

# XX ANNUAL REPORT 2006-2007

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## VLS FINANCE LTD.

**Registered Office :**  
C-489, Defence Colony,  
New Delhi-110024

Phone : 011-41553081  
Fax : 011-41553091

### NOTICE

#### 20th 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 Friday,  
the 28th day of September, 2007

### 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  
Or its office at  
B-106, Sector-2, Noida, U.P. - 201301

Our e-mail address :

- ☞ For investor services : hconsul@vlsfinance.com
  - ☞ Other than above : vls@vsnl.com
- visit us at [www.vlsfinance.com](http://www.vlsfinance.com)

### BOARD OF DIRECTORS :

Shri Ajit Kumar	Chairman
Shri T.B. Gupta	Executive Vice-Chairman
Shri S.K. Agarwal	Managing Director
Shri M.P. Mehrotra	
Shri M.G. Diwan	
Shri Gian Vijeshwar	
Dr. S. Ramesh	
Shri Rakesh Babbar	
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,  
3830, Lal Kothi, 2<sup>nd</sup> Floor,  
Pataudi House Road,  
Above Bank of Baroda,  
Darya Ganj, New Delhi-110002

### BANKERS

HDFC Bank  
UCO Bank

### EQUITY SHARES LISTED AT :

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

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

#### THE BOMBAY STOCK EXCHANGE LTD.,

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

#### THE 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.

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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.



VLS FINANCE LTD.

**NOTICE OF ANNUAL GENERAL MEETING**

NOTICE is hereby given that the 20<sup>th</sup> 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 Friday, the 28<sup>th</sup> day of September, 2007 at 10.30 a.m. to transact the following business:-

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31<sup>st</sup> March 2007, the Profit & Loss Account for the year ended on that date and the consolidated Financial Statements for the said period together with the Report of Auditors and Directors thereon.
2. To appoint a Director in place of Shri Ajit Kumar who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri A. K. Puri who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri M. G. Diwan who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Dr. S. Ramesh who retires by rotation, and being eligible, offers himself for re-appointment.
6. To appoint the Auditors and to fix their remuneration and in this connection to consider and if thought fit, to pass following resolution, with or without modification(s), as an **Ordinary Resolution**:

**"RESOLVED THAT** pursuant to the provisions of Section 224 and other applicable provisions of the Companies Act, 1956 M/s. Agiwal & Associates, Chartered Accountants, the present Statutory Auditors of the Company be and are hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting to the conclusion of next Annual General Meeting of the Company and at such remuneration as may be determined by the Board of Directors of the Company/ Audit Committee of the Board in consultation with Auditors plus reimbursement of out of pocket expenses as may be incurred in performance of their duties (excluding taxes, if any) and that the remuneration may be paid on a progressive billing basis if so agreed between the Auditors and Audit Committee or such other officer of Company as may be approved by the Board/ Audit Committee."

**SPECIAL BUSINESS:****7. Appointment of Shri M. P. 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 M. P. Mehrotra, who was appointed as Director on 31<sup>st</sup> January 2007 to fill the casual vacancy caused due to resignation of Shri Ramji Mehrotra and who holds office till the date of this Annual General Meeting under Section 262 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. Approval of Reappointment of Shri S. K. Agarwal as Managing Director.**

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

**"RESOLVED THAT** pursuant to the provisions of Section 316 and Section 269 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and pursuant to Article No.108 of the Articles of Association of the Company, consent of the Company be and is hereby accorded for reappointment of Shri S. K. Agarwal who is also Managing Director of VLS Securities Ltd., as Managing Director of Company for a period of three years and two months w.e.f. 21<sup>st</sup> June, 2007 (i.e. from 21/06/2007 to 20/08/2010) on such remuneration as set out in explanatory statement annexed to this notice and on such other terms and conditions as are expressed and contained in the agreement entered into for this purpose between the Company and the Managing Director.

**RESOLVED FURTHER THAT** the revision in remuneration of Shri S.K. Agarwal Managing Director effective from 1<sup>st</sup> April, 2007 as set out in explanatory statement annexed to this notice, be and is also hereby approved.

**RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorized to vary and/or revise the remuneration of the said Managing Director within the permissible limits under the provisions of the Companies Act, 1956 or any statutory modification thereof, from time to time, to settle any question or difficulty in connection therewith or incidental thereto and to do all such things, deeds and acts including delegation of powers hereof to any person/committee as may be necessary or expedient for giving effect to said appointment."

**9. Approval of Reappointment of Shri T. B. Gupta as Executive Vice-Chairman.**

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

**"RESOLVED THAT** pursuant to the provisions of Section 316 and Section 269 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and pursuant to Article No.108 of the Articles of Association of the Company, consent of the Company be and is hereby accorded for reappointment of Shri T. B. Gupta who is also Managing Director of South Asian Enterprises Ltd. as whole time Director of the Company designated as Executive Vice-Chairman for a period of three years and two months w.e.f. 21<sup>st</sup> June, 2007 (i.e. from 21/06/2007 to 20/08/2010) on such remuneration as set out in explanatory statement annexed to this notice and other terms and conditions as are expressed and contained in the agreement entered into for this purpose between the Company and the Executive Vice-Chairman.

**RESOLVED FURTHER THAT** the revision in remuneration of Shri T.B. Gupta – Executive Vice-Chairman effective from 1<sup>st</sup> April, 2007 as set out in explanatory statement annexed to this notice, be and is also hereby approved.

**RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorized to vary and/or revise the remuneration of the said Executive Vice-Chairman within the permissible limits under the provisions of the Companies Act, 1956 or any statutory modification thereof, from time to time, to settle any question or difficulty in connection therewith or incidental thereto and to do all such things, deeds and acts including delegation of powers herein to any person/committee as may be necessary or expedient for giving effect to said appointment."

By Order of the Board  
For VLS Finance Ltd.

