

XXI ANNUAL REPORT 2007-2008



VLS FINANCE LTD.

Registered Office :

2nd Floor, 13, Sant Nagar,
East of Kailash,
New Delhi-110 065
Phone : 011-46656666
Fax : 011-46656699

NOTICE**21st 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 3.00 P.M.
on Tuesday,
the 30th day of September, 2008

SHARE TRANSFER & INVESTOR SERVICES

M/s RCMC Share Registry Pvt. Ltd.
Unit: VLS Finance Ltd.
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

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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 Somesh Mehrotra	
Shri N.C. Sundararajan	
Shri M.G. Diwan	
Shri A.K. Puri	
Dr. S. Ramesh	
Shri B.M. Oza	
Shri Gian Vijeshwar	
Shri Rakesh Babbar	

COMPANY SECRETARY

Shri H. Consul

AUDITORS

M/s. Agiwal & Associates
Chartered Accountants,
3830, Lal Kothi, 2nd 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 ASSOCN. LTD.

7, Lyons Range, Kolkata-700 001.

Members are requested to take note of new address of Registered Office of the Company as well as that of R&T agent for share transfer & investor related services.

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.



(C)
Shareholding of above Directors as on 31/03/2008

S. No.	Name of Directors	No. of Shares held in Company	Percentage
1	Shri Somesh Mehrotra	404106	1.0514
2	Shri N. C. Sundararajan	3000	0.0075
3	Shri B. M. Oza	Nil	Nil
4	Shri Rakesh Babbar	Nil	Nil

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

ITEM NO. 6

Shri Rakesh Babbar was appointed as director by the Board to fill the casual vacancy in terms of Article No. 86 of Articles of Association of the Company on 31st January, 2007, caused due to resignation of Shri K. K. Soni 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 K. K. Soni would have held office. Shri Rakesh Babbar is a well known personality in amusement industry with over 10 years of rich managerial experience in running amusement parks in 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 his intention to propose the resolution for appointment of Shri Rakesh Babbar as Director of the Company at the forthcoming Annual General Meeting. Your Directors recommend appointment of Shri Rakesh Babbar as Director of Company. Shri Rakesh Babbar does not hold any shares in the Company.

None of the Directors except Shri Rakesh Babbar is concerned or interested in the resolution.

By Order of the Board
For VLS Finance Ltd.

Place: New Delhi
Date: 29/07/2008

H. Consul
Company Secretary

DIRECTORS' REPORT TO THE MEMBERS

Your Directors are pleased to present the Twenty first Annual Report of the Company together with the audited statement of accounts for the year ended 31st March, 2008.

1. Financial Results

(Rs. in Lakhs)

	For the year ended 31 st March 2008	For the year ended 31 st March 2007
Gross Receipts	175158.21	229427.06
Profit before Interest & Depreciation	1717.80	1093.44
Less: Interest & Finance Charges	0.08	0.10
Profit before depreciation	1717.72	1093.34
Less: Depreciation	47.41	51.11
Profit before Tax	1670.31	1042.23
Less: Provision for Taxation	161.26	136.94
Profit after Tax	1509.05	905.29
Surplus b/fd. from previous year	109.96	13.77
Previous year adjustments/other adjustment	34.26	(0.65)
Available for Appropriation	1653.27	918.41
Appropriations:		
To General Reserve	1000.00	600.00
To Statutory Reserve (under RBI Act, 1934)	301.81	208.45
Total Appropriations	1301.81	808.45
Surplus c/f	351.46	109.96

2. Management Discussion and Analysis

Financial Review

During the period under review, the gross receipts have declined to Rs. 175158.21 lacs as compared to gross receipts of the previous year of Rs. 229427.06 lacs. However, the profit after tax of Rs. 1509.05 lacs has improved as compared to profit after tax of Rs. 905.29 lacs of the previous year.

