

# **XXII ANNUAL REPORT 2008-2009**



## ***VLS FINANCE LTD.***

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

**NOTICE****22<sup>nd</sup> ANNUAL GENERAL MEETING OF  
MEMBERS OF THE COMPANY  
WILL BE HELD AT**

The Auditorium, Sri Sathya Sai International Centre,  
Institutional Area, Lodhi Road  
Pragati Vihar, New Delhi - 110 003  
**at 3.30 P.M.  
on Monday,  
the 31<sup>st</sup> day of August, 2009**

**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](mailto:hconsul@vlsfinance.com)

☞ Other than above : [vls@vsnl.com](mailto:vls@vsnl.com)

☞ visit us at [www.vlsfinance.com](http://www.vlsfinance.com)

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**BOARD OF DIRECTORS :**

Shri Ajit Kumar	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 B.B. Tandon	
Shri Gian Vijeshwar	
Shri Rakesh Babbar	

**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 ASSOCN. LTD.**

7, Lyons Range, Kolkata-700 001.

Members are requested to take note of present 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.



## NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 22<sup>nd</sup> Annual General Meeting of the Members of **VLS FINANCE LTD.** will be held at The Auditorium, Sri Sathya Sai International Centre, Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003 on Monday, 31<sup>st</sup> day of August, 2009 at 3.30 p.m. to transact the following business: -

**ORDINARY BUSINESS:**

- To receive, consider and adopt the audited Balance Sheet of the Company as at 31<sup>st</sup> March, 2009, 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.
- To appoint a Director in place of Shri M. P. Mehrotra who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint a Director in place of Shri A. K. Puri who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint a Director in place of Shri M. G. Diwan who retires by rotation and being eligible, offers himself for re-appointment.
- 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:**

**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 / Committee of the Board 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 Audit Committee/ Board."

**SPECIAL BUSINESS:****6. Appointment of Shri Gian Vijeshwar 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 Gian Vijeshwar, who was appointed as Director on 31<sup>st</sup> January, 2007 to fill the casual vacancy caused due to resignation of Shri D. D. Chopra 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."

**7. Appointment of Shri B. B. Tandon as Director.**

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

"RESOLVED THAT Shri B. B. Tandon, who was appointed as Director on 22<sup>nd</sup> October, 2008 to fill the casual vacancy caused due to resignation of Shri T. B. Gupta 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."

By Order of the Board

For VLS Finance Ltd.  
H. Consul  
Company Secretary

Place: New Delhi  
Date : 28/05/2009

**NOTES: -**

- A Member entitled to attend and vote is also entitled to appoint a proxy to attend and vote instead of himself/herself. The proxy need not be a member of the Company. The appointment of proxy in order to be effective must be lodged at the Registered Office of the Company not less than 48 hours before the commencement of the meeting, in the form enclosed hereto, duly filled and authenticated. A proxy may not vote except on a poll.
- 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.
- 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.
- The Register of Members of the Company shall remain closed from **24/08/2009 to 31/08/2009** (both days inclusive).
- The Company has retained M/s RCMC Share Registry Pvt. Ltd., ("Registrar & Transfer Agent") at B-106, Sector-2, Noida, U.P. 201301 (Phone Nos. 0120-4015880, 4015886) w.e.f. 01/04/2003 for entire shareholder services. All correspondence, therefore, may be addressed to the said Registrar & Transfer Agent. However, for any further assistance in said matters, queries may be addressed to the Company Secretary at **Registered Office at 2<sup>nd</sup> Floor, 13, Sant Nagar, East of Kailash, New Delhi-110065 Phone No. 46656666 (100 lines), Fax: 46656699. Dedicated Investor Services e-mail: hconsul@vlsfinance.com.**
- SEBI vide circular ref. no. MRD/DoP/Cir-05/2009 dated May 20, 2009 has clarified that providing the PAN information will be mandatory for transactions in securities in physical form as well. Amongst others, all transactions involving transfer of shares in physical form of listed companies, whether off market or not will require copy of PAN card of transferee(s) be furnished to the Company/RTAs for transfer of shares. This is for information of all investors.
- 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 & Transfer Agent 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.

