars 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 17(2) of the Companies Act, 1956, for Item Nos. 7, 8 and 9 of the notice is annexed hereto and forms part of this notice. **Members may also note that the business at item no. 8 and 9 of the notice shall be transacted through postal ballot, necessary documents whereof are being dispatched to the members.**
- 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	Dividend Rate	Date of transfer to Unpaid Dividend A/c	Due for Transfer to fund on
31/03/1996	22/08/1996	30%	4.10.1996	3.10.2003
30/09/1997	11/02/1998	15%	26.3.1998	25.3.2005
31/03/1999	10/08/1999	7.5%	22.9.1999	21.9.2006
31/03/2000	27/09/2000	NIL	N.A.	N.A.
31/03/2001	19/09/2001	NIL	N.A.	N.A.
31/03/2002	25/09/2002	NIL	N.A.	N.A.



15. Information regarding Directors retiring by rotation and seeking re-appointment:

Sl. No.	Name of the Director	Date of Birth	Date of Appointment	Qualifications and Expertise in specific functional areas	List of Companies in which Directorship held as on 25/07/2003.	Chairman/Member of the Committees of the Board on which he is a director as on 25/07/2003.	Whether qualified u/s 274 (1) (g) of the Companies Act 1956.
1.	Shri Somesh Mehrotra	06/04/1967	06/06/1994	M. Com. Industrialist having over 10 years experience in financial services, administration and amusement industry.	a) South Asian Enterprises Ltd. b) VLS Capital Ltd.	i) Shareholders Grievance Committee, Member. ii) Remuneration Committee, Member iii) Audit Committee, Member i) Audit Committee, Member	Yes
2.	Shri N.C. Sundararajan	15/11/1929	25/04/1992	FCA He is former president of the Institute of Chartered Accountants of India and renowned Chartered Accountant having over 4 decades of experience in field of finance, taxation, corporate laws and administration.	a) Sethu Investment Pvt Ltd.	N.A.	Yes
3.	Shri M.G. Diwan	14/11/1931	17/03/1994	M.Sc., F.I.A., F.A.S.I., F.I.I.I. He is former Chairman of LIC of India having experience of over 4 decades in the field of Insurance, Actuarial Services, Finance, Investments and administration.	a) Welspun (India) Ltd. b) G.M. Breweries Ltd. c) Dwarikesh Sugar Industries Ltd. d) Marketing Research Corporation of India Ltd. e) OM Kotak Mahindra Life Insurance Company Ltd. f) Datamatics Technologies Ltd. g) Shriram Chits (Maharashtra) Ltd. h) GDA Trustee and Consultancy Pvt. Ltd. i) Deepajyoti Insurance Consultancy and Services Pvt. Ltd. j) Indian Institute of Public Opinion Pvt. Ltd. k) Pioneer Insurance Services Pvt. Ltd.	i) Audit Committee, Chairman ii) Remuneration Committee, Chairman i) Audit Committee, Chairman i) Audit Committee, Chairman i) Audit Committee, Member ii) Remuneration Committee, Member i) Audit Committee, Member ii) Investment Committee, Member iii) Appointments and Compensation Committee, Chairman N.A. N.A. N.A. N.A.	Yes
4.	Dr. S. Ramesh IAS (Retd.)	28/10/1936	30/06/2001	M.A., M.P.A., Ph.d. He is former Secretary to the Govt. of U.P. having over 4 decades experience in administration, planning and govt. affairs.	a) South Asian Enterprises Ltd. b) Uttaranchal Jal Vidyut Nigam Ltd. Dehradun	i) Audit Committee, Member i) Audit Committee, Member	Yes

16. Information regarding Directors seeking re-appointment:

1.	Shri Suresh K. Agarwal	22/01/1951	28/07/2003	B.Com (H) CAIIB He is a former banker having about 3 decades of experience in banking, finance, Securities market and administration.	a) VLS Securities Ltd. b) VLS Asset Management Ltd. c) VLS Investments Ltd. d) VLS International S.A. Luxembourg	Audit Committee, Chairman N.A. N.A. N.A.	Yes
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EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 7

Shri S.K. Agarwal was appointed as additional director and will hold office upto the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956. Shri S. K. Agarwal was Asst. General Manager of Punjab National Bank, a leading bank in India. He has held various senior positions in the Bank. He has vast experience in the field of banking, finance & administration and is former trustee of PNB Mutual Fund. 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 S.K. Agarwal as Director of the Company at the forthcoming Annual General Meeting. Your Directors recommend appointment of Shri S. K. Agarwal as Director of Company. None of the Directors except Shri S. K. Agarwal is concerned or interested in the resolution.