Industry Structure and Development

The Indian economy, one of the fastest growing of the world, grew by a healthy 8.7% during the year 2007-08. However, owing to the global scenario, it is expected to decline in 2008-09. The expected growth is 7.5%. The global financial markets remained volatile during 2007-08 as the crisis in the US sub-prime mortgage market and other credit markets deepened and spilled over to other world markets. The Indian financial markets which remained largely stable during 2007-08, also witnessed volatility, especially beginning from the second week of January 2008 in tandem with trends in major international equity markets. 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

The NBFC sector in which your Company operates, however, 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 comprising of loans, lease, hire purchase etc. 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.

Your Company retains the status as a debt-free Company. It has been consistently following a conservative investment policy over the years, maintaining a reasonably high level of cash and cash equivalents which enable the Company to not only eliminate short and medium term liquidity risks but also undertake capital expenditure for scaling up operations at a short notice. This approach leads to a larger shareholder value in the long term and is consistent with our vision of growth.

Opportunities and Threats

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 Rakesh Babbar was appointed as Director on 31/01/2007 to fill the casual vacancy caused by the resignation of Shri K. K. Soni. In terms of section 262 of the Companies Act, 1956 the term of Shri Rakesh Babbar will be upto the date of the ensuing Annual General Meeting. The Company has received notice from a member intending to propose the appointment of Shri Rakesh Babbar as Director. Accordingly, the proposal for appointment of Shri Rakesh Babbar as Director is included in the notice convening 21st Annual General Meeting of the Company alongwith relevant explanatory statement.

Shri Somesh Mehrotra, Shri N. C. Sundararajan and Shri B. M. Oza, 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.

The Board had 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, which was approved by members in the 20th Annual General Meeting of the Company held on 28/9/2007.

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 31st March, 2008, 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 31st March, 2008 on a 'going concern' basis.

6. Corporate Governance and Compliance Certificate

The Corporate Governance philosophy of your Company is to comply with not only the statutory requirements, but also voluntarily formulate and adhere to a set of strong Corporate Governance practices. We at VLS, believe that sound Corporate Governance is critical to enhance and retain investors' trust. The responsibility for this lies with the Board of Directors and the Management of the Company. The driving forces of Corporate Governance at VLS are its core values, which are: belief in people, entrepreneurship, innovation and pursuit of excellence. The Company's goal is to find creative and productive ways of keeping its stakeholders, such as investors, customers and associates informed, while fulfilling the role of a responsible corporate, committed to best practices.

The Board and the Company Management strive hard to serve the interests of all stakeholders including shareholders, Government and the society at large in the best possible manner. In addition to being compliant with statutory provisions of clause 49 of the Listing Agreement, your Company has put in place some non-mandatory recommendations including Remuneration Committee. Significantly, 8 out of 12 directors on the Board continue to be independent Directors.

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. Concurring to 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 R&D related activity. Details of foreign exchange earnings and outgo are given below:

Foreign Exchange earnings	Nil
Foreign Exchange outgo	Rs 1,41,191/-

The shares of the Company are presently listed at The Bombay Stock Exchange Ltd. Mumbai, The National Stock Exchange of India Ltd. Mumbai, The Calcutta Stock Exchange Association Ltd., Kolkata and The Madras Stock Exchange Ltd., Chennai.

The Company has paid the Annual Listing fees for the year 2008-2009 to all the aforesaid Stock Exchanges. The delisting confirmation is yet to be received from The Calcutta Stock Exchange Association Ltd. and The Madras Stock Exchange Limited. The Registered Office of the Company has been shifted from C-489, Defence Colony, New Delhi-110024 to 2nd floor, 13, Sant Nagar, East of Kailash, New Delhi-110065 with effect from 12th June, 2008 pursuant to Board's decision to this effect on 30th May, 2008.

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 current year.

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 27. 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. 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.

15. 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 : 29.07.2008

S. K. AGARWAL
Managing Director

M. P. MEHROTRA
Director

Annexure-1

REPORT ON CORPORATE GOVERNANCE

Our Mission:

To be one of the top ranking NBFCs 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:

Your Company is committed to good corporate governance. 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. Your Company respects the right of shareholders to the information on performance of the Company and endeavors to provide detailed information on various issues concerning its business and financial performance.

