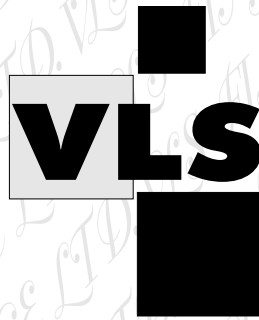


XXIII ANNUAL REPORT 2009-2010



VLS FINANCE LTD.

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

NOTICE

23rd 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 Tuesday,
the 21st day of September, 2010

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 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	

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 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 23rd 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 Tuesday, 21st day of September, 2010 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 31st March, 2010, 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 Ajit Kumar who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint a Director in place of Shri B. M. Oza who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint a Director in place of Dr. S. Ramesh who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint the Auditors and to fix their remuneration and in this connection to consider and if thought fit, to pass following resolution, with or without modification(s), as an **Ordinary Resolution**:
"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions of the Companies Act, 1956 M/s. Agiwal & Associates, Chartered Accountants, (Firm's Regn. No.000181N) 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 authorised by the Audit Committee/ Board."

SPECIAL BUSINESS:

- Approval of Reappointment of Shri S. K. Agarwal as Managing Director.**
 To consider and if thought fit, to pass, with or without modification (s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 316 and Section 269 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and pursuant to Article No.108 of the Articles of Association of the Company, consent of the Company be and is hereby accorded for reappointment of Shri S. K. Agarwal who is also Managing Director of VLS Securities Ltd., as Managing Director of Company for a period of three years w.e.f. 21st August, 2010 (i.e. from 21/08/2010 to 20/08/2013) on such remuneration as set out in explanatory statement annexed to this notice and on such other terms and conditions as are expressed and contained in the agreement entered into for this purpose between the Company and the Managing Director.

RESOLVED FURTHER THAT the revision in remuneration of Shri S. K. Agarwal Managing Director effective from 1st April, 2010 be and is also hereby approved as set out in explanatory statement annexed to this notice.

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

- Approval of increase in authorised share capital of the Company.**
 To consider, and if thought fit, to pass with or without modification(s) the following as **Ordinary Resolution**:

"RESOLVED THAT pursuant to Section 94(1)(a) and any other applicable provisions of the Companies Act, 1956 and Article No. 3 of the Articles of Association of the Company and such approvals as may be required for this purpose, the authorised share capital of the Company be and is hereby increased from the existing Rs. 50,00,00,000/- (Rupees Fifty Crores) to Rs. 150,00,00,000/- (Rupees One Hundred Fifty Crores) comprising of 15,00,00,000 (Fifteen Crores) Equity Shares of Rs. 10/- each.

RESOLVED FURTHER THAT the Clause V of the Memorandum of Association of the Company pertaining to the Capital be and is hereby altered by substituting in its place, the following as new Clause V: -
Clause V

The Authorised Share Capital of the Company is Rs. 150,00,00,000/- (Rupees One Hundred Fifty Crores) comprising of 15,00,00,000 (Fifteen Crores) Equity Shares of Rs. 10/- each."

- Approval for raising funds.**

To consider if thought fit to pass with or without modification the following as a **SPECIAL RESOLUTION**:

"RESOLVED THAT in accordance with the provisions of Section 81 (1 A) and other applicable provisions, if any, of the Companies Act, 1956, Foreign Exchange Management Act, 1999, Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ('SEBI Regulations'), Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed, enabling provisions in the Memorandum and Articles of Association of the Company as also provisions of any other applicable laws, rules and regulations (including any amendments thereto or re-enactments thereof for the time being in force) and subject to such approvals, consents, permissions and sanctions of the Securities and Exchange Board of India (SEBI), Government of India (GOI), Reserve Bank of India (RBI) and all other appropriate and/or concerned authorities or bodies and subject to such conditions and modifications, as may be