Place: New Delhi

Date : 18/07/2007

H. Consul

Company Secretary

**NOTES:-**

1. 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. A proxy may not vote except on a poll.
2. The submission of form of proxy by a member does not preclude such member from attending and voting at the meeting. The proxy in such event shall not be eligible to attend the meeting. Only bonafide members of the Company whose names appear on the Register of Members/ Proxy holders, in possession of valid attendance slips duly filled and signed will be permitted to attend the meeting. The Company reserves its right to take all steps as may be deemed necessary to restrict non-members from attending the meeting.
3. In the case of joint holders, the vote of the senior shall be accepted to the exclusion of the vote of the other joint holders. Seniority shall be determined by the order in which the names stand in the Register of Members. 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.
4. The Register of Members of the Company shall remain closed from 21/09/2007 to 28/09/2007 (both days inclusive).
5. The Company has retained M/s RCMC Share Registry Pvt. Ltd., (the "Registrar") at 1515, 1st Floor, Bisham Pitamah Marg, Kotla Mubarkpur, Near South Extn. New Delhi-110003 Phone No. 24692343, 24601017 with office also at B-106, Sector -2, Noida U.P. 201301 (Phone Nos. 0120-4015880, 4015886) as its Registrar & Transfer Agents for further period of one year w.e.f. 01/04/2007 for entire shareholder services. For any further assistance in said matters, please write to the Company Secretary at Registered Office at C-489, Defence Colony, New Delhi-110024, Phone No.: 41553081 (5 lines), Fax: 24335941, 41553091. Dedicated Investor Services e-mail: [hconsul@vlsfinance.com](mailto:hconsul@vlsfinance.com)
6. Members are requested to intimate the change in address, if any, to the Company's Registrar or the Company at its Registered Office for shares held in physical mode. Members can avail the facility of nomination in respect of shares held by them in physical form, in accordance with the provisions of Section 109A of the Companies Act, 1956. Members desiring to avail of this facility may send their nomination in prescribed form no. 2B duly filled in, to the Registrar of Company. **Members holding shares in demat (Electronic) form are requested to notify any change in address, mandate/bank details/nominations 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.
7. The shares of the Company are traded in demat segment only w.e.f. 28<sup>th</sup> August 2000 for all categories of investors. 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).
8. 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.
9. 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.
10. The relevant explanatory statement pursuant to Section 173(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.
11. The Unpaid/unclaimed dividends up to 31/03/1995 had been transferred to General Revenue Account of Central Government and can be claimed from the Central Government in prescribed form. Pursuant to Section 205A of the Companies Act, 1956 ("the Act") all unclaimed/unpaid dividends after 31/03/1995 up to the financial year 1997-99 (18 months) has been credited to Investor Education & Protection Fund (IEPF). No dividend is pending for transfer to IEPF in terms of the provisions of Section 205C of the Companies Act, 1956. Please note that once unclaimed dividend is transferred to IEPF of the Central Government in accordance with the regulations, no claim shall lie against the Company or IEPF in respect thereof.





## 12. Information regarding Directors:

## (A) Retiring by rotation and seeking re-appointment:

S. 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 18/07/2007.	Chairman/Member of the Committees of other companies as on 18/07/2007.	Whether qualified u/s 274(1) (g) of the Companies Act, 1956
1.	Shri Ajit Kumar IAS (Retd.)	27/01/1942	29/10/2003	M.A. (English) He has held various important positions in Government of India including that of Defence Secretary, Finance Secretary and Secretary, Ministry of Industries. He has vast experience in administration, planning and government affairs.	NIL	NIL	Yes
2.	Shri A.K. Puri	03/08/1935	07/05/1998	M.Sc., LL.B., C.A.I.I.B. He is former Deputy Managing Director 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) Navin Flourine International Ltd.	i) Audit Committee - Member ii) Remuneration Committee - Chairman.	Yes
3.	Shri M.G. Diwan	14/11/1931	17/03/1994	M.Sc., F.I.A., F.A.S.I., F.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) G.M. Breweries Ltd. b) Dwarikesh Sugar Industries Ltd. c) Marketing Research Corporation of India Ltd. d) Srinam Chits (Maharashtra) Ltd. e) GDA Trustee & Consultancy Pvt. Ltd. f) Deepajyoti Insurance Consultancy and Services Pvt. Ltd. g) Indian Institute of Public Opinion Pvt. Ltd. h) D.S. Actuarial Education Services Pvt. Ltd. i) Shivam City Union Finance Ltd.	i) Audit Committee - Member ii) Audit Committee - Chairman iii) Remuneration Committee - Chairman iv) Investment committee - Member v) Shareholder/ investor grievance committee - Member vi) FCCB/GDR committee - Member vii) Project Management committee - Member NIL NIL NIL NIL NIL NIL	Yes
4.	Dr. S. Ramesh IAS (Retd.)	28/10/1936	30/06/2001	M.A., M.P.A. (Harvard), Ph.D. He is former Secretary to the Govt. of U.P. having over 4 decades experience in administration, planning and govt. affairs.	1. South Asian Enterprises Ltd. 2. Uttarakhnad Jal Vidut Nigam Ltd. 3. Uttarakhnad Power Corporation Ltd.	Audit Committee - Member Audit Committee - Member Audit Committee - Member	Yes

## (B) Directors seeking fresh appointment as director, liable to retire by rotation:

S. 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 18/07/2007.	Chairman/Member of the Committees of other companies as on 18/07/2007.	Whether qualified u/s 274 (1) (g) of the Companies Act, 1956
1.	Shri M.P. Mehrotra	26/09/1940	31/01/2007	B.Com., LL.B., FCA He is a Chartered Accountant by profession and a Law graduate with over 40 years of rich experience in areas of taxation, administration and financial services.	a) Cogent Corporate Pathfinder Ltd. b) VLS Capital Ltd. c) Gaurav Overseas Export Pvt. Ltd. d) Pragati Moulders Pvt. Ltd. e) The Champur Sugar Mills Ltd. f) India Securities Ltd. g) Empee Sugars & Chemicals Ltd. h) South Asian Enterprises Ltd. i) Delton Cables Ltd.	i) Audit Committee - Chairman ii) Remuneration Committee - Chairman iii) Audit Committee - Chairman	Yes

## (C)

## Shareholding of above Directors as on 18/07/2007

S. No.	Name of Directors	No. of Shares held in Company	Percentage
1.	Shri Ajit Kumar	NIL	NIL
2.	Shri A. K. Puri	NIL	NIL
3.	Shri M. G. Diwan	NIL	NIL
4.	Dr. S. Ramesh	NIL	NIL
5.	Shri M. P. Mehrotra	485	0.0012