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 2007-08	Whether attended AGM held on 28.09.2007	No. of Directorships in other Public Limited Companies	No. of Committee positions held in other Public Limited Companies	
						Chairman	Member
1)	Shri Ajit Kumar (Chairman)	Non-Executive, Independent	3	NO	-	-	-
2)	Shri T. B. Gupta (Executive Vice-Chairman)	Executive, Non-Independent	4	YES	4	-	2
3)	Shri S. K. Agarwal (Managing Director)	Executive, Non-Independent	4	YES	4	1	-
4)	Shri Somesh Mehrotra	Non-Executive, Promoter	3	NO	1	-	-
5)	Shri N. C. Sundararajan	Non-Executive, Independent	3	NO	-	-	-
6)	Shri A. K. Puri	Non-Executive, Independent	4	NO	-	-	-
7)	Shri M. G. Diwan	Non-Executive, Independent	3	NO	6	1	2
8)	Dr. S. Ramesh	Non-Executive, Independent	4	YES	3	-	3
9)	Shri B. M. Oza	Non-Executive, Independent	3	NO	-	-	-
10)	Shri M. P. Mehrotra	Non-Executive, Promoter	3	NO	8	2	-
11)	Shri Gian Vijeshwar	Non-Executive, Independent	0	NO	6	4	-
12)	Shri Rakesh Babbar	Non-Executive, Independent	1	NO	6	1	3

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 31/03/2008, 4 (Four) Board Meetings were held with at least one meeting in every quarter on 20/06/2007, 18/07/2007, 12/10/2007 and 30/01/2008.
- 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 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 31.03.2008:

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	3,61,608	1,19,044	NIL	NIL	4,80,652
3)	Shri S.K. Agarwal	11,08,000	3,64,797	NIL	NIL	14,72,797
4)	Shri Somesh Mehrotra	N.A.	N.A.	27,000	N.A.	27,000
5)	Shri B.M. Oza	N.A.	N.A.	51,000	N.A.	51,000
6)	Dr. S. Ramesh	N.A.	N.A.	58,000	N.A.	58,000
7)	Shri A.K. Puri	N.A.	N.A.	56,000	N.A.	56,000
8)	Shri N.C. Sundararajan	N.A.	N.A.	34,000	N.A.	34,000
9)	Shri M.G. Diwan	N.A.	N.A.	20,000	N.A.	20,000
10)	Shri M. P. Mehrotra	N.A.	N.A.	32,000	N.A.	32,000
11)	Shri Gian Vijeshwar	N.A.	N.A.	0	N.A.	0
12)	Shri Rakesh Babbar	N.A.	N.A.	7,000	N.A.	7,000

Notes:

- i) Currently, the Company does not have any stock option scheme.
- ii) No other remuneration, except sitting fee is paid to non-executive directors.
- iii) Shri M. P. Mehrotra, Shri Somesh Mehrotra and Shri N.C. Sundararajan held 485, 4,04,106 and 3,000 equity shares of the Company respectively as on 31.03.2008. No other director held any shares of the Company on that date for self or for others on beneficial basis.
- iv) The service contract in case of Executive Directors is 3 years and 2 months with notice period of 3 months. All the Non-Executive Directors are liable to retire by rotation.
- f) **Code of Conduct**

The Code of Conduct is applicable on all Directors and Senior Managerial personnel of the Company with certain provisions applicable to all employees e.g. Insider Trading etc. The said code though formally adopted in compliance of Clause 49 of listing agreement, its principles were in practice long before as governing factor of the business rules of the Company. The Code of Conduct is available on the Company's Website. The declaration from Managing Director that all Board Members and other concerned have complied with the code is appended to and forms part of this Report.

**Declaration under Clause 49 I (D)
for compliance with the Code of Conduct**

Pursuant to Clause 49 (1) (D) of the listing agreement entered into with Stock Exchanges, I hereby declare that the Company has obtained affirmative compliance with Code of Conduct from all the Board Members and Senior Management personnel of the Company for the period under review, which ended on 31.03.2008.