- 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).
- All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company on all days between 11.00 a.m. and 1.00 p.m. up to the date of the Annual General Meeting except on Saturdays, Sundays and other Holidays.
- Member/Proxies are requested to bring their copies of the Annual Report to the meeting and the attendance slip duly filled in, for attending the meeting. As a measure of economy, copies of Annual Report will not be distributed at the Annual General Meeting.
- The relevant explanatory statement pursuant to Section 173(2) of the Companies Act 1956, for Item No. 6 and 7 of the notice is annexed hereto and forms part of this notice.
- The Unpaid/unclaimed dividends up to 31/03/95 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 31/03/95 up to the financial year 1997-99 (18 months) has been credited to Investor Education & Protection Fund ("IEPF"). 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. No dividend is pending for transfer to IEPF in terms of the provisions of Section 205C of the Companies Act, 1956.
- 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 28/05/2009.	Chairman/ Member of the Committee of other companies as on 28/05/2009.	Whether qualified u/s 274(1) (g) of the Companies Act, 1956
1	Shri M. P. Mehrotra	26/09/1937	31/01/2007	B. Com. LL.B. FCA. He is a Chartered Accountant by profession and a Law graduate with over 45 years of rich experience in areas of taxation, administration and financial services.	a) Empee Distilleries Ltd. b) VLS Capital Ltd. c) Gaurav Overseas Export Pvt. Ltd. d) Pragati Moulders Ltd. e) Dhanpur Sugar Mills Ltd. f) India Securities Ltd. g) Empee Sugars & Chemicals Ltd. h) South Asian Enterprises Ltd. i) Delton Cables Ltd. j) Maxim Infracore Pvt. Ltd. k) Moon Rock Hospitality Pvt. Ltd.	Audit Committee-Member NIL NIL NIL i) Audit Committee-Chairman ii) Remuneration Committee-Chairman Audit Committee-Chairman NIL NIL NIL NIL	Yes
2	Shri A. K. Puri	03/08/1935	07/05/1998	M.Sc. LL.B. CAIIB. 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 48 years experience in the field of Banking, Finance and Administration.	NIL	NIL	Yes
3	Shri M. G. Diwan	14/11/1931	17/03/1994	M.Sc. FIA, FAS, FII. He is former Chairman of LIC of India having experience of about 5 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) Shriam Chits (Maharashtra) Ltd. e) GDA Trustee & Consultancy Pvt. Ltd. f) Deepayoti Insurance Consultancy and Services Pvt. Ltd. g) Indian Institute of Public Opinion Pvt. Ltd. h) D. S. Actuarial Education Services Pvt. Ltd. i) Shriam 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) FCBI/GDR committee - Member vii) Project Management committee - Member NIL NIL NIL NIL NIL NIL	Yes