prescribed by any of them in granting such approvals, consents, permissions and sanctions which may be agreed to by the Board of Directors of the Company ('Board') (which term shall be deemed to include any Committee which the Board may have constituted or hereafter constitute for the time being exercising the powers conferred on the Board by this resolution), the Board be and is hereby authorized to offer, issue and allot in one or more tranches, to Investors whether Indian or Foreign, including Foreign Institutions, Non-Resident Indians, Corporate Bodies, Mutual Funds, Banks, Insurance Companies, Pensions Funds, Individuals or otherwise, whether shareholders of the Company or not, through a public issue and/or on a private placement basis, foreign currency convertible bonds and/ or equity shares through depository receipts and/or bonds with share warrants attached including by way of Qualified Institutions Placement ('QIP'), to Qualified Institutional Buyers ('QIB') in terms of the SEBI Regulations through one or more placements of Equity Shares/Fully Convertible Debentures (FCDs)/Partly Convertible Debentures (PCDs)/Non-Convertible Debentures (NCDs) with warrants or any securities (other than warrants) which are convertible into or exchangeable with equity shares at a later date (hereinafter collectively referred to as "Securities") secured or unsecured so that the total amount raised through the Securities shall not exceed Rs. 100 crores, as the Board may determine and where necessary in consultation with the Lead Managers, Underwriters, Merchant Bankers, Guarantors, Financial and/ or Legal Advisors, Rating Agencies/Advisors, Depositories, Custodians, Principal Paying/Transfer/Conversion agents, Listing agents, Registrars, Trustees, Auditors, Stabilizing agents and all other Agencies/ Advisors.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby also authorised to determine the form, terms and timing of the issue(s), the class of investors to whom securities are to be allotted, number of Securities to be allotted in each tranche, issue price, face value, premium amount in issue/ conversion/ exercised redemption, rate of interest, redemption period, listings on one or more stock exchanges in India or abroad as the Board may in its absolute discretion deem fit and to make and accept any modifications in the proposals as may be required by the authorities involved in such issue(s) in India and/or abroad, to do all acts, deeds, matters and things and to settle any questions or difficulties that may arise in regard to the issue(s).

RESOLVED FURTHER THAT in case of QIP issue it shall be completed within 12 months from the date of this General Meeting.

RESOLVED FURTHER THAT in case of QIP issue the relevant date for determination of the floor price of the Equity Shares to be issued shall be -
 i) in case of allotment of equity shares, the date of meeting in which the Board decides to open the proposed issue.

ii) in case of allotment of eligible convertible securities, either the date of the meeting in which the Board decides to open the issue of such convertible securities or the date on which the holders of such convertible securities become entitled to apply for the equity shares, as may be determined by the Board.

RESOLVED FURTHER THAT the Equity Shares so issued shall rank pari passu with the existing Equity Shares of the Company in all respects.

RESOLVED FURTHER THAT the Equity Shares to be offered and allotted shall be in dematerialized form.

RESOLVED FURTHER THAT for the purpose of giving effect to any offer, issue or allotment of Securities, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may, in absolute discretion, deem necessary or desirable for such purpose, including without limitation, the determination of the terms thereof, for entering into arrangements for managing, underwriting, marketing, listing and trading, to issue placement/offer documents and to sign all deeds, documents and writings and to pay any fees, commissions, remuneration, expenses relating thereto and with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in regard to such offer(s) or issue(s) or allotment(s) as it may, in its absolute discretion, deem fit.

RESOLVED FURTHER THAT the Board be and is hereby authorised to appoint Lead Manager(s) in offerings of Securities and to remunerate them by way of commission, brokerage, fees or the like and also to enter into and execute all such arrangements, agreements, memoranda, documents, etc. with Lead Manager(s).

RESOLVED FURTHER THAT the Company do apply for listing of the new Equity Shares as may be issued with the Bombay Stock Exchange Limited and National Stock Exchange of India Limited or any other Stock Exchange(s).

RESOLVED FURTHER THAT the Company do apply to the National Securities Depository Limited and/or Central Depository Services (India) Limited for admission of the above said Equity Shares as and when issued.

RESOLVED FURTHER THAT the Board be and is hereby authorised to create necessary securities on such of the assets and properties (whether present or future) of the Company in respect of facilities obtained as above and to approve, accept, finalize and execute facilities, sanctions, undertakings, agreements, promissory notes, credit limits and any of the documents and papers in connection with availing of the above facilities.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred in such manner as they may deem fit."

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

Place: New Delhi
 Date : 27/07/2010

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.

2. The submission of form of proxy by a member does not preclude such member from attending and voting at the meeting. The proxy in such event shall not be eligible to attend the meeting. Only bonafide members of the Company whose names appear on the Register of Members/ Proxy holders, in possession of valid attendance slips duly filled and signed will be permitted to attend the meeting. The Company reserves its right to take all steps as may be deemed necessary to restrict non-members from attending the meeting.
3. In the case of joint holders, the vote of the senior shall be accepted to the exclusion of the vote of the other joint holders. Seniority shall be determined by the order in which the names stand in the Register of Members. Corporate Members intending to send their authorized representative are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
4. The Register of Members of the Company shall remain closed from 14.09.2010 to 21.09.2010 (both days inclusive).
5. 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 2nd 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
6. 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/ transmission/ transposition 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/ transmission/ transposition of shares. This is for information of all investors.
7. 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.
8. The shares of the Company are traded in demat segment only w.e.f. 28th 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).
9. 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.
10. 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.
11. The relevant explanatory statement pursuant to Section 173(2) of the Companies Act 1956, for Item No. 6, 7 and 8 of the notice is annexed hereto and forms part of this notice.
12. 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.