Date: 29/07/2008
Place: New Delhi

S. K. Agarwal
Managing Director

- g) **Disclosures regarding appointment or re-appointment of Directors**

Shri Somesh Mehrotra, Shri N. C. Sundararajan and Shri B. M. Oza will retire by rotation at the forthcoming Annual General Meeting and being eligible have offered themselves for reappointment. Shri Rakesh Babbar who was appointed on 31.01.2007 will hold office till the date of ensuing Annual General Meeting, in terms of section 262 of the Companies Act, 1956 and being eligible has offered himself for re-appointment. The Board recommends his re-appointment. The relevant information about these Directors has been furnished in notice convening the ensuing Annual General Meeting.

2. AUDIT COMMITTEE

a) Composition

The Audit Committee consisted of Dr. S. Ramesh (Chairman of the Committee) with Shri N. C. Sundararajan, Shri A.K. Puri and Shri B.M. Oza as members till 19.06.2007.

The Board in its meeting held on 20.06.2007, nominated Shri M. P. Mehrotra in the Audit Committee and withdrew the nomination of Shri B.M. Oza. Post reconstitution, the Audit Committee has Shri M. P. Mehrotra, Shri N.C. Sundararajan and Shri A.K. Puri as members and Dr. S. Ramesh is chairman of committee. Majority of the members are independent Directors including chairman of the committee. Shri M. P. Mehrotra and Shri N. C. Sundararajan are Chartered Accountant by profession. Shri A.K. Puri is a retired Banker and Dr. S. Ramesh is retired Civil Services officer. All the members of committee are financially literate in terms of relevant stipulation under Clause- 49 of the listing agreement and majority has extensive experience in areas of finance, taxation and other financial services.

b) Terms of reference

The role, terms of reference, authority and powers of the Committee are in conformity with the listing agreement read with Section 292A of the Companies Act, 1956. The Company Secretary is the Secretary of the Committee. The Statutory Auditor is regularly invited for meetings of the Committee. The Internal Auditor, the Managing Director and the Executive Vice - Chairman are also invited to its meetings, whenever required. The minutes of Audit committee meetings are regularly placed before the Board. The Board had accepted all the recommendations made by Audit Committee during the year under review.

c) Meetings and attendance

During the year ended on 31.03.2008, 4 (Four) Audit Committee Meetings were held on 19.06.2007, 17.07/2007, 11.10/2007 and 29.01/2008. The summary of attendance of members is as under:

Name	Shri A.K. Puri	Shri N. C. Sundararajan	Shri B.M. Oza (upto. 20.06/2007)	Shri M.P. Mehrotra (w.e.f. 20.06.07)	Dr. S.Ramesh
Attendance in Four Meetings	4	3	1	2	4

3. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

a) Composition and terms of reference

The Committee consists of Shri B.M. Oza as Chairman of the Committee with Shri T. B. Gupta, Shri Somesh Mehrotra, and Shri S. K. Agarwal as members. Apart from approval of share transfer and related aspects the Committee is vested with the requisite powers and authority to specifically look into the redressal of the shareholders and investor's grievances. The Company Secretary is the Compliance Officer and Secretary of the Committee. There was no change in the constitution of the committee during the year under review.

As a step towards providing better services to its shareholders, individual members regularly approve the requests for dematerialization of shares received during the intervening period between two committee meetings in exercise of authority delegated by committee. Thus, the time gap between the demat approvals on an average is less than 15 days. The summary of demat requests approved by members is regularly placed before Committee. The minutes of the Committee meetings are regularly placed before the Board.

**b) Meetings and attendance**

During the year under review, 13 (Thirteen) meetings of Shareholders Investors Grievance Committee were held on 30/04/2007, 30/05/2007, 19/06/2007, 19/07/2007, 25/08/2007, 20/09/2007, 24/10/2007, 20/11/2007, 10/12/2007, 29/12/2007, 28/01/2008, 29/02/2008 and 29/03/2008.