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

## ITEM NO.7

Shri M. P. Mehrotra was appointed as director by the Board in casual vacancy on 31<sup>st</sup> January, 2007, caused due to resignation of Shri Ramji Mehrotra, in terms of Article No. 86 of Articles of Association of the Company and will hold office upto the date of this Annual General Meeting in terms of Section 262 of the Companies Act, 1956 i.e. period upto which Shri Ramji Mehrotra would have held office. Shri M.P. Mehrotra is a Chartered Accountant by profession and a Law graduate with over 40 years of rich experience in areas of taxation, administration and financial services besides being the main Promoter of the Company. He had been actively associated with the Company since its very beginning and was Vice- chairman of the Board before he resigned in June 2001. Shri M. P. Mehrotra is Senior Partner of Mehrotra & Mehrotra, Chartered Accountants, He is member of Board of Trustees- Employees Provident Fund Organization under Ministry of Labour - Government of India. The relevant information including directorship in other Companies etc. is given in accompanying notice under the head 'Notes'. A notice has been received alongwith requisite deposit from a member of the Company, pursuant to Section 257 of the Companies Act, 1956 signifying intention to propose the resolution for appointment of Shri M. P. Mehrotra as Director of the Company at the forthcoming Annual General Meeting. Shri Somesh Mehrotra, a member of Board of Directors of the Company is related to Shri M. P. Mehrotra. Your Directors recommend appointment of Shri M. P. Mehrotra as Director of Company. Shri M.P.Mehrotra is holding 485 equity shares of the Company in his name.

None of the Directors except Shri M. P. Mehrotra and Shri Somesh Mehrotra are concerned or interested in the resolution.

## ITEM NO.8

Shri S. K. Agarwal was reappointed as Managing Director of the Company w.e.f. 21<sup>st</sup> June, 2007 by the Board of Directors in its meeting held on 20/06/2007 on the terms and conditions as contained in agreement entered into between the Company and Shri S.K. Agarwal for this purpose on that date, subject to such approvals as may be required. Shri S.K. Agarwal is Commerce Graduate & Associate of Indian Institute of Bankers. He is former Banker having vast experience in the Banking and Financial Services.

Shri S. K. Agarwal, at the time of his reappointment as Managing Director of the Company, was also the Managing Director of VLS Securities Ltd., a wholly owned subsidiary of the Company. He continues to hold said position by virtue of his reappointment by the Board of Directors of VLS Securities Ltd. in its meeting held on 18/06/2007 for a further period of 3 years w.e.f. 01.07.2007. He is not drawing any remuneration from said subsidiary.

Shri S. K. Agarwal is also Director in VLS Investments Ltd., VLS Asset Management Ltd. and VLS Investment Inc., Delaware, USA.

Shri S. K. Agarwal's appointment as Managing Director is being made in accordance with the conditions specified in Part I of Schedule XIII and the remuneration payable is within the ceiling laid down in Part II thereof and the requirements of Part III thereof are being complied with.

The remuneration fixed for Shri S. K. Agarwal at the time of reappointment was as under:

## a. Salary

- Basic salary of Rs.45,000 /-(Rupees Forty five thousand only) per month.

## b. Perquisites-

- HRA/Leased Accommodation: Rs.20,000/- (Rupees Twenty thousand only) per month.
- Medical Reimbursement: Expenses incurred for the Managing Director and his family subject to a ceiling of Rs.15,000/- (Rupees Fifteen thousand only) per annum.
- Leave Travel Concession: For the Managing Director and his family incurred not exceeding Rs.24,000/- (Rupees Twenty four thousand only) per annum.
- Reimbursement of expenses for Books and Periodicals upto Rs. 13,200/- (Rupees Thirteen thousand two hundred only) per annum.
- Provident Fund, Gratuity payable, entitlement & encashment of leave as per rules of the Company.
- Facility of Chauffeur driven car for use on Company's business as per rules of the Company.
- Facility of Telephones or provision of similar equipments/facilities for official purpose will be free & will not be considered as perquisites except that charges for personal long distance calls will be billed by Company to Managing Director.

Explanation: 'Family' for the purpose of this clause means spouse & dependent children of the Managing Director.

## c. Sitting Fees : The Managing Director shall not be paid any sitting fees for attending the meeting of the Board of Directors or committee thereof.

The abstract of the above referred agreement pursuant to Section 302 of the Companies Act, 1956 has already been sent to the members on 1/07/2007. Subsequently the Board approved the proposal of enhancement in remuneration of Shri S. K. Agarwal w.e.f. 1/4/2007 as recommended by the Remuneration Committee of the Directors. Post enhancement, the remuneration of Shri S. K. Agarwal is as under, the other terms and conditions of his appointment remaining unchanged:

## a. Salary

Basic salary of Rs. 77,500 /-(Rupees Seventy Seven Thousand Five Hundred Only) per month.

## b. Perquisites

In addition to the aforesaid salary, the Managing Director will be entitled to the following Perquisites:



- i. HRA/ Leased Accommodation: Rs.22,250/- (Rupees Twenty Two Thousand Two Hundred Fifty only) per month.
- ii. Medical Reimbursement: Expenses incurred for the Managing Director and the his family subject to a ceiling of Rs.15,000/- (Rupees Fifteen Thousand only) per annum.
- iii. Leave Travel Concession: For the Managing Director and his family incurred not exceeding Rs.48,000/- (Rupees Forty Eight Thousand only) per annum.
- iv. Reimbursement of expenses for Books and Periodicals upto Rs. 29,400/- (Rupees Twenty Nine Thousand Four Hundred only) per annum.
- v. Reimbursement of secretarial services upto Rs. 96,000/- (Rupees Ninety Six Thousand only) per annum.
- vi. Provident Fund, Gratuity payable, entitlement & encashment of leave as per rules of the Company.
- vii. Facility of Chauffeur driven car for use on Company's business as per rules of the Company.
- viii. Facility of Telephones or provision of similar equipments/facilities for official purpose will be free & will not be considered as perquisites except that charges for personal long distance calls will be billed by Company to Managing Director.

Explanation: 'Family' for the purpose of this clause means spouse & dependent children of the Managing Director.