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 28/05/2009.	Chairman/Membership of Committees of other companies as on 28/05/2009.	Whether qualified u/s 274(1) (g) of the Companies Act, 1956
1.	Shri Gan Vijeshwar	02/03/1945	31/01/2007	M.A.(Public Administration) He is an eminent figure in Indian amusement industry and had pioneered establishment of amusement parks in India, the first being 'Appu Ghar' in Delhi. He has over 38 years of rich experience in general management, financial administration and project management.	a) International Amusement Ltd.  b) International Recreation Parks Pvt. Ltd. c) Unitech Amusement Parks Ltd. d) Appu Ghar Entertainment Pvt. Ltd. e) Appu Ghar Holdings Pvt. Ltd. f) Appu Ghar Recreation Parks Pvt. Ltd. g) Appu Ghar Securities & Solutions Pvt. Ltd. h) International Amusement Solutions Ltd i) Onus Infrastructures & Developers Pvt. Ltd. j) GKMR Corporate Solutions Pvt. Ltd. k) D.B.Holding Pvt. Ltd. l) Incontra-International Commodities Traders Pvt. Ltd. m) International Amusement & Infrastructures Pvt. Ltd. n) VLS Capital Ltd. o) South Asian Enterprises Ltd. p) GK Games-Member	i) Share Application Committee-Chairman ii) Share Allotment Committee-Chairman iii) Share Transfer Committee-Chairman iv) Audit Committee-Chairman  NIL  NIL  NIL  NIL  NIL  NIL  NIL  NIL  NIL	Yes
2.	Shr B B Tandon IAS (Retd.)	30/06/1941	22/10/2008	M.A., LL.B., CAIIB  He is a retired IAS officer of 1965 batch and was Chief Election Commissioner of India from 1905/2005 to 29/05/2006. He has held various top-level posts in the Government of India including as Addl. Secy.-Ministry of Company Affairs and at State level as Principal Secy. (Power)-Govt. of Himachal Pradesh. He has also served on the Board of several Public Sector Undertakings. He has over 4 decades of experience in policy making, administration and Government affairs.	a) Bhushan Steels Ltd. b) Biria Corporation Ltd. c) Cosmo Ferrites Ltd.  d) Dhampur Sugar Mills Ltd. e) Fiatex India Ltd. f) Jaiprakash Hydro Power Ltd. g) Nagarjuna Fertilizers & Chemicals Ltd. h) Oriental Carbon & Chemicals Ltd.  i) Precision Pipes & Profiles Ltd. j) Vikas Global One Ltd. k) Jaiprakash Power Ventures Ltd. l) Ambuja Cement Foundation m) Smart Divisyon (Pvt.) Ltd. n) Excom Tele Systems Ltd. o) Adani Power Ltd.	- NIL.  -Audit Committee member i) Audit Committee-Member ii) Share Transfer and Investor Grievance Committee Chairman  NIL  -Audit Committee Member  NIL  Asset Sale Management Committee-Member  i) Audit Committee-Member a) Remuneration Committee-Chairman ii) Preferential issue of warrants committee-Member  i) Audit Committee-Member i) Remuneration Committee-Chairman Remuneration Committee-Chairman  NIL  NIL  NIL  Remuneration Committee-Member  i) Audit Committee-Member ii) Remuneration Committee-Chairman iii) Finance Committee-Member	Yes

(C ) Shareholding of above Directors as on 31/03/2009

S. No.	Name of Directors	No. of Shares held in Company	Percentage
1	Shri M. P. Mehrotra	285	285
2	Shri A. K. Puri	Nil	Nil
3	Shri M. G. Diwan	Nil	Nil
4	Shri Gian Vijeshwar	Nil	Nil
5	Shri B. B. Tandon	Nil	Nil

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

**ITEM NO. 6**

**Shri Gnan Vijeshwar** 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 31<sup>st</sup> January, 2007, caused due to resignation of Shri D. D. Chopra 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 D. D. Chopra would have held office. **Shri Gnan Vijeshwar** is a well known personality in **amusement industry** with over 38 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 Gian Vijeshwar as Director of the Company at the forthcoming Annual General Meeting. Your Directors recommend appointment of Shri Gian Vijeshwar as Director of Company. Shri Gian Vijeshwar does not hold any shares in the Company. None of the Directors except Shri Gian Vijeshwar is concerned or interested in the resolution.

## ITEM NO. 7

Shri Brij Bihari Tandon 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 22<sup>nd</sup> October, 2008, caused due to resignation of Shri T. B. Gupta 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 T. B. Gupta would have held office. Shri B. B. Tandon is a retired IAS officer and former as Chief Election Commissioner 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 his intention to propose the resolution for appointment of Shri B. B. Tandon as Director of the Company at the forthcoming Annual General Meeting. Your Directors recommend appointment of Shri B. B. Tandon as Director of Company. Shri B. B. Tandon does not hold any shares in the Company.

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

By Order of the Board

For **VLS Finance Ltd.**

Place: New Delhi

Date : 28/05/2009

H. Consul

Company Secretary

## DIRECTORS' REPORT TO THE MEMBERS

Your Directors are pleased to present the Twenty Second Annual Report of the Company together with the audited statement of accounts for the year ended 31<sup>st</sup> March, 2009.