ITEM NO. 8

At present the main objects of the Company inter alia include the following business:-
Leasing, Hire purchase and Industrial Financing
Investment and Merchant Banking
Corporate consultancy
Portfolio Investment

Due to adverse market conditions in the past few years, the business of leasing and hire purchase has been adversely affected and the said activity of the Company in past two years was virtually NIL. Further, the merchant banking business had to be hived off to wholly owned subsidiary in June, 1998 in compliance of SEBI Regulations. Therefore, the available funds of the Company have largely been deployed in investment activities in terms of item 43 of sub clause named other objects under the object clause of Memorandum of Association. The approval inter-alia for said business was given by the members in its meeting held on 06/10/1989.

In view of returns from said business, it is proposed to include the investment activity in the Main Objects so that it may properly be represented as main business of the Company. Further, the constitution of assets largely comprises of assets from investment activity which will be properly represented after the proposed amendment. Your Board of Directors seek your approval by postal ballot for amendment in Objects Clause of Memorandum of Association of the Company as stated herein above.

Your attention is also invited to Sub-section 3 of Section 192A of the Companies Act, 1956 read with clause (f) of Rule 5 of the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 requiring the member to forward his/her vote in respect of each item to the Scrutinizer so as to reach on or before 30th day of posting of the notice. Any communication received after the stipulated day will be treated as if it has not been received at all. Accordingly, the members are requested to forward



requisite papers at the earliest so as to reach the Scrutinizer on or before 22/09/2003.

The Board recommends the resolution for approval of the members.

None of the Directors of your Company are concerned or interested in the resolution except as members of the Company to the extent of their shareholding. The result of Postal Ballot will be announced at the ensuing Annual General Meeting scheduled to be held on 25.09.2003.

ITEM NO. 9

The Equity shares of your Company are presently listed in stock exchanges at Delhi, Mumbai, Ahmedabad, Calcutta, Madras, Uttar Pradesh and National Stock Exchange. It has been observed that trading of shares of your Company on Delhi, Ahmedabad, Calcutta, Madras & Uttar Pradesh Stock Exchange has been negligible. Your Company is spending considerable amount of money on listing fee and on communication in form of fax, courier charges with these stock exchanges.

Since Investors do not get any benefit despite Company spending this amount, therefore it is proposed that listing on these stock exchanges be discontinued. Investors in these regions will not suffer due to delisting since with the introduction of screen based trading on National Stock Exchange and Mumbai Stock Exchange, trading in the Company's shares can be easily done all over the country.

The approval by members for this purpose though had already been given vide resolution passed in the Annual General Meeting held on 25/09/2002, fresh approval is, however, sought for the same because the Ahmedabad Stock Exchange has stipulated that the members approval for delisting of shares from said exchange should be by way of special resolution passed by postal ballot, after commencement of new guidelines issued by Securities and Exchange Board of India on 15.02.2003 for delisting of shares by companies. It is perceived that the other stock exchanges may also stipulate similar condition. Attention of members is also invited to clause 5.2 of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, which provides that exit opportunity need not be given to members where the securities of the Company continue to be listed in a stock exchange having nation wide terminals. Further, in the explanation to said clause, it is provided that stock exchanges having nation wide terminals means The Stock Exchange, Mumbai, the National Stock Exchange and any other stock exchange which may be specified by the Securities and Exchange Board of India. As the securities of the Company will remain listed on the Stock Exchange, Mumbai and the National Stock Exchange of India Ltd., Mumbai, there is no need to give exit opportunity to the members of the regions covered by the Stock Exchanges in Delhi, Ahmedabad, Kanpur (U.P.), Calcutta & Madras.

Your attention is also invited to Sub-section 3 of Section 192A of the Companies Act, 1956 read with clause (f) of Rule 5 of the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 requiring the member to forward his/her vote in respect of each item to the Scrutinizer so as to reach on or before 30th day of posting of the notice. Any communication received after the stipulated day will be treated as if it has not been received at all. Accordingly, the members are requested to forward requisite papers at the earliest so as to reach the Scrutinizer on or before 22/09/2003.

Your Directors recommend the special resolution for your approval through the process of postal ballot. The result of postal ballot will be announced at the ensuing Annual General Meeting scheduled to be held on 25.09.2003.

None of the Directors of your Company are concerned or interested in the resolution except as members of the Company to the extent of their shareholding.

By Order of the Board
For VLS Finance Ltd.