13. Information regarding Directors:

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

Sl. No.	Name of the Director	Date of Birth	Date of Appointment	Qualifications and Expertise in specific functional areas	List of Companies in which Directorship held as on 26/05/2010.	Chairman/ Member of the Committees of other companies as on 26/05/2010.	Whether qualified u/s 274(1)(g) of the Companies Act, 1956
1.	Shri Ajit Kumar IAS (Retd.)	27/01/1942	29/10/2003	M.A. (English) He has held various important positions in Government of India including that of Defence Secretary, Finance Secretary and Secretary, Ministry of Industries. He has vast experience in administration, planning and government affairs.	Singer India Ltd.	i) Audit Committee-Member ii) Remuneration Committee-Chairman	Yes

Sl. No.	Name of the Director	Date of Birth	Date of Appointment	Qualifications and Expertise in specific functional areas	List of Companies in which Directorship held as on 26/05/2010.	Chairman/ Member of the Committees of other companies as on 26/05/2010.	Whether qualified u/s 274(1)(g) of the Companies Act, 1956
2.	Shri B.M. Oza IFS (Retired)	28/08/1936	30/06/2001	M.A. (Economics) Diploma in Demographic Training. He is a distinguished Diplomat with over 44 years of experience in administration and international affairs.	NIL	NIL	Yes
3.	Dr. S. Ramesh IAS(Retd.)	28/10/1936	30/06/2001	M.A., M.P.A. (Harvard), Ph.D. He is former Secretary to the Govt. of U.P. having over 4 decades experience in administration, planning and govt. affairs.	1. South Asian Enterprises Ltd. 2. Uttarakhand Jal Vidyut Nigam Ltd. 3. Uttarakhand Power Corporation Ltd.	Audit Committee, Member Audit Committee, Chairman Audit Committee, Member	Yes

(C) Shareholding of above Directors as on 31/03/2010

S. No.	Name of Directors	No. of Shares held in Company	Percentage
1.	Shri Ajit Kumar	Nil	Nil
2.	Shri B. M. Oza	Nil	Nil
3.	Dr. S. Ramesh	Nil	Nil

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

ITEM NO.6

Shri S. K. Agarwal was reappointed as Managing Director of the Company w.e.f. 21st August, 2010 by the Board of Directors in its meeting held on 27/07/2010 on the terms and conditions as contained in agreement entered into between the Company and Shri S.K. Agarwal for this purpose on that date, subject to such approvals as may be required. Shri S.K. Agarwal is Commerce Graduate & Associate of Indian Institute of Bankers. He is former Banker having vast experience in the Banking and Financial Services.

Shri S. K. Agarwal, at the time of his reappointment as Managing Director of the Company, was also the Managing Director of VLS Securities Ltd., a wholly owned subsidiary of the Company. He continues to hold said position by virtue of his reappointment by the Board of Directors of VLS Securities Ltd. in its meeting held on 30/06/2010 for a further period of 3 years w.e.f. 01.07.2010. He is not drawing any remuneration from said subsidiary.

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

Shri S. K. Agarwal's appointment as Managing Director is being made in accordance with the conditions specified in Part I of Schedule XIII and the remuneration payable is within the ceiling laid down in Part II thereof and the requirements of Part III thereof are being complied with. The remuneration committee while recommending the remuneration package for the Managing Director also recommended that the same may be made effective from 01/04/2010. The Board concurring to the recommendation of remuneration committee, revised the remuneration of Shri S. K. Agarwal – Managing Director w.e.f. 01/04/2010 subject to approval of members.

The remuneration fixed for Shri S. K. Agarwal upon re-appointment as Managing Director effective from 01/04/2010 is as under:

a. Salary

Basic salary of Rs. 1,00,000 /- (Rupees One Lac Only) per month.

b. Perquisites

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

i. HRA/ Leased Accommodation: Rs.30,000/- (Rupees Thirty Thousand only) per month.

ii. Medical Reimbursement:

Expenses incurred for the Managing Director and the family subject to a ceiling of Rs.15,000/- (Rupees Fifteen Thousand only) per annum.

iii. Leave Travel Concession: For the Managing Director and his family incurred not exceeding Rs.48,000/- (Rupees Forty Eight Thousand only) per annum.

iv. Reimbursement of expenses for Books and Periodicals upto Rs. 33,000/- (Rupees Thirty Three Thousand only) per annum.

v. Reimbursement of secretarial services upto Rs. 1,20,000/- (Rupees One Lac Twenty Thousand only) per annum.

vi. Provident Fund, Gratuity payable, entitlement & encashment of leave as per rules of the Company.

vii. Facility of Chauffeur driven car for use on Company's business as per rules of the Company.

viii. Facility of Telephones or provision of similar equipments/facilities for official purpose will be free & not to be considered as perquisites except that the charges for personal long distance calls will be billed by Company to Managing Director.
Explanation : 'Family' for the purpose of this clause means spouse & dependent children of the Managing Director.