## 1. Financial Results

(Rs. in Lakhs)

	For the year ended 31 <sup>st</sup> March 2009	For the year ended 31 <sup>st</sup> March 2008
<b>Gross Receipts</b>	63977.88	175158.21
Profit before Interest & Depreciation	1010.61	1717.80
Less: Interest & Finance Charges	0.07	0.08
Profit before depreciation	1010.54	1717.72
Less: Depreciation	50.54	47.41
Profit before Tax	960.00	1670.31
Less: Provision for Taxation	-14.74	161.26
Profit after Tax	974.74	1509.05
Surplus b/fd. From previous year	351.46	109.96
Previous year adjustments/other adjustment	0.08	34.26
Available for Appropriation	1326.28	1653.27
<b>Appropriations:</b>		
To General Reserve	0.00	1000.00
To Statutory Reserve (under RBI Act, 1934)	194.95	301.81
Total Appropriations	194.95	1301.81
Surplus c/f	1131.33	351.46

## 2 Management Discussion and Analysis

## Financial Review

During the period under review, the gross receipts have declined to Rs. 63977.88 lacs as compared to gross receipts of the previous year of Rs. 175158.21 lacs. The profit after tax of Rs.974.74 lacs has also declined as compared to profit after tax of Rs. 1509.05 lacs of the previous year.

## Industry Structure and Development

The global economy has been passing through an unprecedented crisis and the overall economic outlook has continued to deteriorate. In the beginning of 2007 what started as a problem in the US sub-prime market has blown in to a full fledged crisis engulfing the entire global economy.

Consequently the expectations of global growth in 2009 have only been undergoing rapid downward revision. As per IMF's March 2009 forecast, global growth is projected to shrink by 0.5 to 1.0 per cent in 2009 in contrast to an expansion of 3.2 per cent in 2008. Other projections are even more dire. The World Bank estimates global GDP to contract by 1.7 per cent and the OECD by as much as 2.7 per cent.

In the US, economic activity has declined sharply, driven mainly by the decline in consumption and exports. The Euro area too is in a severe and synchronised contraction. Reflecting sharp demand contraction, consumer price inflation has reached near zero in several advanced countries, raising concerns about sustained deflation on the way forward. The unemployment rate in the US has risen to 8.5 per cent, the highest since 1983. Unemployment rates in the Euro area, the UK and Japan too increased significantly. The WTO projects that global trade will shrink by 9.0 per cent in volume terms in 2009, down from an increase of 2.0 per cent in 2008. Between 1990 and 2007, global trade grew twice as fast as global GDP: in a sharp reversal of this 'trade as the engine of growth' paradigm, in 2009 global trade is projected to shrink twice as much as global GDP.

The performance of hitherto resilient economies in the emerging world like China and India have also suffered badly. The oft repeated maxim that Indian economy is decoupled from the rest of the global economy based on lower linkage to the global economy and robust domestic demand have also been belied. The economic activity in India, like other global markets, have also shown signs of slow down in 2008-09 as compared with over 9.0 per cent growth in the previous three years. The growth decelerated sharply in Q3 following the failure of Lehman Brothers in mid-September 2008 and knock-on effects of the global financial crisis on the Indian economy. Consequently, the growth rate during the first three quarters (April-December) of 2008-09 slowed down significantly to 6.9 per cent from 9.0 per cent in the corresponding period of the previous year. One redeeming feature of the current ongoing economic crisis is the strength of the Indian financial system which has practically remain unaffected as compared to its global peers.

The current economic crisis has also affected the performance of the Non Banking Finance Sector (NBFC Sector). NBFC had primarily been catering to the credit requirements of segments not having access to bank credit. Such segments do not fall in the category of prime borrowers. There has been an overall flight to safety in the financial system in the wake of the financial crisis thus depriving the not so high quality borrowers access to institutional





credit. NBFCs are also not keen to lend to such borrowers. The problem gets compounded because of the high cost of funds of NBFCs as high quality borrowers are not willing to borrow from the NBFCs because of their higher rate of interest.

#### Outlook, Risks and Concerns

As stated above the NBFC sector in which your Company operates, has been facing competitive pressures from Banks and Financial Institutions. The Company for the last few years has not been focusing on financing activities as part of its activities to generate revenues. As in earlier years, the Company's operations continued to be capital market centric during the year under review. Your Company has been making a judicious use of risk hedging tools such as derivatives and other risk neutral instruments for generating revenues in a risk neutral environment. Your Company will continue to explore opportunities in other 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 Gian Vijeshwar was appointed as Director on 31/01/2007 to fill the casual vacancy caused by the resignation of Shri D.D.Chopra. In terms of section 262 of the Companies Act, 1956 the term of Shri Gian Vijeshwar 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 Gian Vijeshwar as Director. Accordingly, the proposal for appointment of Shri Gian Vijeshwar as Director is included in the notice convening 22<sup>nd</sup> Annual General Meeting of the Company alongwith relevant explanatory statement.