H. Consul
Company Secretary

Place: New Delhi
Date : 26/07/2003

DIRECTORS' REPORT TO THE MEMBERS

Your Directors are pleased to present the Sixteenth Annual Report of the Company together with the audited statement of accounts for the year ended 31st March, 2003.

1. Financial Results

(Rs. in Lakhs)

	For the year ended 31 st March, 2003	For the year ended 31 st March, 2002
Gross Receipts	13598.70	41328.38
Profit/ (Loss) before Interest & Depreciation	(104.45)	(663.68)
Less: Interest & Finance Charges	1.16	0.15
Profit/ (Loss) before depreciation	(105.61)	(663.83)
Less: Depreciation	231.19	117.16
Profit/ (Loss) before Tax	(336.80)	(780.99)
Less: Provision for Taxation	46.05	0.00
Add: Adjustments relating to earlier year(s)	(6.203)	4.41
Add: Surplus Brought Forward	0.00	0.00
Available for Appropriation	(389.08)	(776.58)
Appropriations:		
From General Reserve	389.08	776.58
Total Appropriations	389.08	776.58

2. Management Discussion and Analysis

Financial Review

During the period under review, the Company posted a loss of Rs. 336.80 lacs after providing for depreciation amounting to Rs. 231.19 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 political turmoil both at domestic and international level during the year under review was main factor impeding the recovery of capital markets as well as industry as a whole. Consequently there was a little relief though defaults and erosion in network of NBFC'S continued. 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. Based on inherent strengths, your Company is focusing on area of its core competence viz. Corporate consultancy, investments, securities related operations with low risk products and arbitrage operations, supported by professional expertise available to it.

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 already cut down its exposure to credit operations consisting of loans as per decision taken in this regard.

With continuing instability 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. 7799.99 Lacs in financial services segment, the total revenue earned was Rs. 13,134.48 Lacs. In Investment segment revenue, earned stood at Rs. 44.08 Lacs for a layout of Rs. 7061.75 Lacs during the year under review. The Profit in respective segments prior to interest and tax stood at Rs. 67.31 Lacs and Rs. 43.58 Lacs respectively.

3. Dividend

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

4. Directors

Shri M.G. Diwan, Dr. S. Ramesh, Shri Somesh Mehrotra and Shri N. C. Sundararajan, 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.

Shri Surendra Singh, Director and Non-Executive Chairman of Company resigned due to other pre-occupations w.e.f. 28/05/2003. Your Board places on record its sincere thanks for invaluable guidance and contribution made by Shri Surendra Singh during his tenure as Director and Non-Executive Chairman.

Shri S.K. Agarwal, was co-opted as Additional Director by the Board w.e.f. 28/05/2003. His tenure will be up to the date of ensuing Annual General Meeting. The Company has received a notice u/s 257 of the Companies Act, 1956, from a member to propose appointment of Shri S.K. Agarwal as Director of Company liable to retire by rotation. The relevant resolution and other information for this purpose is set out in notice convening the ensuing Annual General Meeting. The Board recommends the appointment of the Shri S. K. Agarwal as director to have his 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 31st March, 2003, 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 31st March, 2003 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. Agiwal & 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 Audit Committee in its meeting held on 27th May, 2003 had recommended re-appointment of M/s Agiwal & Associates, Chartered Accountants, as Statutory Auditors of the Company for the next term. The Board concurring with the recommendation of the Audit Committee recommends the reappointment of M/s. Agiwal & 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 is not applicable in its case. During the year under review the Company did not absorb any new technology nor has carried out any R&D activity. Details of foreign exchange earnings and outgo are given below.

Foreign Exchange Earnings and Outgo:

Foreign Exchange earned	Nil
Foreign Exchange used	Rs. 2,65,070/-

The Company has paid annual listing fees for the year 2003-04 to the Stock Exchange-Mumbai, The National Stock Exchange and the Delhi 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.



VLS FINANCE LTD.

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 24.

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 relevant financial year, in respect of the subsidiary companies are enclosed with Annual Accounts of the Company. Additionally, the Audited financial results of Company's overseas subsidiaries for the year ended 31/12/2000 and 31/12/2001 are also enclosed.

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 : 26/07/2003

B.M. OZA
Director

S.K. AGARWAL
Director

Annexure-I**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 practising 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, 6 (Six) Independent Directors and 3 (Three) Non-Independent Directors.