#### c. Sitting Fees :-

The Managing Director shall not be paid any sitting fees for attending the meeting of the Board of Directors or committee thereof. However, he shall endeavor to attend every meeting of the Board and report on working of the Company as may be directed by the Board from time to time.

In terms of Article No. 109 of the Articles of Association of the Company, Shri S. K. Agarwal shall not be liable to retire by rotation during his tenure as Managing Director of the Company.

The aforesaid appointment of Shri S. K. Agarwal as Managing Director on the terms and conditions as set out in the agreement entered into between Shri S. K. Agarwal and the Company as also the enhancement in his remuneration is subject to the approval of the members. The members may also authorize the Board to review the remuneration of Managing Director within the ceiling prescribed under the Companies Act, 1956 as and when thought fit, with out further approval from members. The Board recommends the appointment of Shri S. K. Agarwal as Managing Director of the Company and revision in his remuneration as set out in item No. 8 of the Notice.

Shri S. K. Agarwal does not hold any shares in the Company.

A copy each of the agreement entered into between the Company and Shri S. K. Agarwal and the resolution of the Board for revision of remuneration package of Managing Director, is available for inspection by the members of the Company at Registered office of the Company between 11:00 a.m. and 1:00 p.m. on all working days till the date of the Annual General Meeting except on Saturdays, Sundays and Holidays. In terms of Section 302 of the Companies Act, 1956, this may be construed as abstract of revised terms and conditions of appointment of Shri S. K. Agarwal as Managing Director.

None of the Directors except Shri S. K. Agarwal is concerned or interested in the resolution.

#### ITEM NO. 9

Shri T. B. Gupta was reappointed as Whole Time Director of the Company designated as Executive Vice- Chairman w.e.f. 21<sup>st</sup> June, 2007 by the Board in its meeting held on 20/06/2007 subject to such approvals as may be required. Shri T. B. Gupta is M.Tech. from IIT, Kharagpur. He has held senior positions with U. P. Financial Corporation, Jay Engineering Works and Khaitan Group. Shri T. B. Gupta is also Director in VLS Securities Ltd., VLS Investments Ltd., VLS Capital Ltd. and Arien (New Delhi) Pvt. Ltd.. At the time of reappointment as Whole Time Director of the Company, Shri T. B. Gupta was also Managing Director of South Asian Enterprises Limited. He continues to hold that position and draws remuneration from said Company.

Shri T. B. Gupta's appointment as Executive Vice-Chairman is being made in accordance with the conditions specified in Part I of Schedule XIII and the aggregate remuneration drawn by him from both the Companies is within the ceiling laid down in Part II thereof and the requirements of Part III thereof are being complied with. The terms & conditions of appointment of Shri T.B. Gupta as Executive Vice-Chairman are contained in the agreement entered into between the Company and Shri T.B. Gupta on that date.

The remuneration fixed for Shri T. B. Gupta at the time of reappointment as Executive Vice- Chairman was as under:

#### a. Salary

Basic salary of Rs. 26,786 /-(Rupees Twenty Six Thousand Seven Hundred and Eighty Six Only) per month.

#### b. Perquisites

In addition to the aforesaid salary, the Executive Vice-Chairman is not entitled any Perquisites.

Other terms include:

- i) Contribution to Provident Fund, Gratuity payable, entitlement & encashment of leave as per rules of the Company.
- ii) Reimbursement of car maintenance expenses including chauffeur's salary for use in Company's business as per rules of the Company.
- iii) Provision of Telephone (up to two) or provision of any similar equipment, for official purpose will be free except that charges for personal long distance calls will be billed by Company to the Executive Vice- Chairman.

#### c. Sitting Fees :-

No sitting fee to be paid to Executive Vice-Chairman for attending the meeting of the Board of Directors or committee thereof.

The abstract of the above referred agreement pursuant to Section 302 of the Companies Act, 1956 has already been sent to the members on 1/07/2007. Subsequently the Board on 18/07/2007, approved the proposal of enhancement in remuneration of Shri T. B. Gupta w.e.f. 1/4/2007 as recommended by the Remuneration Committee of the Directors. Post enhancement, the remuneration of Shri T. B. Gupta is as under, the other terms and conditions of his appointment remaining unchanged:

#### a. Salary

Basic salary of Rs. 30,134 /-(Rupees Thirty Thousand One Hundred Thirty Four Only) per month.

#### b. Perquisites

In addition to the aforesaid salary, the Executive Vice- Chairman shall also be entitled to the following Perquisites:

- i. Medical Reimbursement: Expenses incurred for the Executive Vice-Chairman and his family subject to a ceiling of Rs. 15,000/- (Rupees Fifteen Thousand only) per annum.
- ii. Contribution to Provident Fund, Gratuity payable, entitlement & encashment of leave will be as per rules of the Company.
- iii. Reimbursement of car maintenance expenses including chauffeur's salary for use in Company's business as per rules of the Company.
- iv. Provision of Telephone (up to two) or provision of any similar equipment, for official purpose will be free except that charges for personal long distance calls will be billed by Company to the Executive Vice- Chairman.

Explanation: 'Family' for the purpose of this clause means spouse & dependent children of the Executive Vice-Chairman.

#### c. Sitting Fees :-

No sitting fee shall be paid to Executive Vice-Chairman for attending the meeting of the Board of Directors or committee thereof. However, he shall endeavor to attend every meeting of the Board and report on working of his functional areas as may be directed by the Board from time to time.

In terms of Article No. 109 of the Articles of Association of the Company, Shri T.B. Gupta shall not be liable to retire by rotation during his tenure as Executive Vice-Chairman of the Company.

The aforesaid appointment of Shri T. B. Gupta as Executive Vice- Chairman on the terms and conditions as set out in the agreement entered into between Shri T. B. Gupta and the Company including the revised remuneration is subject to the approval of the members. The members may also authorize the Board to review the remuneration of the Executive Vice- Chairman within the ceiling specified under the Companies Act, 1956 as and when deemed fit, without further approval from members. The Board recommends the appointment of Shri T. B. Gupta as Executive Vice- Chairman of the Company as set out in item no. 9 of the Notice.

Shri T. B. Gupta does not hold any shares in the Company.