Shri T. B. Gupta resigned as Director w.e.f. 22/10/08 and ceased to be Executive Vice-Chairman from that date. Shri B. B. Tandon was appointed in casual vacancy caused by resignation of Shri T. B. Gupta. In terms of section 262 of the Companies Act, 1956 the term of Shri B. B. Tandon 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 B. B. Tandon as Director. Accordingly, the proposal for appointment of Shri B. B. Tandon as Director is included in the notice convening 22<sup>nd</sup> Annual General Meeting of the Company alongwith relevant explanatory statement.

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

#### 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, 2009, 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, 2009 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.

#### 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.12,28,397/-

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 2009-2010 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.

#### 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:

- Shri M. P. Mehrotra
- M. P. Mehrotra (HUF)
- Dr. (Mrs.) Sushma Mehrotra
- Shri Somesh Mehrotra
- Ms. Divya Mehrotra
- Mrs. Sadhana Mehrotra
- Ms. Daya Mehrotra
- Shri Ramji Mehrotra
- Mrs. Sushma Mehrotra
- VLS Capital Ltd.
- Gaurav Overseas Exports Pvt. Ltd.
- Needle Eye Plastic Industries Pvt. Ltd.
- Pragati Moulders Ltd.
- 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 : 28/05/2009

S. K. AGARWAL  
Managing Director

M. P. MEHROTRA  
Director



## 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 which ensures that the Company operates within the regulatory framework. 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 by aligning the interest of the Company with that of its shareholders and other stakeholders. 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. During the year under review, Shri T. B. Gupta resigned as Executive Vice- Chairman as well as Director of the Company w.e.f. 22/10/2008. Shri B. B. Tandon - IAS (Retd.) who is the former Secretary to Government of India and Ex-Chief Election Commissioner of India was appointed on the Board w.e.f. 22/10/2008. Hence, the Board now consists of 2 (Two) Promoter Directors, 9 (Nine) Independent Directors and 1 (One) Non-Independent Director. With over two third members being independent Directors, the present constitution of Board adequately 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.

The attendance record of Directors for the year ended on 31/03/2009 and other information about them as required under listing agreement is as follows:

S.No.	Name of the Director	Whether Promoter/Executive or Non-Executive/Independent	No. of Board Meetings attended during 2008-09	Whether attended AGM held on 30.09.2008	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	4	NO	-	-	-
2)	Shri T. B. Gupta* (Executive Vice-Chairman)	Executive, Non-Independent	2	YES	3	-	1
3)	Shri S. K. Agarwal (Managing Director)	Executive, Non-Independent	4	YES	5	1	-
4)	Shri Somesh Mehrotra	Non-Executive, Promoter	1	NO	2	-	-
5)	Shri N. C. Sundararajan	Non-Executive, Independent	4	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	4	NO	-	-	-
10)	Shri M. P. Mehrotra	Non-Executive, Promoter	4	NO	8	3	1
11)	Shri Gian Vijeshwar	Non-Executive, Independent	0	NO	6	2	-
12)	Shri Rakesh Babbar	Non-Executive, Independent	0	NO	6	0	2
13)	Shri B. B. Tandon \$	Non-Executive, Independent	2	NO	13	1	6

\* Resigned w.e.f. 22/10/2008

\$ Appointed w.e.f. 22/10/2008

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 31/03/2009, 4 (Four) Board Meetings were held with at least one meeting in every quarter on 30/05/2008, 29/07/2008, 22/10/2008 and 22/01/2009.
- 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 31.03.2009:

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.	40,000	N.A.	40,000
2)	Shri T. B. Gupta	2,02,189	73,540	NIL	NIL	2,75,729
3)	Shri S.K. Agarwal	11,97,000	3,06,077	NIL	NIL	15,03,077
4)	Shri Somesh Mehrotra	N.A.	N.A.	10,000	N.A.	10,000
5)	Shri B.M. Oza	N.A.	N.A.	64,000	N.A.	64,000
6)	Dr. S. Ramesh	N.A.	N.A.	80,000	N.A.	80,000
7)	Shri A.K. Puri	N.A.	N.A.	80,000	N.A.	80,000
8)	Shri N.C. Sundararajan	N.A.	N.A.	70,000	N.A.	70,000
9)	Shri M.G. Diwan	N.A.	N.A.	30,000	N.A.	30,000
10)	Shri M. P. Mehrotra	N.A.	N.A.	80,000	N.A.	80,000
11)	Shri Gian Vijeshwar	N.A.	N.A.	0	N.A.	0
12)	Shri Rakesh Babbar	N.A.	N.A.	0	N.A.	0
13)	Shri B. B. Tandon	N.A.	N.A.	24000	N.A.	24000

### 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 285, 4,04,106 and 3,000 equity shares of the Company respectively as on 31.03.2009. 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 Managing 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 31/03/2009.

Date: 28/05/2009  
Place: New Delhi

S. K. Agarwal  
Managing Director

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

Shri M. P. Mehrotra, Shri A. K. Puri and Shri M. G. Diwan will retire by rotation at the forthcoming Annual General Meeting and being eligible have offered themselves for reappointment. Shri Gian Vijeshwar 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. Shri B. B. Tandon who was appointed on 22/10/2008 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 relevant information about these Directors has been furnished in notice convening the ensuing Annual General Meeting.

**2. AUDIT COMMITTEE**

**a) Composition**

As on 01/04/08 the Audit Committee consisted of Dr. S. Ramesh (Chairman of the Committee) with Shri N. C. Sundararajan, Shri A.K. Puri, and Shri M. P. Mehrotra as members. The Board nominated Shri B. B. Tandon to the Audit Committee w.e.f. 28/05/2009. 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. Dr. S. Ramesh and Shri B. B. Tandon are retired Civil Services officers. 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 (till 22/10/2008) are also invited to Committee's 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 31/03/2009, 4 (Four) Audit Committee Meetings were held on 29/05/2008, 28/07/2008, 21/10/2008 and 21/01/2009. The summary of attendance of members is as under:

Name	Shri A.K. Puri	Shri N. C. Sundararajan	Shri M.P. Mehrotra	Dr. S Ramesh
Attendance in Four Meetings	4	3	4	4

**3. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE**

**a) Composition and terms of reference**

The Committee consisted of Shri B.M. Oza as Chairman 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. During the year under review Shri T. B. Gupta resigned from the Board and consequently ceased to be the member of shareholders/investors grievance committee. The nomination of Shri Somesh Mehrotra was withdrawn w.e.f. 22/01/2009 by the Board and Shri B. B. Tandon was nominated to the said committee from the same date. Now, the committee comprises of Shri B. M. Oza, Shri B. B. Tandon and Shri S. K. Agarwal.

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, 12 (Twelve) meetings of Shareholders/ Investors Grievance Committee were held on 30/04/2008, 21/05/2008, 23/06/2008, 24/07/2008, 30/08/2008, 22/09/2008, 22/10/2008, 22/11/2008, 23/12/2008, 22/01/2009, 24/02/2009 and 24/03/2009.

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

Name	Shri B.M. Oza	Shri Somesh Mehrotra	Shri T. B. Gupta (upto 22/10/2008)	Shri S. K. Agarwal	Shri B. B. Tandon (w.e.f. 22/01/2009)
Attendance in 12 meetings	12	0	7	12	2

**c) Shareholders Complaints**

The Company had received 20 complaints during the financial year ended 31<sup>st</sup> March, 2009. 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	2	2
Non-receipt of shares after transfer	1	1
Non-receipt of Annual Report	12	12
Non-receipt of Bonus Shares	1	1
Non-receipt of Name change sticker	0	0
Loss of shares/for duplicate shares	0	0
Non-receipt of share certificate after Rejection of Demat request	4	4
<b>Total</b>	<b>20</b>	<b>20</b>

\*\* 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, 2008	September 30, 2008	3.30 p.m.	Sri Sathya Sai International Centre Auditorium, Lodhi Road Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003.
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.