S.No.	Name of the Director	Whether Promoter/Executive or Non-Executive/Independent	No. of Board Meetings attended during 2002-03	Whether attended AGM held on 25.09.2002	No. of Directorships in other Public Ltd. Companies	No. of Committee positions held in other Public Ltd. Companies	
						Chairman	Member
1.	Shri Surendra Singh* (Chairman)	Non-Executive, Independent	3	No	6	3	4
2.	Shri T. B. Gupta (Managing Director)	Executive Non-Independent	4	Yes	4	1	3
3.	Shri Ramji Mehrotra	Non-Executive, Non-Independent	0	No	—	—	—
4.	Shri Somesh Mehrotra	Non-Executive, Promoter	2	No	2	—	3
5.	Shri V. K. Goel	Non-Executive, Promoter	0	No	9	—	—
6.	Shri N. C. Sundararajan	Non-Executive, Independent	3	No	—	—	—
7.	Shri A.K. Puri	Non-Executive, Independent	4	No	2	—	1
8.	Shri M.G. Diwan	Non-Executive, Independent	2	No	7	3	3
9.	Dr. S. Ramesh	Non-Executive, Independent	4	Yes	2	—	2
10.	Shri B. M. Oza	Non-Executive, Independent	2	No	—	—	—
11.	Shri D.D. Chopra	Non-Executive, Independent	4	No	—	—	—
12.	Shri S.K. Agarwal**	Non-Executive, Non-independent	0	No	2	1	—

* Resigned w.e.f. 28/05/2003

** Appointed as Additional Director w.e.f. 28/05/2003

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 31.03.2003, 4 (Four) Board Meetings were held with at least one meeting in every Quarter on 29.06.2002, 31.07.2002, 29.10.2002 and 29.01.2003.

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 13' under the head "Notes on Accounts".

d) During the year there was no change in the Board, however Shri Surendra Singh resigned due to other preoccupations w.e.f. 28.5.2003 and Shri S.K. Agarwal was appointed as additional director from the same date.

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 31.03.2003 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.	6,000	N.A.	6,000
Shri T. B. Gupta	5,04,000	2,41,080	Nil	N.A.	7,45,080
Shri Somesh Mehrotra	N.A.	N.A.	10,000	N.A.	10,000
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.	18000	N.A.	18000
Shri V. K. Goel	N.A.	N.A.	Nil	N.A.	Nil
Shri B. M. Oza	N.A.	N.A.	30000	N.A.	30000
Dr. S. Ramesh	N.A.	N.A.	16000	N.A.	16000
Shri N. C. Sundararajan	N.A.	N.A.	12000	N.A.	12000
Shri A.K. Puri	N.A.	N.A.	16000	N.A.	16000

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 Divey 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 31.03.2003, 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	29.06.2002	YES	YES	LEAVE	YES	YES	LEAVE	YES
2	30.07.2002	YES	YES	LEAVE	LEAVE	LEAVE	LEAVE	YES
3	28.10.2002	YES	LEAVE	YES	YES	YES	LEAVE	YES
4	28.01.2003	YES	YES	YES	LEAVE	YES	LEAVE	YES
Attendance in Four meetings		4	3	2	2	3	0	4

**ii) Shareholders/Investors Grievance Committee:**

The Committee comprises of Shri B. M. Oza (Chairman of the Committee), Shri T. B. Gupta, Shri Somesh Mehrotra, Shri Ramji Mehrotra, Shri Divy Dipti Chopra and Shri S. K. Agarwal. The Board nominated Shri S. K. Agarwal, Director in the Committee w.e.f. 28/05/2003. 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, fifteen meetings of Shareholders/ Investors Grievance Committee were held on 17.04.2002, 08.05.2002, 01.06.2002, 03.07.2002, 30.07.2002, 16.08.2002, 16.09.2002, 09.10.2002, 11.11.2002, 23.11.2002, 20.12.2002, 14.01.2003, 20.02.2003, 12.03.2003 and 26.03.2003.

The Committee has delegated the power to approve demat requests to Shri B.M. Oza, Chairman of committee, Shri T.B. Gupta, Member and Shri S. K. Agarwal, Member, individually 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 B.M. Oza	Shri Somesh Mehrotra	Shri D.D. Chopra	Shri T. B. Gupta	Shri Ramji Mehrotra	Shri S.K. Agarwal
Attendance in 15 meetings	12	1	2	15	0	0

(iv) GENERAL BODY MEETINGS

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

Financial year (ended)	Date	Time	Venue
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
March 31, 2002	September 25, 2002	10.30 a.m.	Air Force Auditorium, Subroto Park, New Delhi

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

According to the article no. 89 of the Articles of Association of the Company, one third 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 M. G. Diwan, Dr. S. Ramesh, Shri N. C. Sundararajan and Shri Somesh Mehrotra will retire by rotation in the forthcoming Annual General Meeting and being eligible have offered themselves for reappointment. Further, Shri S. K. Agarwal is proposed to be appointed as Director of Company. The Board has recommended the re-election/reappointment of all these directors to the shareholders. The relevant information about these Directors has been furnished in notice convening the ensuing Annual General Meeting.