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

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

The aforesaid appointment of Shri S. K. Agarwal as Managing Director on the terms and conditions as set out in the agreement entered into between Shri S. K. Agarwal and the Company as also the enhancement in his remuneration is subject to the approval of the members. The members may also authorize the Board to review the remuneration of Managing Director with in the ceiling prescribed under the Companies Act, 1956 as and when thought fit, with out further approval from members. The Board recommends the appointment of Shri S. K. Agarwal as Managing Director of the Company and revision in his remuneration as set out in item No. 6 of the Notice.

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

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

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

ITEM NO.7

Of late the global markets have started looking up again and there has been uptrend in Indian economy with its position growing stronger in world economics. It is perceived that this growth will bring out multifold growth in financial services sector and ample field will be available for players in this sector to expand and diversify their activities. Your company being fairly experienced in financial services contemplates to derive maximum benefit from such opportunities inter alia by expanding its area of operations. In view of the proposed enhancement in volume of activities, the Company may have to go in for augmentation of the Capital base to partly finance the proposed activities. Hence the authorised capital of the Company needs to be adequately increased to accommodate the proposed augmentation of the capital base. The proposed augmentation of capital will necessitate amendment to the Capital Clause of the Memorandum of Association of the Company.

The Board of Directors recommend passing of this resolution. None of the Directors is in any way concerned or interested in the proposed resolution except to the extent of his holding of equity shares in the Company.

ITEM NO.8

The Company, as a part of its future growth strategy aims to emerge as a focused and strong financial services Company. Growth in business would require a larger level of long term working capital. In addition to growing its financial services business, the Company plans to enter into and expand its presence in other ventures including taking advantage of International financial markets for financial activities.

It is expected that the internal generation of funds would partially finance this programme and capital/debt raising would be another source of funds. Accordingly, it is thought prudent for the Company to raise a part of the funding requirements for the said purposes as well as for such other corporate purposes as may be permitted under applicable laws through the issue of appropriate securities as defined in the resolution, in Indian or international markets.

It is, therefore, proposed to raise an amount not exceeding Rs. 100 crores, in one or more tranches, on such terms, in such manner, at such price or prices and at such time as may be considered appropriate by the Board, from the various categories of investors in the Indian or international markets as set out in the resolution.

The fund raising programme may be through a mix of equity / equity-linked instruments, as may be appropriate. Section 81 of the Companies Act, 1956, provides, inter alia, that whenever it is proposed to increase the subscribed capital of a company by allotment of further shares, such further shares shall be offered to the persons who on the date of the offer are holders of the equity shares of the company in proportion to the capital paid up on those shares at that date unless the shareholders in a general meeting decide otherwise by passing a special resolution to this effect. The Listing Agreement executed by the Company with the Stock Exchanges also provides that the Company shall, in the first instance, offer all Securities for subscription pro rata to the Shareholders unless the Shareholders in a general meeting decide otherwise. Members' approval is, therefore, sought for issuing any such instrument whether equity shares or securities linked to or convertible into equity shares of the Company as the Company may deem appropriate, to parties other than the existing shareholders, if required. Whilst no specific instrument has been identified at this stage, in the event the Company issues any equity linked instrument, the issue will be structured in such a manner that the additional share capital that may be issued would be within the enhanced authorised capital as proposed i.e. Rs. 150 crores. The equity shares, if any, allotted on issue, conversion of Securities or exercise of warrants shall rank in all respects pari passu with the existing Equity Shares of the Company.

The raising of the above resources through debts instruments would be well within the borrowing limit of Rs.500 crores over and above the aggregate of paid up capital and free reserves of the Company as approved by the Members at the Annual General Meeting of the Company held on 23/05/1995.

The Company may also opt for issue of securities through Qualified Institutions Placement. A Qualified Institutions Placement (QIP) of the shares of the Company would be less time consuming and more economical. Accordingly, the Company may issue securities by way of a QIP in terms of Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ('SEBI Regulations'). These securities will be allotted only to Qualified Institutional Buyers (QIBs) as per the SEBI Regulations and there will be no issue to retail individual investors and existing retail shareholders. The resolution proposed is an enabling resolution and the exact price, proportion and timing of the issue of the securities will be decided by the Board based on an analysis of the specific requirements after consulting all concerned. Therefore, the proposal seeks to confer upon Board the absolute discretion to determine the terms of issue in consultation with the Lead Managers to the Issue.

As per Chapter VIII of the SEBI Regulations, an issue of securities on QIP basis shall be made at a price not less than the average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the two weeks preceding the "relevant date".

The "relevant date" for the above purpose shall be -

- in case of allotment of equity shares, the date of meeting in which the Board decides to open the proposed issue .
- in case of allotment of eligible convertible securities, either the date of the meeting in which the Board decides to open the issue of such convertible securities or the date on which the holders of such convertible securities become entitled to apply for the equity shares, as may be determined by the Board.