A copy of the agreement entered into between the Company and Shri T. B. Gupta – Executive Vice-Chairman and the resolution of Board of Directors for revising the remuneration of Shri T.B. Gupta – Executive Vice- Chairman is available for inspection by the members of the Company at Registered office of the Company between 11:00 a.m. and 1:00 p.m. on all working days till the date of the Annual General Meeting except on Saturdays, Sundays and Holidays. In terms of Section 302 of the Companies Act, 1956 this may be construed as abstract of revised terms and conditions of appointment of Shri T. B. Gupta as Executive Vice- Chairman.

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

By Order of the Board  
For VLS Finance Ltd.

H. Consul

Company Secretary

Place: New Delhi  
Date :18-07-2007

#### DIRECTORS' REPORT TO THE MEMBERS

Your Directors are pleased to present the Twentieth Annual Report of the Company together with the audited statement of accounts for the year ended 31<sup>st</sup> March, 2007.

#### 1. Financial Results

	For the year ended 31 <sup>st</sup> March 2007	For the year ended 31 <sup>st</sup> March 2006
<b>Gross Receipts</b>	229425.65	217180.47
Profit before Interest & Depreciation	1093.44	838.77
Less: Interest & Finance Charges	0.10	0.07
Profit before depreciation	1093.34	838.70
Less: Depreciation	51.11	53.00
Profit before Tax	1042.23	785.70
Less: Provision for Taxation	136.94	34.64
Profit after Tax	905.29	751.06
Surplus b/fd. From previous year	13.77	19.85
Previous year adjustments	(0.65)	0.00
Available for Appropriation	918.41	770.91
<b>Appropriations:</b>		
From General Reserve	0.00	800.00
To General Reserve	600.00	600.00
To Statutory Reserve (under RBI Act, 1934)	208.45	157.14
Total Appropriations	808.45	757.14
Surplus c/f	109.96	13.77

#### 2. Management Discussion and Analysis

##### Financial Review

During the period under review, the Company, posted an increased turnover of Rs. 2,29,425.65 lacs as compared to last year's turnover of Rs. 217180.47. The net profit after tax was at Rs. 905.29 lacs after providing for depreciation of Rs. 51.11 lacs.

##### Industry Structure and Development

The Indian economy, one of the fastest growing economies of the world, grew by a healthy 9.2% during the year 2006 and is expected to grow at around the same rate in 2007-08. Agricultural and allied sectors, registered a growth of 2.7% during 2006-2007. The industrial sector posted a robust growth of 10.2%. The services sector, with a growth rate of 11%, continued to be the major contributor to the country's economic growth. The financial markets remained stable throughout the year except for some volatility in the fourth quarter which witnessed sizable swings in the market mood. The BSE Sensex hovered at above 12000 points, except during May, 2006 when it dipped below the 10,000 mark.

The average inflation in 2006-07, based on the wholesale price index, was higher at 6.73% as against the earlier estimated 5.5%. Liquidity in the system continued to be comfortable

during the first half of the year, but in the later half the liquidity position tightened and the rate of interest on bank deposits rose from 5.75% to 9.50%. The Non Banking Finance Sector ("NBFC Sector"), however, continued to face fierce competition from the banking industry which has penetrated into almost all the segments of the financial services sector. The working of the Non Banking Financial Companies (NBFCs) also continued to be adversely affected by defaults and absence of proper and speedier recovery laws and procedures, such as those available to banks and financial institutions. In the highly competitive environment in which the NBFCs are presently working, they have no option but to continue streamlining and optimizing their operations to adapt to the emerging scenario.

#### Outlook, Risks and Concerns

With a GDP growth of 9.20% posted during the year, the Indian economy provides attractive growth opportunities. As the contribution of the services sector to the overall economy is steadily rising, the financial services industry is also poised for steady growth.

The NBFC sector in which your Company operates, has been facing competitive pressure from Banks and Financial Institutions, making it increasingly difficult to generate revenues from financing activities. Accordingly, the Company had cut down its exposure to credit operations consisting of loans, hire purchase etc. No fresh exposures were undertaken in these areas during the year under review. The Company's operations continued to be focused on capital market-related activities and making use of risk hedging tools such as derivatives and other risk neutral instruments. Further, your Company will continue to explore additional opportunities in areas related to its operations.

The Company is exposed to normal industry risks such as credit, interest rate, economic, political, market and operational risks. The Company views risk management as integral to its business for creating and maintaining best practices in business operations and administration. Your Company follows prudent business and risk management practices to combat these challenges.

#### Opportunities and Threats

The equity markets continued to remain upbeat during the year. The increase in asset values in the real estate sectors and the growth in industry, trade and commerce had led to significant increase in overall credit off-take. Your Company intends to increase its thrust on investments in the fast growing infrastructure sector through joint ventures, corporate advisory services, investment appraisal and syndication. The Company is carefully gauging each opportunity in terms of risks and rewards involved and hopes to tie up successful ventures in the foreseeable future.

Your Company would also endeavor to strengthen its subsidiary and associate companies and make efforts to harness the benefits of group synergy.

#### Adequacy of Internal Control Systems

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

The internal audit reports are regularly monitored by the Audit Committee.

#### Segment wise Performance

The Company being an NBFC is mainly engaged in finance business. Therefore, there are no separate segments for reporting as per the Accounting Standard AS-17 issued by The Institute of Chartered Accountants of India.

#### Cautionary Statement

The statements in the above analysis, describing the Company's projections, estimates, expectations or predictions may be 'forward looking statements' within the meaning of applicable security laws and regulations. The actual results may differ from those expressed or implied. Important factors that could make a difference to the Company's operations, include changes in government regulations, tax regimes, economic developments within the country and abroad, and other related factors.

#### 3. Dividend

With a view to conserve resources, no dividend is recommended.

#### 4. Directors

Shri M. P. Mehrotra, Shri Gian Vijeshwar and Shri Rakesh Babbar were appointed as Directors on 31/01/2007 in casual vacancies caused by the resignations of Shri Ramji Mehrotra, Shri D. D. Chopra and Shri K. K. Soni respectively. In terms of section 262 of the Companies Act, 1956 the term of Shri M. P. Mehrotra will be upto the date of the ensuing Annual General Meeting. Accordingly his appointment as director is included at item No. 7 of the notice convening 20<sup>th</sup> Annual General Meeting of the Company and relevant explanatory statement. The newly appointed Directors bring with them rich wealth of varied experience which, in combination with existing expertise of your Board & its management team would go a long way in charting the course of your Company.