Shri Surendra Singh, Director and Non-Executive Chairman, resigned w.e.f. 28/05/2003 due to other pre-occupations.

Shri S. K. Agarwal was appointed as additional director and will hold office till the conclusion of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956. Shri S. K. Agarwal was Asst. General Manager of Punjab National Bank, a leading bank in India. He has held various senior positions in the Bank. He has vast experience in the field of banking, finance & administration and is former trustee of PNB Mutual Fund. 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 S. K. Agarwal as Director of the Company at the forthcoming 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. However in the current financial year the approval of members is proposed to be sought by postal ballot in following matters:

(a) For amendment in object clause of Memorandum of Association.

(b) For delisting of securities of Company from stock exchanges at Delhi, Kanpur, Ahmedabad, Madras and Calcutta.

(viii) Shareholders Information :**A. Annual General Meeting**

Date and Time	: 25 th September, 2003
Venue	: Sri Sathya Sai International Centre Auditorium, Lodhi Road Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003
	: From 19/09/2003 to 25/09/2003

B. Book Closure

: From 19/09/2003 to 25/09/2003

C. Registrar and Transfer Agents and Share Transfer System :

The Company has appointed M/s RCMC Share Registry Pvt. Ltd., 1515, 1st floor, Bhishm Pitamah Marg, Kotla Mubarakpur, Near South Extension, New Delhi-110003 (Phone No. 24692346, 24601017) as its Registrar & Transfer Agents w.e.f. 01/04/2003 for entire shareholder services viz. processing request for transfer, other shareholder services, dematerialisation of holding, providing connectivity services with depositories in compliance of SEBI's circular No.D&CC/F/TTTC/CIR-15/2002 dated 27/12/2002. For any assistance in said matters, queries may be addressed to the said Registrars at address above or the Company Secretary at Registered Office :-C-489, Defence Colony, New Delhi-110024, Phone No.: 51553081 (5 lines), Fax:24335941,51553091.

D. Investors Correspondence

For any query relating to transfer/transmission of shares, dematerialisation, change of address etc. please write to M/s RCMC Share Registry Pvt. Ltd, Registrars and Transfer Agents of the Company, at 1515, 1st floor, Bhishm Pitamah Marg, Kotla Mubarakpur, near South Extension, New Delhi-110003 (Phone No. 24692346, 24601017). For any further assistance in said matters, queries may be addressed to the Company Secretary at the Registered office of the Company at C-489, Defence Colony, New Delhi-110024, Phone no.: 51553081 (5 lines), Fax: 24335941,51553091.

E. Shareholders Complaints:

The Company received 29 share related complaints during the financial year ended 31st March, 2003. None of the complaints received is pending on date.

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.

Nature of Complaints**	Received	Redressed
Non-receipt of Dividend	6	6
Non-receipt of shares after transfer	3	3
Non-receipt of Annual Report	2	2
Non-receipt of Bonus Shares	14	14
Non receipt of Name change sticker	1	1
Non-receipt of Endorsement Sticker	1	1
Loss of shares/for duplicate shares	1	1
Non- receipt of share certificate after Rejection of Demat request	1	1
Total	29	29

** Complaint received from multiple sources e.g. from SEBI, Stock Exchange etc. has been treated as one complaint but a complaint if sent again by SEBI/ Stock Exchange has been treated as fresh complaint.

General correspondence e.g. change of address, enquiry on dividend for the year, ISIN No. of the Company etc. has been excluded from above.

F. Dematerialisation of Shares and liquidity:

67.75% of the total share holdings of equity shares have been dematerialized up to 31.03.2003. 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 Delhi Stock Exchange, The National Stock Exchange, Mumbai and The Stock Exchange, Mumbai for the year 2003-2004.

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. Further, from the quarter ended



VLS FINANCE LTD.

31/12/2002, the Quarterly/ Annual results of Company and other information as prescribed are also available on website sebidifar.nic.in in which is maintained under aegis of Securities & Exchange Board of India.