The Stock Exchange for the said purpose shall be The Bombay Stock Exchange Limited / The National Stock Exchange of India Limited, depending upon where the trading volume of Company's scrip was higher during relevant period or any other criteria as may be specified in relevant regulations at that time.

In accordance with the SEBI Regulations, special resolution of shareholders under Section 81 (1 A) of the Companies Act, 1956 is required for a QIP Issue. In case of QIP Issuance the special resolution has a validity period of 12 months before which allotments under the authority of said resolutions should be completed.

The Board of Directors recommend passing of the Special Resolution. None of the Directors is in any way concerned or interested in the proposed resolution except to the extent of his holding of equity shares in the Company.

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

Place: New Delhi
Date :27/07/2010

DIRECTORS' REPORT TO THE MEMBERS

Your Directors are pleased to present the Twenty Third Annual Report of the Company together with the audited statement of accounts for the year ended 31st March, 2010.

		(Rs. in Lakhs)
	For the year ended 31 st March 2010	For the year ended 31 st March 2009
1. Financial Results		
Gross Receipts	104937.78	63977.88
Profit before Interest & Depreciation	727.81	1010.61
Less: Interest & Finance Charges	4.92	0.07
Profit before depreciation	723.89	1010.54
Less: Depreciation	48.91	50.54
Profit before Tax	674.98	960.00
Less: Provision for Taxation	194.56	-14.74
Profit after Tax	480.32	974.74
Surplus b/fd. From previous year	1131.33	351.46
Previous year adjustments/other adjustment	31.91	0.08
Available for Appropriation	1643.56	1326.28
Appropriations:		
To General Reserve	0.00	0.00
To Statutory Reserve (under RBI Act, 1934)	96.06	194.95
Total Appropriations	96.06	194.95
Surplus c/f	1547.50	1131.33

2. Management Discussion and Analysis

Financial Review

During the period under review, the gross receipts have declined to Rs. 104937.78 lacs as compared to gross receipts of the previous year of Rs. 63977.88 lacs. The profit after tax of Rs.480.32 lacs has also declined as compared to profit after tax of Rs. 974.74 lacs of the previous year. The same have been because of shrinkage of arbitrage opportunities, the mainstay of your Company's operations for the last several years.

Industry Structure and Development

In the past year, the Indian as well as the global economy has witnessed a very high degree of uncertainty and volatility. While the year began on a reasonably optimistic note - particularly for the Indian economy - sentiment was completely reversed as the year drew to a close. Further, the global economy was hit by a severe credit crisis beginning 2008 which converted into a recession for many countries across the world. Indian economy was also affected by the same due to its global linkages. However, it recovered much faster than the global economy and the impact was also not as severe as that of developed countries.

The GDP growth for the Financial Year 2009-10 which again highlights the sharp and sudden change in the variables that affect and impact the economic environment. As the economy battled with high rates of inflation, liquidity crunch and a deteriorating global economic environment, among others, the outlook for growth considerably worsened.

The outlook for the global economy continues to remain bleak. IMF has estimated that world economic growth will fall to 0.5% in 2009, which is the lowest rate since World War II. The advanced economies are expected to contract by 2 per cent in 2009, while growth in emerging and developing economies is expected to slow sharply from over 6% in 2008 to just a little over 3% in 2009. The global economy is expected to experience gradual recovery in 2010, when growth is estimated at 3%, as the impact of expansionary fiscal and monetary policies starts to set in.

It is inevitable that the fortunes of the Indian economy are impacted by the growth prospects of the world economy as export demand continues

to fall, and external financing becomes progressively constrained. However, there are some inherent strengths in the Indian economy, which have spawned the idea of its 'decoupling' from the global economy. While it is debatable whether economies such as India will remain completely insulated from the negative growth prospects of the global economy, there are some factors that might play a mitigating role in the face of the spreading contagion. The presence of a large domestic population, along with the increase in its per capita income on the back of sustained economic growth over the past few years is expected to provide enough of a demand stimulus to ensure continued economic growth for India. Further, a strong saving and investment rate will contribute towards shortening the length and severity of the current slowdown, and also towards a faster revival, when the economic turnaround sets in.

It has become imperative for businesses to track the economic environment on an ongoing basis when changes come in such a dynamic fashion; when perceptions on where macroeconomic risks lie are so numerous and changing so often; when the immediate business environment becomes so closely linked with events that are largely beyond our immediate control. In Europe 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. Countries such as Greece, Spain, Italy and Portugal continue to face severe financial crisis. Reflecting sharp demand contraction, consumer price inflation has reached near zero in several advanced countries, raising concerns about sustained deflation on the way forward. Therefore the Asian market were affected badly during the year under review. However, certain corrective steps taken by the European Union have tried to ensure financial stability but their efficacy and final outcome can only be ascertained over a period of time. 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 have increased significantly.