The summary of meetings attended by members of Committee is as under:

Name	Shri B. M. Oza	Shri Somesh Mehrotra	Shri T. B. Gupta	Shri S. K. Agarwal
Attendance in 13 meetings	12	0	11	13

c) Shareholders Complaints

The Company had received 20 complaints during the financial year ended 31st March, 2008. All the complaints whether received through SEBI, Stock Exchange or individual members during the year were redressed to the satisfaction of investors and none remained outstanding at the end of the year under report. The nature wise summary of complaints received and redressed during the year is as under:

Nature of Complaints**	Received	Redressed
Non-receipt of Dividend	5	5
Non-receipt of shares after transfer	5	5
Non-receipt of Annual Report	6	6
Non-receipt of Bonus Shares	2	2
Non-receipt of Name change sticker	0	0
Non-receipt of Endorsement Sticker	0	0
Loss of shares for duplicate shares	1	1
Non-receipt of share certificate after Rejection of Demat request	1	1
Total	20	20

** 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 a fresh complaint.

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

4. GENERAL BODY MEETINGS**a) Details of the last three Annual General Meetings**

Financial year ended	Date	Time	Venue
March 31, 2007	September 28, 2007	10.30 a.m.	Sri Sathya Sai International Centre Auditorium, Lodhi Road Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003
March 31, 2006	September 25, 2006	10.30 a.m.	Sri Sathya Sai International Centre Auditorium, Lodhi Road Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003
March 31, 2005	September 23, 2005	10.30 a.m.	Sri Sathya Sai International Centre Auditorium, Lodhi Road Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003

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

- In the AGM held on 28.9.2007, no agenda item was required to be approved by special resolution.
- 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.

c) Postal ballots

During the year under review, no item was proposed for approval of members through Postal Ballot. In the ensuing Annual General Meeting also no item is proposed to be passed 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:

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. The Company had been advised that in order to settle the issue, the Company may approach SEBI for a consent order in the matter. The requisite application was made by the Company vide application dated 10th June, 2008 which is under process at the end of SEBI.

c) Legal Proceedings

There are certain pending cases relating to disputes between investors over title to equity shares of the Company, 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 01/04/2008 comprised Shri B.M. Oza - Chairman of the Committee with Shri Somesh Mehrotra, Dr. S. Ramesh, Shri Rakesh Babbar and Shri A. K. Puri as Members. 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 two meeting of remuneration committee was held on 19/06/2007 and 17/07/2007 for deciding the remuneration package of Managing Director and Executive Vice- Chairman. All the recommendations made by the committee were accepted by the Board without any modification.
- iii) The periodic results were not sent to any shareholder. However, they had been published in newspapers as prescribed in listing agreement. They are also available on website sebidfar.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. The said results are also made available simultaneously on the 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 sebidfar.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. The documents filed by the Company with Registrar of Companies can be inspected at MCA's website namely www.mca.gov.in and the Company identification number (CIN) of Company is L65910DL1986PLC023129.
- 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 hconsul@vlsfinance.com which is also displayed on the Company's website www.vlsfinance.com under heading 'contact us'.

**7. SHAREHOLDERS INFORMATION****a) Annual General Meeting**

- Date and time	: Tuesday, 30th September, 2008 at 3.00 PM
- 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 23-09-2008 to 30-09-2008 (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 2008-2009. However, de-listing confirmation is yet to be received from the Calcutta Stock Exchange Association Ltd. and the Madras Stock Exchange Ltd.