The term of Shri Gian Vijeshwar and Shri Rakesh Babbar will end on the dates of the 21<sup>st</sup> and 22<sup>nd</sup> Annual General Meetings, respectively.

The Board places on record its sincere appreciation for Shri Ramji Mehrotra, Shri D.D. Chopra & Shri K.K. Soni for their valuable contribution during their tenure.

Shri Ajit Kumar, Shri A. K. Puri, Shri M. G. Diwan and Dr. S Ramesh Directors would retire by rotation at the forthcoming Annual General Meeting and all, being eligible, offer themselves for reappointment. The Board has re-appointed Shri S. K. Agarwal as Managing Director and Shri T. B. Gupta as Executive Vice-Chairman of the Company w.e.f. 21/06/2007 subject to members' approval. 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.

#### 5. Directors' Responsibility Statement

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm:

- that in the preparation of the annual accounts for the financial year ended 31<sup>st</sup> March, 2007, 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 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, 2007 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 appointed. On the recommendation of the Audit Committee, the Board of Directors recommends their appointment. 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, in the relevant Notes on Accounts and need no further comments from Directors.

#### 9. Statutory Information

Not being a manufacturing Company, your Company is advised that Form A prescribed under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to Conservation of Energy and Technology Absorption, is not applicable to it. It is informed that during the year under review, the Company did not absorb any new technology or carried out any related R&D activity. Details of foreign exchange earnings and outgo are given below:

Foreign Exchange earnings : Nil  
Foreign Exchange out go : Rs.99,826/-

The shares of the Company are presently listed at 1) The Bombay Stock Exchange Ltd. Mumbai. 2) The National Stock Exchange of India Ltd. Mumbai. 3) The Calcutta Stock Exchange Association Ltd. Kolkata. and 4) The Madras Stock Exchange Ltd. Chennai. The Company has paid the Annual Listing fees for the year 2007-2008 to all the aforesaid Stock Exchanges. The Company has already applied for delisting of its shares from the Stock Exchanges at Kolkata and Chennai. The delisting confirmation is yet to be received from The Calcutta Stock Exchange Association Ltd. and The Madras Stock Exchange Ltd.

#### 10. Fixed Deposits

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

#### 11. Human Resources

The Company has a team of able and experienced professionals. The management recognizes the intellectual capital as its most valuable asset and constantly strives to strategically align personal goals and organizational growth. It encourages open channels of communication, blending the individual's vision with that of the organization and building a shared understanding of how each team member can contribute to the Company's success. It aims to build a strong corporate culture on core values such as safety, integrity, innovation and teamwork, thus creating a vision-guided, values-driven organization that focuses on employee fulfillment and leadership development. Employee relations continued to be cordial during the year. The number of employees stood at 26. The Directors place on record their appreciation of the devoted service of 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.

#### 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.

#### 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 the Audited Annual Accounts for the year under review.

#### 14. Compliance Certificate

A certificate from the Auditors of the Company regarding the compliance of the conditions of corporate governance as stipulated under clause 49 of the Listing Agreement, is attached to the said report.

#### 15. Group

Group for inter se transfer of shares under Clause 3 (e) of Securities & Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 1997:

- |                              |  |
|------------------------------|--|
| a. Shri M. P. Mehrotra       | h. Shri Ramji Mehrotra                     |
| b. M. P. Mehrotra (HUF)      | i. Mrs. Sushma Mehrotra                    |
| c. Dr. (Mrs) Sushma Mehrotra | j. VLS Capital Ltd.                        |
| d. Shri Somesh Mehrotra      | k. Gaurav Overseas Exports Pvt. Ltd.       |
| e. Ms. Divya Mehrotra        | l. Needle Eye Plastic Industries Pvt. Ltd. |
| f. Mrs. Sadhana Mehrotra     | m. Pragati Moulders Pvt. Ltd.              |
| g. Ms. Daya Mehrotra         | n. South Asian Enterprises Ltd.            |

#### 16. Acknowledgements

Your Directors wish to place on record their sincere appreciation and gratitude to the Company's business associates, customers, Bankers, 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 : 18/07/2007

S. K. AGARWAL  
Managing Director  
M. P. MEHROTRA  
Director



**Annexure-1****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 up-gradation of skills of staff, their effective participation and making use of state of art technology.

**Corporate Philosophy:**

The philosophy of your Company is to enhance the long-term economic value of the Company, its stakeholders and the society at large by adopting better corporate practices in fair and transparent manner, by aligning interest of the Company with its shareholders and other key stakeholders. 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.

**1. BOARD OF DIRECTORS**

- a) The total strength of the Board is 12 Directors all being non-executive, except the Managing Director and the Executive Vice-Chairman. The Board comprises of 2 (Two) Promoter Directors, 8 (Eight) Independent Directors and 2 (Two) Non-Independent Directors. The present constitution of Board complies with requirement of Clause 49 of Listing Agreement, which stipulates that at least one third of the Board Members should be independent if the Chairman is non-executive Director.

S.No.	Name of the Director	Whether Promoter/Executive or Non-Executive/Independent	No. of Board Meetings attended during 2006-07	Whether attended AGM held on 25.09.2006	No. of Directorships in other Public Ltd. Companies	No. of Committee positions held in other Public Ltd. Companies	
						Chairman	Member
1)	Shri Ajit Kumar (Chairman)	Non-Executive, Independent	5	NO	-	-	-
2)	Shri T. B. Gupta (Executive Vice-Chairman)	Executive, Non-Independent	5	YES	4	-	2
3)	Shri S. K. Agarwal (Managing Director)	Executive, Non-Independent	5	YES	3	1	-
4)	Shri Ramji Mehrotra *	Non-Executive, Non-Independent	0	NO	-	-	-
5)	Shri Somesh Mehrotra	Non-Executive, Promoter	2	NO	1	-	-
6)	Shri K. K. Soni ** (Director-Finance & Chief Financial Officer)	Executive, Non-Independent	3	YES	5	-	2
7)	Shri N. C. Sundararajan	Non-Executive, Independent	3	NO	-	-	-
8)	Shri A. K. Puri	Non-Executive, Independent	4	NO	1	-	1
9)	Shri M. G. Diwan	Non-Executive, Independent	4	NO	5	1	2
10)	Dr. S. Ramesh	Non-Executive, Independent	5	YES	3	-	3
11)	Shri B. M. Oza	Non-Executive, Independent	5	NO	-	-	-
12)	Shri D. D. Chopra ***	Non-Executive, Independent	1	NO	1	-	-
13)	Shri M. P. Mehrotra \$	Non-Executive, Promoter	2	N.A.	6	2	-
14)	Shri Gian Vijeshwar \$	Non-Executive, Independent	2	N.A.	6	3	1
15)	Shri Rakesh Babbar \$	Non-Executive, Independent	2	N.A.	6	1	3