I. Distribution of shareholding as on March 31, 2003

Slab of share holdings No. of shares	No. of Shareholders	% age	Nominal value of Shares held (in Rs.)	% age
1- 500	8767	27.2149	23569130	5.9226
501- 1000	19264	59.8622	119315840	29.9826
1001- 2000	2792	8.6670	38459750	9.6645
2001- 3000	678	2.1047	17396200	4.3715
3001- 4000	194	0.6022	6917640	1.7383
4001- 5000	140	0.4346	6346980	1.5949
5001-10000	252	0.7823	17085330	4.2933
10001 & Above	107	0.3322	168859130	42.4322
Total	32214	100.0000	397950000	100.0000

Distribution of Shareholding according to categories of shareholders as on March 31, 2003

Sl. No.	Categories	No. of shares	Amount in Rs.	Percentage of shareholding
1	Promoters, Directors and Relatives	15009488	150094880.00	37.7170
2	Financial Institution and Banks	10900	109000.00	0.0274
3	Mutual Fund	100	1000.00	0.0003
4	FII's	300	3000.00	0.0008
5	Corporate Bodies	1124702	11247020.00	2.8262
6	Indian Public	23629310	236293100.00	59.3776
7	NRI/OCBs	20200	202000.00	0.0508
	Grand Total	39795000	397950000.00	100.0000

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

Monthly highs, lows and trading volume for Financial Year-2002-2003

NSE

Date	High Rs.	Low Rs.	Volume Nos.
Apr-02	6.65	5.55	205881
May-02	6.75	5.1	412393
Jun-02	8.25	5.4	782888
Jul-02	N.A.	N.A.	N.A.
Aug-02	N.A.	N.A.	N.A.
Sep-02	N.A.	N.A.	N.A.
Oct-02	N.A.	N.A.	N.A.
Nov-02	N.A.	N.A.	N.A.
Dec-02	N.A.	N.A.	N.A.
Jan-03	N.A.	N.A.	N.A.
Feb-03	N.A.	N.A.	N.A.
Mar-03	N.A.	N.A.	N.A.
Total:			1401162

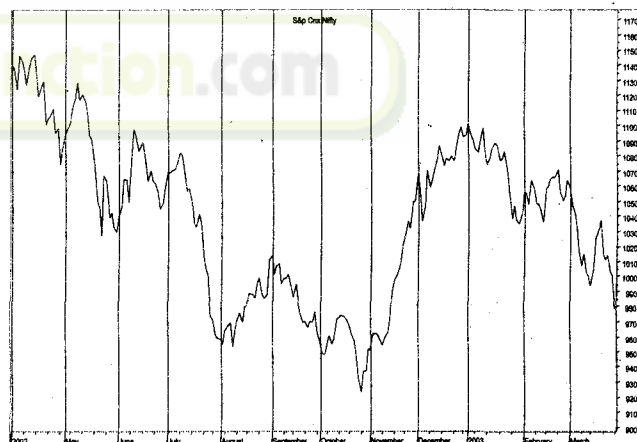
BSE

	High Rs.	Low Rs.	Volume Nos.
	6.95	5.5	356865
	7.5	5.2	142418
	8.5	5.6	332655
	9.6	5.55	586940
	6.4	5.25	94266
	6	4.6	94679
	5.25	3.7	78370
	4.9	3.85	75795
	5.4	4.1	103121
	4.4	2.9	189637
	4.45	3	102924
	3.6	2.1	129663
Total:			2287333

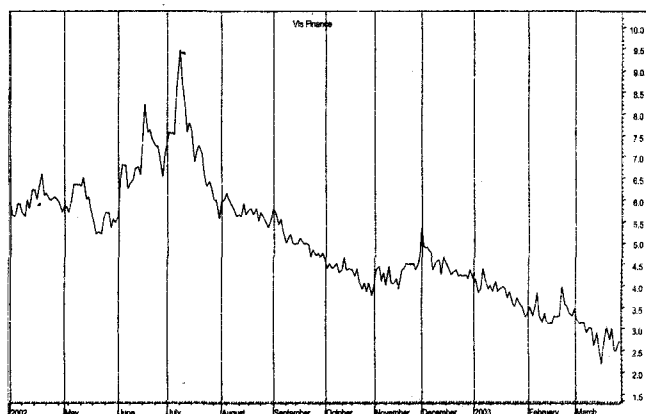
Graphical Representation of Share Price in NSE and BSE vis-a-vis Index Movement:



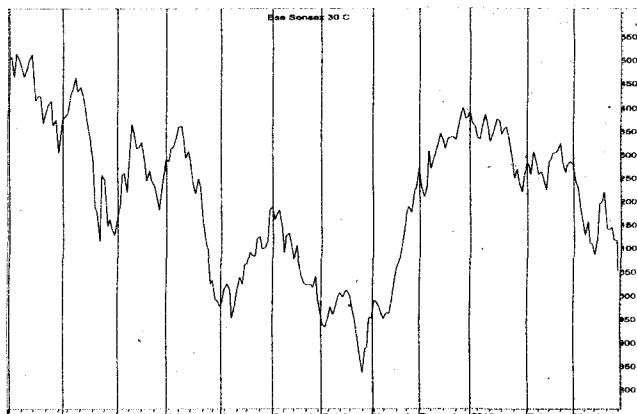
VLS NSE Graph: 2002-03



NSE NIFTY: 2002-03



VLS BSE Graph: 2002-03



BSE SENSEX: 2002-03

Source :METASTOCK



K. There were no ADRs/GDRs/ Warrants or other convertible instruments out standing as on 31.03.2003. Further, no dividend has been recommended by the Board for the year in view of loss incurred during the period under review.

L. Financial Calendar (Tentative)

Financial reporting for:

Quarter ending	June 30, 2003	End of July 2003
Quarter ending	September 30, 2003	End of October 2003
Quarter ending	December 31, 2003	End of January 2004
Year ending	March 31, 2004 #	End of May 2004
Annual General Meeting for the year ended March 31, 2003		25/09/2003

For the quarter ending 31.03.2004 unaudited results may not be published and only audited results will be published, unless decided otherwise.

(ix) 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 the remuneration package of Executive Director(s)/Whole time Director(s) that may be appointed and perform other roles detailed out in the listing agreements executed with the Stock Exchanges. Since there was no proposal for recommending/reviewing remuneration of Directors, no meeting of said committee was held during the year under review.
- 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.

(x) 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. In another case the adjudicating officer SEBI has vide letter dated 31.03.2003 has imposed a penalty of Rs.5 lakhs on Company for alleged violation of regulation 10 of SEBI (substantial acquisition of shares & takeover) Regulations 1997 in the matter of transfer of 344656 shares of Trackparts of India Ltd.. The Company has preferred an appeal against the said order and the matter is subjudice before Hon'ble Securities Appellate Tribunal, Mumbai.
 - 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.
 - Rs. 8000/- has been paid by Company as compounding fee levied by Regional Director (Northern Region), Department of Company Affairs for alleged violations of provisions of section 209 and 211 of the Companies Act 1956 upon application moved by Company stating that it has neither committed the alleged offences nor is liable for violations of the Companies Act, 1956 and the application was being made to avoid lengthy legal proceedings.

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, 2003, 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 and on behalf of
AGI WAL & ASSOCIATES
Chartered Accountants
(P.C. Agiwal)
(Partner)

Place : New Delhi
Date : 31.07.2003

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 2003 and also Profit and Loss Account of the Company for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date. 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.

- 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.
- Further to our comments in the annexure referred to in paragraph one above we report that:
 - 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 those books;
 - The balance sheet and Profit & Loss Account dealt with by these report are in agreement with the books of accounts;
 - 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;
 - On the basis of written representations received from the directors as on 31st March 2003, and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March 2003 from being appointed as a director in terms of clause (g) of subsection (1) of section 274 of the companies Act, 1956;
 - In our opinion and to the best of our information and according to the explanation given to us, the said accounts, subject to:
Note '18(a)' and (b) of schedule 21 regarding non-provision of interest on Bank and Financial Institution's loan 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:

- In the case of balance sheet of the state of affairs of the company as at 31st March 2003 and
- In the case of the profit and loss account of the loss of the company for the year ended on that date.
- In the case of cash flow statement, of the cash flows for the year ended on that date.

For Agiwal & Associates
Chartered Accountants
(P.C. Agiwal)
Partner

Place: New Delhi
Date: 2nd June, 2003

ANNEXURE TO AUDITORS REPORT

REFERRED TO IN PARAGRAPH (1) OF OUR REPORT OF EVEN DATE

- The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. All the assets **except assets on lease, which are in the possession of the lessee**, have been physically verified by the management during the year. No material discrepancies were noticed on such verification.
- The Fixed assets of the company have not been revalued during the year.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- In our opinion, the company has an internal audit system, commensurate with its size and nature of its business, which needs to be further strengthened.
- 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.
- 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 31.03.2003 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.
- 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.
- 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.
- The Company has not granted Loans & Advances on the basis of security by way of pledge of Shares, Debentures & other Securities.
- The provisions of any special statute applicable to chit funds, nidhi or mutual benefit society does not apply to the company.
- 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.
- 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: 2nd June, 2003



BALANCE SHEET AS AT 31ST MARCH, 2003

(Amount in Rupees)