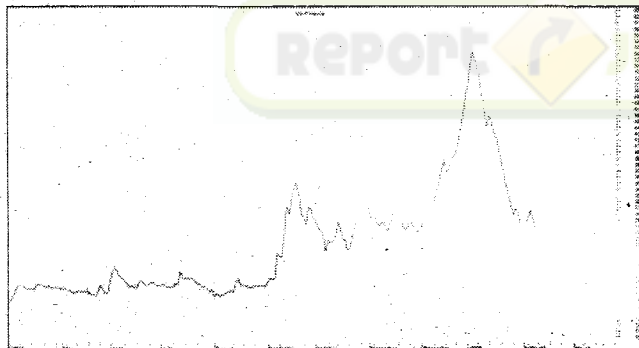
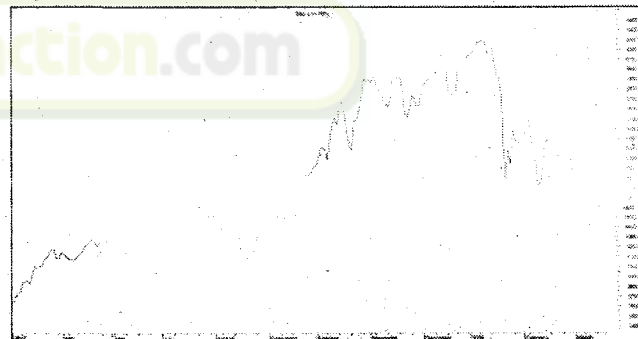
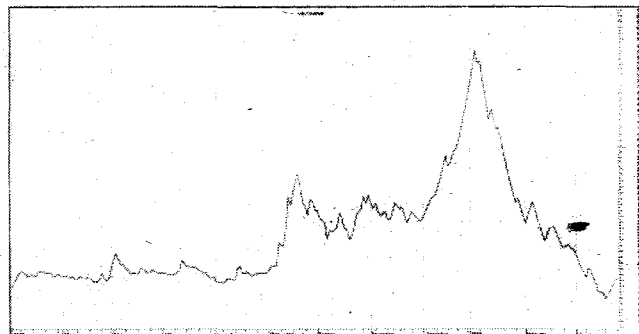
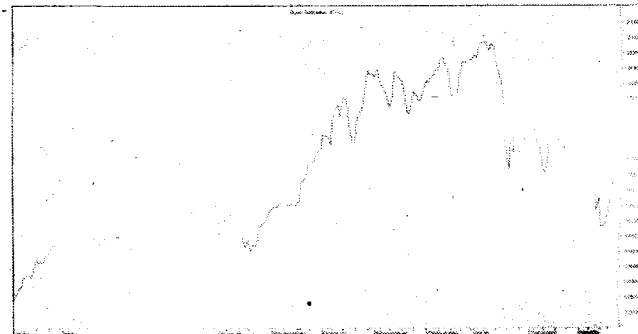
c) Stock Market data

(Source: Metastock)

Monthly highs, lows and trading volume for the Financial Year 2007-2008:

Months	NSE			BSE		
	High Rs.	Low Rs.	Volume Nos.	High Rs.	Low Rs.	Volume Nos.
Apr-07	19.25	15.45	635071	19.45	15.30	672391
May-07	18.85	16.40	560823	19.60	16.30	610087
Jun-07	22.80	16.80	1228051	22.80	16.90	1229227
Jul-07	21.95	17.00	1199620	22.45	17.15	1334339
Aug-07	20.55	15.70	1141386	20.50	16.35	1417622
Sep-07	36.10	18.30	11303571	36.00	18.15	12290361
Oct-07	32.00	21.65	4868957	32.40	21.90	6391280
Nov-07	32.75	26.50	2285614	33.10	26.65	2829572
Dec-07	48.50	27.10	3838364	48.60	27.00	5509177
Jan-08	59.05	28.10	4899571	59.00	28.05	6454631
Feb-08	31.45	21.75	993320	31.45	21.80	1061233
Mar-08	22.20	13.60	1212142	22.65	13.35	1175263
Total			34166490			40975183

Graphical representation of Shares Price in NSE and BSE vis-à-vis Index Movement:

NSE Graph of VLS Finance Ltd.**Nifty****BSE Graph of VLS Finance Ltd.****BSE-Sensex****d) Registrar and Transfer Agents and Share Transfer System**

The Company has retained M/s RCMC Share Registry Pvt. Ltd., as its Registrar & Transfer Agents for further period of one year w.e.f. 01/04/2008 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.

e) 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., (the "Registrar") at B-106, Sector-2, Noida U.P. 201301 (Phone Nos. 0120 - 4015880, 4015886). For any further assistance in said matters, queries may be addressed to the Company Secretary at the Registered office of the Company.