The performance of hitherto resilient economies in the emerging world like China and India have also suffered though not to the extent in U.S.A, Europe & Japan. However, it has also brought to forefront the fact that in the present era of globalization no country is insulated from a global economic crisis though the severity of impact may differ.

The NBFC sector faced significant stress on asset quality, liquidity and funding costs due to the global economic slowdown & its impact on the domestic economy. While all the NBFCs were affected, the impact varied according to the structural features of each NBFC. Asset-liability maturity (ALM) profiles, type of assets financed and origination / collection models followed were the primary differentiators within NBFCs. The support provided by the Reserve Bank of India (RBI) highlighted the explicit acceptance of the systemic importance of the sector. FY10 was marked by re-aligning of the liability profiles, tightening of lending norms coupled with closing down of many of the unsecured loan segments. On a structural basis, the sector is now more robust due to the lessons learned by NBFCs from this crisis. Profitability is expected to be lower than historical levels due to conservative ALM management, higher provisioning and avoidance of high yielding unsecured loan segments. However profits are at the same time expected to be much more stable & less susceptible to liquidity related pressures going forward. It has an overall positive outlook on the sector due to the better ALM position, focus on relatively safer asset classes and the demonstrated acceptance of the sector as systemically important by the regulator.

Outlook, Risks and Concerns

In the beginning of the current financial year, there was greater optimism about India's growth prospects that the strength of domestic demand, particularly investment, would enable India to achieve a real GDP growth of 8.5% in Financial Year 2009. While due consideration was given to the financial turmoil being witnessed in the developed economies, India was not expected to be seriously affected by the unfolding crisis. However, since Sep'08, the scale of crisis intensified and its knock-on effects were felt in the realty sector. Acute liquidity crunch and decelerated economic activity resulted in pronounced fall in investors' appetite for risk. Developing economies, particularly the ones who relied on exports and on global financial markets for their financing needs also got engulfed in the crisis. Risks to the global growth outlook were significant and tilted firmly towards downside. In such a scenario of changing dynamics of uncertainty and downside risks to the global economic growth, it was necessary to revise India's growth prospects. The cyclical downside risks to growth increased significantly during the last few months of 2008. Therefore, it was forecasted that the GDP growth would be downwards to 8.0% in Sep'08 and further to 6.8% in Feb'09. However, the Indian economy grew by 7.4% during 2009-10 as against 6.7% in 2008-09.

For the near-term growth prospects, it is believed that the economy would pick up in the medium to long term period. Consumption demand is expected to receive a boost once the lagged effects of the aggressive policy responses by the Government and the RBI start unfolding. Rise in

consumption demand will in turn provide some fillip to industrial production, going forward; however, savings rate will shrink primarily due to erosion in value of physical and financial assets of households and decrease in corporate profitability. The combined impact of lower domestic savings and deferred capital expenditure plans by companies owing to funding pressures will lead to moderation in investment rate in Financial Year 2010. The Indian economy is expected to grow by 8.5% in 2010-11 and 9% in 2011-12 as per the Prime Minister's Economic Advisory Council (PMEAC).

Disbursements by the banking sector as also the NBFC sector were clearly hit during the crisis. The sharp falls in disbursements in the third quarter of FY09 coincided with the peak of the global crisis. Primary reason for this fall was lack of supply of funds after the market liquidity dried up. Impact however differed depending on the capital structure of the company, with NBFCs having larger ALM mismatches and those which had more dependence on mutual funds for funding were affected more severely as mutual funds themselves faced redemption pressures on their short term schemes. To support the sector, RBI undertook several measures to improve the liquidity flow to the NBFC sector. This was a significant development as the regulator highlighted the systemic importance of the sector. RBI measures to improve liquidity of NBFCs were as follows:

1. The systemically important non-deposit taking non-banking financial companies (NBFCs-ND-SI) were permitted to raise short-term foreign currency borrowings.
2. Allowed banks to avail liquidity support under the LAF for the purpose of meeting the funding requirements of NBFCs through relaxation in the maintenance of SLR up to 1.5 per cent of their NDTL.
3. Risk weights on banks' exposures to claims on NBFCs-ND-SI were reduced to 100 per cent from 150 per cent.
4. Setting up of a special purpose vehicle (SPV) for addressing the temporary liquidity constraints of systemically important non-deposit taking non-banking financial companies (NBFCs-ND-SI).
5. Deferring the higher Capital Adequacy Ratio (CAR) norms for NBFCs-ND-SI by 1 year.

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/commodity 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 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 and RBI regulations. 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 Ajit Kumar, Shri B. M. Oza and Dr. S. Ramesh - Directors would retire by rotation at the forthcoming Annual General Meeting and all, being eligible, offer themselves for reappointment. The Board has re-appointed Shri S. K Agarwal as Managing Director of the Company for next 3 years w.e.f. 21/08/2010 subject to members' approval. To enable the Company to obtain their continued valuable direction, guidance and assistance in conduct of the affairs of your Company, it is recommended that their reappointment be approved.