	Sch. No.	As at 31st March, 2003	As at 31st March, 2002
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Capital	1	39,91,72,250	39,91,72,250
b) Reserves & Surplus	2	112,91,79,122	116,80,87,297
2. Loan Funds			
a) Secured Loans	3	1,86,27,390	1,86,27,390
b) Unsecured Loans	4	1,31,90,838	1,32,06,250
Total Sources		156,01,69,600	159,90,93,187
II. APPLICATION OF FUNDS			
3. Fixed Assets			
a) Gross Block	5	137,71,99,830	137,91,97,128
b) Less: Depreciation		125,80,13,348	123,69,89,574
c) Net Block		11,91,86,482	14,22,07,554
4. Investments (At cost)	6	70,61,74,529	65,55,66,779
5. A. Current Assets, Loans & Advances			
a) Share stock in trade	7	18,70,73,147	14,55,41,429
b) Net stock on hire	8	87,830	1,86,608
c) Sundry Debtors	9	0	83,330
d) Cash & Bank Balances	10	11,06,42,566	20,64,72,916
e) Other Current Assets	11	14,57,09,898	7,57,64,735
f) Loans and Advances	12	27,68,37,630	33,04,70,516
		72,03,51,071	75,85,19,534
5. B. Less: Current Liabilities & Provisions			
a) Liabilities	13	1,99,85,460	1,93,54,268
b) Provisions	14	77,34,818	77,22,407
		2,77,20,278	2,70,76,675
Net Current Assets (A-B)		69,26,30,793	73,14,42,858
6. Deferred Tax Assets		3,87,92,531	4,33,96,834
7. Miscellaneous Expenditure (To the extent not written-off or adjusted)	15	33,85,264	2,64,79,161
Total Deployments		156,01,69,600	159,90,93,186

As per our report attached
For Agiwal & Associates
Chartered Accountants
P.C. Agiwal
Partner
Date: 28th May, 2003
New Delhi

For and on behalf of the Board

T.B. Gupta
(Managing Director)

Somesh Mehrotra
(Director)

H. Consul
(Company Secretary)

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2003

(Amount in Rupees)

	Sch. No.	For the year ended 31st March, 2003	For the year ended 31st March, 2002
INCOME			
Sale of Shares/Securities		124,22,51,864	4,06,93,04,510
Income from Operations	16	7,06,74,827	5,67,38,129
Income from Investments		44,08,226	55,67,318
Other Income		5,21,375	12,28,183
Increase/(Decrease) in stock of shares	20	4,20,13,719	(26,61,27,760)
Total (A)		1,35,98,70,011	3,86,67,10,380
EXPENDITURE			
Purchase of Shares/Securities		129,57,42,412	3,86,71,94,051
Interest & Finance Charges	17	1,16,356	15,639
Administrative & Other Expenses	18	1,47,01,196	1,38,85,674
Employees' Cost	19	41,74,072	36,71,150
Depreciation	5	2,31,19,952	1,17,16,734
Miscellaneous Expenditure Written-off	15	26,57,712	26,57,712
Investment conversion loss written-off		2,01,50,582	0
Provision for diminution in value of Investments		(2,01,00,000)	2,01,00,000
Provision for Non Performing Assets		5,29,88,472	2,55,68,902
Total (B)		139,35,50,754	3,94,48,09,862
PROFIT/(LOSS) BEFORE TAX		(33,680,743)	(7,80,99,482)
Less: Provision for Taxation - Current		0	0
Less: Provision for Taxation - Deferred		46,04,303	0
PROFIT/(LOSS) AFTER TAX		(3,82,85,046)	(7,80,99,482)
Add: Surplus b/f.d. from previous year		Nil	0
PROFIT/(LOSS) BEFORE PRIOR YEAR ADJUSTMENTS		(3,82,85,046)	(7,80,99,482)
Add/Less: Prior year adjustments		(6,23,130)	4,41,517
PROFIT AVAILABLE FOR APPROPRIATIONS		(3,89,08,176)	(7,76,57,966)
APPROPRIATED TO:			
Transfer from General Reserve		3,89,08,176	7,76,57,966
SURPLUS CARRIED TO BALANCE SHEET		Nil	Nil
Notes on Accounts	21		

As per our report attached
For Agiwal & Associates
Chartered Accountants
P.C. Agiwal
Partner
Date: 28th May, 2003
New Delhi

For and on behalf of the Board

T.B. Gupta
(Managing Director)

Somesh Mehrotra
(Director)

H. Consul
(Company Secretary)