\* Resigned w.e.f. 26/12/2006

\*\* Resigned w.e.f. 31/01/2007

\*\*\* Resigned w.e.f. 16/01/2007

\$ Appointed w.e.f. 31/01/2007

None of the Directors is a member of more than 10 Board-level committees, namely the Audit Committee and the Shareholders/Investors Grievance Committee or a Chairman of more than five such committees, as required under Clause 49 of the listing agreement. The Directorship in other companies excludes Directorships in any foreign Company, Private Company and Section 25 Company.

- b) During the year ended 31/03/2007, 5 (Five) Board Meetings were held with at least one meeting in every quarter on 30/05/2006, 28/07/2006, 28/10/2006, 31/01/2007 and 27/02/2007.

c) There were no material transactions with the non-executive Directors during the year under review. For other related party transactions, necessary disclosures have been made in clause 9 under the head "Notes on Accounts" in the Annual Accounts for the year under review.

- d) Information supplied to the Board:

The VLS Board oversees the business conduct, while the Audit Committee, comprising majority of independent Directors, appraises control and procedures. As a result, the Company continuously examines its governance practices to protect investor trust and enhance the Board effectiveness. 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. Members of VLS management team regularly review the health of its business across strategy and performance to staffing and compliance. These business managers extensively monitor the financial performance and operating systems enabling the Company to identify potential risks and opportunities early in their occurrence cycle translating into proactive de-risking.

All other relevant information as and when required including those envisaged in Clause 49 of Listing Agreement was regularly provided to the Board and Committees thereof. The requisite CEO and CFO certification was also placed before the Board alongwith the annual accounts for the year under review as required under Clause 49 of Listing Agreement.

- e) Details of remuneration paid to the Directors during the year ended on 31.03.2007:

S.No.	Name of the Director	Salary (In Rs.)	Perquisites (In Rs.)	Sitting fee (In Rs.)	Commission (In Rs.)	Total (In Rs.)
1)	Shri Ajit Kumar	N.A.	N.A.	25,000	N.A.	25,000
2)	Shri T. B. Gupta	3,21,432	94,537	NIL	NIL	4,15,969
3)	Shri S.K. Agarwal	5,40,000	3,62,288	NIL	NIL	9,02,288
4)	Shri Somesh Mehrotra	N.A.	N.A.	12,000	N.A.	12,000
5)	Shri B.M. Oza	N.A.	N.A.	55,000	N.A.	55,000
6)	Dr. S. Ramesh	N.A.	N.A.	35,000	N.A.	35,000
7)	Shri A.K. Puri	N.A.	N.A.	28,000	N.A.	28,000
8)	Shri N.C. Sundararajan	N.A.	N.A.	21,000	N.A.	21,000
9)	Shri M.G. Diwan	N.A.	N.A.	20,000	N.A.	20,000
10)	Shri Ramji Mehrotra	N.A.	N.A.	NIL	N.A.	NIL
11)	Shri D.D. Chopra	N.A.	N.A.	5,000	N.A.	5,000
12)	Shri K.K. Soni	N.A.	N.A.	NIL	N.A.	NIL
13)	Shri M. P. Mehrotra	N.A.	N.A.	10,000	N.A.	10,000
14)	Shri Gian Vijeshwar	N.A.	N.A.	10,000	N.A.	10,000
15)	Shri Rakesh Babbar	N.A.	N.A.	10,000	N.A.	10,000





**b) Special resolution passed in the previous 3 Annual General Meetings (AGM)**

- In the AGM held on 25.9.2006, no agenda item was required to be approved by special resolution.
- In the AGM held on 23.9.2005, no agenda item was required to be approved by special resolution.
- In the AGM held on 25.9.2004, special resolution for appointment of Mrs. Usha Gupta at place of profit in VLS Securities Ltd., a wholly owned subsidiary of the Company was passed.

**c) Postal ballots**

During the year under review, no item was proposed for approval of members through Postal Ballot.

**5. DISCLOSURES**

**a) Related party transactions**

There were no transactions with promoters, Directors and related persons that 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'.

**b) Statutory compliance, penalties and strictures**

The Company has complied with all applicable requirements of Stock Exchange, SEBI and other statutory authorities on all matters related to capital market during the year under review. The details of penalties/strictures on the Company in last three years are as under:

- i) The adjudicating officer SEBI, vide letter dated 31/03/2003 had imposed a penalty of Rs.5 lakhs on Company for alleged violation of regulation 10 of SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 1997 in the matter of transfer of 3,44,658 shares of Trackparts of India Ltd. The Company had preferred an appeal against the said order vide appeal no. 61/2003 before Hon'ble Securities Appellate Tribunal, Mumbai (SAT), but the appeal was dismissed by said Tribunal vide order dated 17.11.2005. The Company has appealed before the Hon'ble Supreme Court against decision of Hon'ble tribunal and the matter is subjudice.
- ii) The trading of securities of the Company was temporarily disallowed w.e.f. 27/06/2002 by the National Stock Exchange for alleged violations of provisions of listing agreement. The Company has inter-alia denied violation in its submission made to stock exchange and has submitted required explanation on the queries of Stock Exchange. After consideration by the designated committee of Exchange for this purpose the **Exchange had reinstated the trading of scrip of the Company w.e.f. 04/03/2004.**

**c) 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.

**d) Whistle blower policy**

The Company does not have a Whistle blower policy at present, but no person is denied access to Audit Committee. Further, the existing working setup also provides unfettered approach to management by the employees in reporting any matter envisaged to be covered in the whistle blower policy.