5. Directors' Responsibility Statement

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

- that in the preparation of the annual accounts for the financial year ended 31st March, 2010, 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, 2010 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.6,17,574/-

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 2010-2011 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 not 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 Resource

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 20. 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 : 27/07/ 2010

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 11 Directors all being non-executive, except the Managing Director. During the year under review, Shri Rakesh Babbar had resigned as Director of the Company w.e.f. 11/03/2010. The Board now consists of 2 (Two) Promoter Directors, 8 (Eight) Independent Directors and 1 (One) Non-Independent Director. With 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 31/03/2010 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 2009-2010	Whether attended AGM held on 31.08.2009	No. of Directorships in other Public Limited Companies as on 26/05/2010	No. of Committee positions held in other Public Limited Companies	
						Chairman	Member
1)	Shri Ajit Kumar (Chairman)	Non-Executive, Independent	4	NO	1	-	1
2)	Shri S. K. Agarwal (Managing Director)	Executive, Non-Independent	4	YES	5	1	-
3)	Shri Somesh Mehrotra	Non-Executive, Promoter	0	NO	2	-	-
4)	Shri N. C. Sundararajan	Non-Executive, Independent	2	NO	-	-	-
5)	Shri A. K. Puri	Non-Executive, Independent	4	NO	-	-	-
6)	Shri M. G. Diwan	Non-Executive, Independent	2	NO	7	1	3
7)	Dr. S. Ramesh	Non-Executive, Independent	4	YES	3	1	2
8)	Shri B. M. Oza	Non-Executive, Independent	2	NO	-	-	-
9)	Shri M. P. Mehrotra	Non-Executive, Promoter	4	NO	14	3	1
10)	Shri Gian Vijeshwar	Non-Executive, Independent	0	NO	6	1	2
11)	Shri Rakesh Babbar*	Non-Executive, Independent	0	NO	N.A.	N.A.	N.A.
12)	Shri B. B. Tandon	Non-Executive, Independent	4	NO	14	1	6

* Resigned w.e.f. 11/03/2010

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 31/03/2010, 4 (Four) Board Meetings were held with at least one meeting in every quarter on 28/05/2009, 18/07/2009, 28/10/2009 and 28/01/2010.
- 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 Quarterly and Annual Accounts for the year under review as required under Clause 41 & Clause 49 respectively of the Listing Agreement.

- e) Details of remuneration paid to the Directors during the year ended on 31.03.2010:

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 S.K. Agarwal	11,97,000	3,04,217	0	N.A.	15,01,217
3)	Shri Somesh Mehrotra	N.A.	N.A.	0	N.A.	0
4)	Shri B.M. Oza	N.A.	N.A.	40,000	N.A.	40,000
5)	Dr. S. Ramesh	N.A.	N.A.	80,000	N.A.	80,000
6)	Shri A.K. Puri	N.A.	N.A.	80,000	N.A.	80,000
7)	Shri N.C. Sundararajan	N.A.	N.A.	40,000	N.A.	40,000
8)	Shri M.G. Diwan	N.A.	N.A.	20,000	N.A.	20,000
9)	Shri M. P. Mehrotra	N.A.	N.A.	80,000	N.A.	80,000
10)	Shri Gian Vijeshwar	N.A.	N.A.	0	N.A.	0
11)	Shri Rakesh Babbar *	N.A.	N.A.	0	N.A.	0
12)	Shri B. B. Tandon	N.A.	N.A.	94000	N.A.	94000

* Resigned w.e.f. 11/03/2010

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 31.03.2010. 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 Director is 3 years 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 31/03/2010.

Date: 27/07/2010
Place: New Delhi

S. K. Agarwal
Managing Director

g) Disclosures regarding appointment or re-appointment of Directors

Shri Ajit Kumar, Shri B. M. Oza and Dr. S. Ramesh will retire by rotation at the forthcoming Annual General Meeting and being eligible, have offered themselves for reappointment. The relevant information about these Directors has been furnished in notice convening the ensuing Annual General Meeting. Shri S. K. Agarwal was re-appointed as Managing Director of the Company w.e.f. 21st August, 2010 by the Board of Directors in its meeting held on 27/07/2010 for a period of 3 years i.e. up to 20th August, 2013, approval whereof is sought from members in the ensuing Annual General Meeting.