f) Distribution of Shareholding as on March 31, 2008

Slab of share holding	No. of shareholders	%age	Nominal value of shares held in (Rs.)	%age
1-500	15267	51.0448	34934240.00	8.7786
501-1000	11228	37.5405	73574020.00	18.4883
1001-2000	1988	6.6468	28783570.00	7.2330
2001-3000	538	1.7988	14021250.00	3.5234
3001-4000	200	0.6687	7271500.00	1.8272
4001-5000	192	0.6419	9123700.00	2.2927
5001-10000	288	0.9629	21132920.00	5.3104
10001 and above	208	0.6954	209108800.00	52.5465
Total	29909	100.0000	397950000.00	100.0000

According to categories of shareholders as on March 31, 2008

Serial No.	Categories	No. of shares	Amount in Rs.	Percentage of shareholding
1	Promoters, Directors and Relatives	14900593	149005930.00	37.4434
2	Financial Institution and Banks	9900	99000.00	0.0249
3	Mutual Fund	100	1000.00	0.0003
4	Fils	300	3000.00	0.0008
5	Corporate Bodies	3976389	39763890.00	9.9922
6	Clearing Members	358750	3587500.00	0.9015
7	Indian Public	20449693	204496930.00	51.3876
8	Trust	3000	30000.00	0.0075
9	NRI/OCBs/FN	96275	962750.00	0.2419
	Grand Total	39795000	397950000.00	100.0000

g) Dematerialisation of Shares and liquidity

86.70% of the total share capital of Company was held in dematerialized form as on 31/03/2008. The shares of Company are actively traded in The Bombay Stock Exchange Ltd. and The National Stock Exchange Ltd. The shares of the Company are traded only in demat segment w.e.f. 28th August 2000.

h) There were no ADRs/ GDRs/ Warrants or other convertible instruments out standing as on 31/03/2008.

i) Secretarial Audit

The Securities and Exchange Board of India has directed vide circular No. D & CC/FITIC/CIR-16/2002 dated December 31, 2002 that all issuer companies shall submit a certificate of capital integrity, reconciling the total shares held in both the depository, viz. NSDL and CDSL and in physical form with the total issued /paid-up capital on quarterly basis.

The said certificate by a Practicing Company Secretary was duly submitted to the Stock Exchanges where the securities of the Company are listed at the end of each quarter, within prescribed time.

j) Financial Calendar (Tentative)

Quarter ending	June 30, 2008	End of July, 2008
Quarter ending	September 30, 2008	End of October, 2008
Quarter ending	December 31, 2008	End of January, 2009
Year ending	March 31, 2009 #	End of May, 2009
Annual General Meeting for the year ended March 31, 2008		30th September, 2008

For the quarter ending 31/03/2009 un-audited results may not be published and only audited results will be published, unless decided otherwise.

k) Subsidiary Companies

The Company does not have a material non-listed Indian subsidiary in terms of revised clause 49 of the listing agreement with stock exchanges, as per financial results of the period under review, i.e. Financial Year 2007-08.

l) Plant Location

Not applicable since the company is not into manufacturing of similar activity.

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 31st March, 2008, 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 clause 49 of the 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 and certificates furnished by the Registrar and Transfer Agents of 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.

Place: New Delhi
Date: 29/07/2008

For and on behalf of
AGIWA & ASSOCIATES
Chartered Accountants

(P.C. Agiwal)
(Partner)
Membership No. 80475

Office: 3830, Lal Kothi, 2nd Floor, Pataudi House Road, Above Bank of Baroda, Darya Ganj, New Delhi-110002

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 2008 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 annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Department of Company Affairs in terms of section 227 (4A) of the Companies Act, 1956 we enclose in the annexure a statement on the

matters specified in paragraph 4 & 5 of the said Order, to the extent applicable to the Company.

2. Further to our comments in the annexure referred to in paragraph one above we report that:

- 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, Profit & Loss Account and cash flow statement dealt with by this report are in agreement with the books of accounts;
- In our opinion the Balance sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- On the basis of written representations received from the directors as on 31st March 2008, and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March 2008 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 read with significant accounting