**e) Compliance of Non-mandatory requirements**

- i) The Company does not maintain separate office for the Non-Executive Chairman. However he may claim reimbursement of expenses incurred for performance of duties as chairman. No expenses on this account have been claimed during the year under review.
- ii) Remuneration Committee  
The Remuneration Committee as on 01/04/2007 comprised Shri B.M. Oza - Chairman of the Committee with Shri Somesh Mehrotra, Dr. S. Ramesh, Shri Ramji Mehrotra and Shri D.D. Chopra as Members. Shri Ramji Mehrotra and Shri D. D. Chopra ceased to be member of the committee upon their resignation as Director of the Company. The said committee then had Shri B.M. Oza - Chairman of the Committee with Shri Somesh Mehrotra and Dr. S. Ramesh as the members. On 20/06/2007, the Board nominated Shri Rakesh Babbar and Shri A. K. Puri in the committee. The Committee now consists of Shri B. M. Oza, Shri Somesh Mehrotra, Dr. S. Ramesh, Shri Rakesh Babbar and Shri A. K. Puri. Shri B. M. Oza is the chairman of the committee. The company secretary acts as secretary of the committee. The Committee formulates the remuneration package for managerial personnel including Executive Director(s) for approval of the Board and performs other roles detailed out in the listing agreement executed with the Stock Exchanges or as assigned by the Board from time to time. During the year under review one meeting of remuneration committee was held on 27/07/2006. In the current year, two meetings of committee were held on 20/06/2007 and 17/07/2007 for deciding the remuneration package of Managing Director and Executive Vice- Chairman. All the recommendation made by the committee were accepted by the Board without any modification.
- iii) The periodic results were not sent to any shareholder. However, they have been published in newspapers as prescribed in listing agreement. They are also available on website [sebidifir.nic.in](http://sebidifir.nic.in) in terms of Clause 51 of the Listing Agreement and the Company's website.
- iv) The Board has so far not adopted Peer group evaluation of Directors and restricting the tenure of Independent Directors to nine years in aggregate. Your Directors being seasoned and highly experienced personalities in their field, keep themselves abreast of latest developments in their area and expertise and in the area of technology, management etc. However, the Directors are also kept posted of requisite information about business activities of the Company and risks involved therein to enable the Directors to discharge their responsibilities in best possible manner.
- v) There was no qualification in the Auditor's Report on the Annual Accounts of the Company for the year under review.

**6. COMMUNICATION TO SHAREHOLDERS**

- a) The Company does not send newsletter to shareholders on quarterly or half yearly basis. The Company publishes un-audited quarterly results in prescribed format, 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 quarterly/ Annual results of Company from the quarter ended 31/12/2003 onwards and other information as prescribed are also available on website [sebidifir.nic.in](http://sebidifir.nic.in) which is maintained under aegis of Securities & Exchange Board of India. Further, disclosures pursuant to the listing agreement are promptly communicated to the Stock Exchanges.
- b) The official news releases and presentations made to analysts/ institutional investors shall also be posted on the website as and when made. No presentation was, however, made by Company to Analysts etc during the year under review.
- c) The Management Discussion and Analysis forms part of Annual Report for the year under review. The Company, however, assumes no responsibility in respect of forward looking statements, which may be amended or modified in future on the basis of subsequent developments or events.
- d) The Company also dedicated an e-mail ID exclusively for redressal of Investor Complaints in compliance of Clause 47 (f) of listing agreement namely [hcpnsul@vlsfinance.com](mailto:hcpnsul@vlsfinance.com) which is also displayed on the Company's website [www.vlsfinance.com](http://www.vlsfinance.com) under heading 'contact us'.

**7. SHAREHOLDERS INFORMATION**

**a) Annual General Meeting**

- Date and time	:	Friday, 28 <sup>th</sup> September, 2007
- Venue	:	Sri Sathya Sai International Centre Auditorium, Lodhi Road Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003
- Financial Year	:	April to March
- Book Closure	:	From 21-09-2007 to 28-09-2007 (both days inclusive)
- Buy back of shares	:	During the year under review, there was no proposal by the Company to buy back its shares.
- Dividend payment date	:	Not Applicable as no dividend has been recommended.

**b) Listing at Stock Exchanges**

The equity shares of the Company are listed at following Stock Exchanges:

1. The Stock Exchange, Mumbai. (Code: 511333)
2. National Stock Exchange, Mumbai. (Code: VLSFINAC)
3. The Calcutta Stock Exchange Association Ltd, Kolkata
4. The Madras Stock Exchange Ltd., Chennai.

The annual listing fee has been paid to all the Stock Exchanges as mentioned above up to the year 2007-2008. However, de-listing confirmation is yet to be received from the Calcutta Stock Exchange Association Ltd. and the Madras Stock Exchange Ltd.

**c) Stock Market data**

Monthly highs, lows and trading volume for the Financial Year 2006-2007:

(Source: Metastock)

NSE				BSE			
Months	High Rs.	Low Rs.	Volume Nos.	High Rs.	Low Rs.	Volume Nos.	
Apr-06	35.55	19.75	6175053	35.70	19.50	6040340	
May-06	37.40	22.10	12820920	37.30	21.90	7702738	
Jun-06	22.95	12.55	1334640	23.25	12.60	1009080	
Jul-06	14.00	10.65	482925	14.12	10.60	444871	
Aug-06	16.95	12.30	881567	17.13	12.14	815082	
Sep-06	14.95	13.15	574115	14.95	13.20	540207	
Oct-06	19.45	13.60	1675393	19.23	13.55	1361735	
Nov-06	16.25	13.50	854571	16.25	13.50	629188	
Dec-06	21.10	14.90	1824287	20.90	14.90	2637336	
Jan-07	20.40	16.95	1140593	20.45	16.70	1387275	
Feb-07	23.80	17.00	1793390	23.60	17.05	2176250	
Mar-07	18.55	14.00	574802	18.40	14.05	762651	
<b>Total</b>			<b>30132256</b>			<b>25506753</b>	