2. AUDIT COMMITTEE

a) Composition

As on 01/04/2010 the Audit Committee consisted of Dr. S. Ramesh (Chairman of the Committee) with Shri N. C. Sundararajan, Shri A.K. Puri, Shri B. B. Tandon and Shri M. P. Mehrotra as members. 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 other Executives 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 31/03/2010, 4 (Four) Audit Committee Meetings were held on 27/05/2009, 17/07/2009, 28/10/2009 and 28/01/2010. The summary of attendance of members is as under:

Name	Shri A.K. Puri	Shri N. C. Sundararajan	Shri B.B. Tandon	Shri M.P. Mehrotra	Dr. S. Ramesh
Attendance in Four Meetings	4	2	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 B. B. Tandon 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.

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 24/04/2009, 23/05/2009, 26/06/2009, 31/07/2009, 31/08/2009, 25/09/2009, 28/10/2009, 28/11/2009, 28/12/2009, 28/01/2010, 26/02/2010 and 25/03/2010.

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

Name	Shri B.M. Oza	Shri S. K. Agarwal	Shri B. B. Tandon
Attendance in 12 meetings	10	12	12

c) Shareholders Complaints

The Company had received 16 complaints during the financial year ended 31st March, 2010. 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	0	0
Non-receipt of shares after transfer/transmission	1	1
Non-receipt of Annual Report	9	9
Non-receipt of Bonus Shares	2	2
Non-receipt of Name change sticker	0	0
Loss of shares/for duplicate shares	1	1
Non- receipt of share certificate after Rejection of Demat request	3	3
Total	16	16

** 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, 2009	August 31, 2009	3.30 p.m.	Sri Sathya Sai International Centre Auditorium, Lodhi Road Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003.
March 31, 2008	September 30, 2008	3.00 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.

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

There was no proposal requiring approval of members through special resolution in the previous 3 Annual General Meetings of the Company viz. for the year 2006-2007, 2007-2008 and 2008-2009.

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 had appealed before the Hon'ble Supreme Court against decision of Hon'ble tribunal. In the mean time, the Company was 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 has been accepted by SEBI and the Company has paid Rs.10,97,280/- towards settlement charges on 09/02/2010. Subsequently the Supreme Court on 16/07/2010 heard the matter and disposed off the case in terms of aforesaid settlement made according to SEBI's guidelines for consent order.

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 01/04/2009 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 constitution of committee was changed due to resignation of Shri Rakesh Babbar vide his letter dated 11/03/2010 as Director of the Company. Now the committee comprises Shri B.M. Oza – Chairman, Shri Somesh Mehrotra, Dr. S. Ramesh and Shri A. K. Puri as Members. 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 shareholders. However, they had been published in newspapers as prescribed in listing agreement. They are also available on company website namely www.vlsfinance.com. The results were also available on www.sebidifair.nic.in in terms of Clause 51 of the Listing Agreement which has been discontinued by SEBI w.e.f. 01/04/2010 and Clause 51 of the Listing Agreement has been deleted vide SEBI's circular no. CIR/CFD/DCR/3/2010 dated 19/04/2010. The periodic reporting is now being done on www.corpfiling.co.in in terms of clause 52 of the Listing Agreement.

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

b) Asset Liability Management Committee

Asset Liability Management Committee consists 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 consists 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 was also available on website www.sebidifair.nic.in which has been discontinued by SEBI w.e.f. 01/04/2010. The periodic reporting is now being done on www.corpfiling.co.in. 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, 21 st September, 2010 at 3.30 P.M.
- Venue	:	The Auditorium, Sri Sathya Sai International Centre, Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003
- Financial Year	:	April to March
- Book Closure	:	From 14-09-2010 to 21-09-2010 (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 Bombay Stock Exchange Ltd., Mumbai. (Code: 511333)
2. National Stock Exchange of India Ltd., 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 2010-2011. However, de-listing confirmation is yet to be received from the Calcutta Stock Exchange Association Ltd. and the Madras Stock Exchange Ltd.

c) Stock Market data

Monthly highs, lows and trading volume for the Financial Year 2009-2010 :

(Source: Metastock)

NSE				BSE			
Months	High Rs.	Low Rs.	Volume Nos.	High Rs.	Low Rs.	Volume Nos.	
Apr-09	10.00	6.15	394654	10.90	6.20	240325	
May-09	15.35	7.40	827781	15.16	7.51	637897	
Jun-09	17.80	11.65	760506	17.85	11.53	724185	
Jul-09	13.00	8.30	359803	13.10	8.71	310985	
Aug-09	13.60	10.55	920803	13.90	10.81	709923	
Sep-09	16.90	12.00	1877498	16.89	12.00	1539360	
Oct-09	15.60	11.00	559508	15.75	11.10	517845	
Nov-09	14.15	10.60	611589	15.00	10.76	399112	
Dec-09	14.40	12.00	1159448	14.90	12.05	920614	
Jan-10	16.60	12.50	1398400	16.50	12.25	1451743	
Feb-10	14.75	12.20	687504	14.75	12.11	479419	
Mar-10	14.40	11.10	702893	13.80	11.00	504408	
Total			10260387			8435816	