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

- In the AGM held on 30.9.2008, no agenda item was required to be approved by special resolution.
- 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.

**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 10<sup>th</sup> June, 2008 which is under consideration 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 was 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 no meeting of remuneration committee was held.

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 [sebidifmr.nic.in](http://sebidifmr.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.

vi) The Company has adhered to applicable directions of Reserve Bank of India (RBI) for Non Banking Finance Companies. In compliance of Reserve Bank of India's directions, during the year under review following committees were constituted:

**a) Nomination Committee**

Nomination Committee comprises of Shri Ajit Kumar, Shri M. P. Mehrotra, Shri B. B. Tandon-Directors and Shri S. K. Agarwal - Managing Director inter-alia for administering peer group evaluation of Board Members and such other matters as may be required to be dealt with as per RBI directions from time to time.

**b) Asset Liability Management Committee**

Asset Liability Management Committee comprises of Shri A. K. Puri, Shri B. M. Oza - Directors and Shri S. K. Agarwal - Managing Director to handle all issues as prescribed under RBI directions from time to time and in particular to monitor the asset liability gap and to strategize action to mitigate the risk associated thereto.

**c) Risk Management Committee**

Risk Management Committee comprises of Shri A. K. Puri, Shri B. M. Oza - Directors and Shri S. K. Agarwal - Managing Director inter-alia to manage integrated risk and such other matters as required under RBI directions from time to time.

**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 [sebidifmr.nic.in](http://sebidifmr.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](http://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](mailto:hconsul@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	: Monday, 31 <sup>st</sup> August, 2009 at 3.30 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 24-08-2009 to 31-08-2009 (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 2009-2010. 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 2008-2009 :

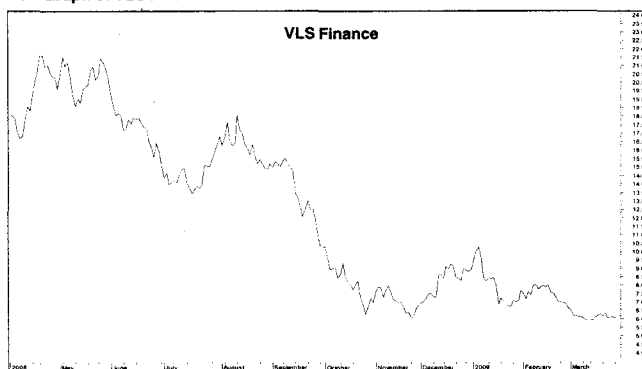
Months	NSE			BSE		
	High Rs.	Low Rs.	Volume Nos.	High Rs.	Low Rs.	Volume Nos.
Apr-08	22.40	16.00	888938	22.35	16.05	872681
May-08	22.50	18.25	893821	22.50	18.30	1049847
Jun-08	20.60	15.10	527635	20.75	15.05	481542
Jul-08	17.45	13.10	693962	17.75	13.30	649770
Aug-08	18.90	14.50	450198	18.80	14.70	444341
Sep-08	15.95	9.00	428080	17.80	9.20	367528
Oct-08	11.55	5.60	547059	11.80	5.55	358195
Nov-08	9.00	5.50	232138	8.90	5.92	137549
Dec-08	9.80	6.35	405048	10.15	6.53	239854
Jan-09	10.95	6.20	398897	10.90	5.60	359053
Feb-09	8.95	6.15	316351	8.69	6.41	159942
Mar-09	7.00	5.75	95158	6.98	5.60	82773
<b>Total</b>			<b>5877285</b>			<b>5203075</b>



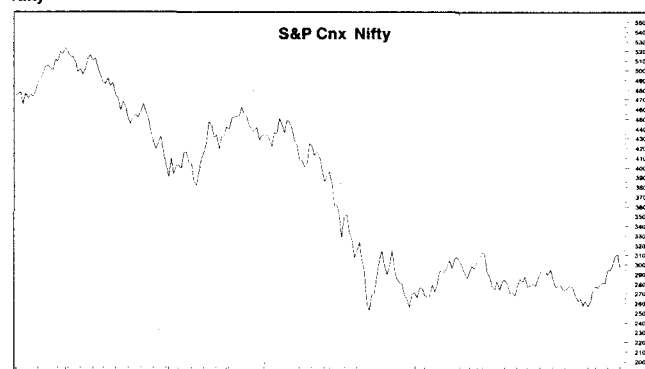


Graphical representation of Shares Price in NSE and BSE vis-à-vis Index Movement:

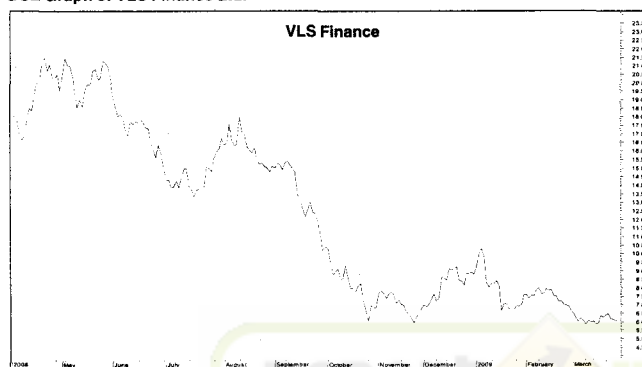
NSE Graph of VLS Finance Ltd.



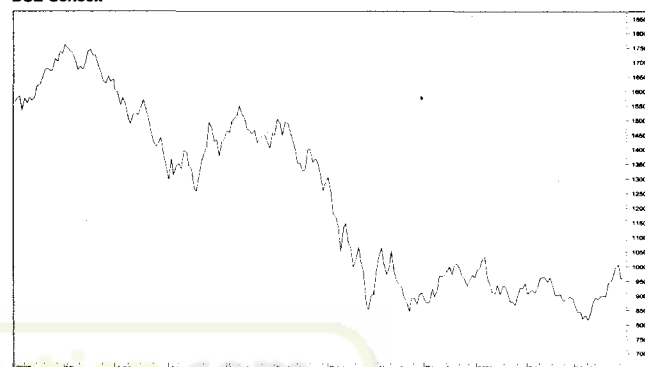
Nifty



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. 01/04/2009 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, 2009**

Slab of share holding	No. of shareholders	%age	Nominal value of shares held in (Rs.)	%age
1-500	15390	51.2915	35429500.00	8.9030
501-1000	11113	37.0372	73186040.00	18.3908
1001-2000	2085	6.9488	30291430.00	7.6119
2001-3000	531	1.7697	13842600.00	3.4785
3001-4000	200	0.6666	7227930.00	1.8163
4001-5000	197	0.6566	9378260.00	2.3566
5001-10000	299	0.9965	21877190.00	5.4975
10001 and above	190	0.6332	206717050.00	51.9455
Total	30005	100.0000	397950000.00	100.00

**According to categories of shareholders as on March 31, 2009**

Serial No.	Categories	No. of shares	Amount In Rs.	Percentage of shareholding
1	Promoters, Directors and Relatives	15089893	150898930.30	37.9191
2	Financial Institution and Banks	14850	148500.00	0.0373
3	Mutual Fund	100	1000.00	0.0003
4	FII's	300	3000.00	0.0008
5	Corporate Bodies	3147317	31473170.00	7.9088
6	Clearing Members	237641	2376410.00	0.5972
7	Indian Public	21160657	211606570.00	53.1742
8	Trust	30000	300000.00	0.0754
9	NRI/OCBs/FN	114242	1142420.00	0.2871
	Grand Total	39795000	397950000.00	100.0000

**g) Dematerialisation of Shares and liquidity**

87.20% of the total share capital of Company was held in dematerialized form as on 31/03/2009. 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. 28<sup>th</sup> August 2000.

h) There were no ADRs/ GDRs/ Warrants or other convertible instruments out standing as on 31/03/2009.

**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, 2009	End of July, 2009
Quarter ending	September 30, 2009	End of October, 2009
Quarter ending	December 31, 2009	End of January, 2010
Year ending	March 31, 2010 #	End of May, 2010
Annual General Meeting for the year ended March 31, 2009		31st August, 2009

# For the quarter ending 31/03/2010 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 2008-09.

**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.