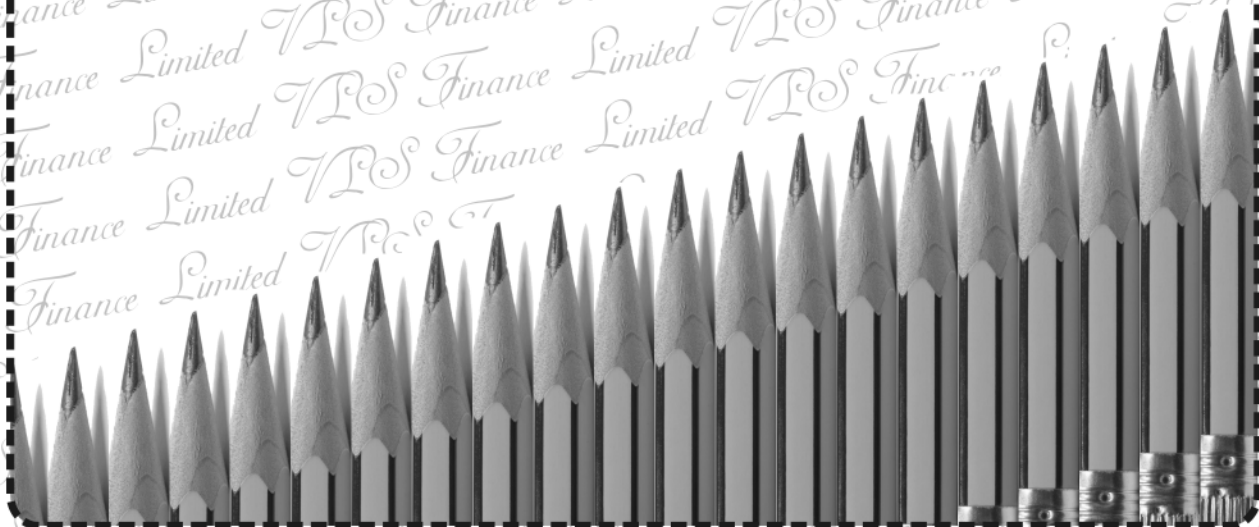




# **XXV ANNUAL REPORT 2011-2012**

**VLS FINANCE LTD.**

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



### NOTICE

#### 25<sup>TH</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 Friday,  
the 28<sup>th</sup> day of September, 2012

#### 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)

#### CONTENTS

#### Page No.

Notice of Annual General Meeting .....	1-2
Directors' Report .....	3-4
Report on Corporate Governance .....	5-10
Auditors' Report .....	10-11
Balance Sheet .....	12
Profit & Loss Account .....	13
Notes .....	14-20
Statement Pursuant to Section 212 .....	20
Cash Flow Statement .....	20
Annual Accounts of Subsidiaries .....	21-28
Consolidated Financial Statements .....	28-32

#### Attention Members

In order to improve investor services, we request you to update/register your postal and email address with Company in case of holding in physical form. The holders in demat (electronic) form may register the same with concerned depository participant.

#### BOARD OF DIRECTORS :

Shri Ajit Kumar Chairman  
Shri S.K. Agarwal Managing Director  
Shri M.P. Mehrotra  
Shri Somesh Mehrotra  
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, 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, 5<sup>th</sup> Floor, Plot No. C/1,  
G Block, Bandra Kurla Complex,  
Bandra (E), Mumbai-400051.

##### BSE LTD. (formerly THE BOMBAY STOCK EXCHANGE),

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 LTD.

7, Lyons Range, Kolkata-700 001.

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 25<sup>th</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 Friday, 28<sup>th</sup> day of September, 2012 at 3.30 p.m. to transact the following business: -

### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31<sup>st</sup> March, 2012, the statement of Profit & Loss for the year ended on that date and the consolidated Financial Statements for the said period together with the Report of Auditors and Directors thereon.
2. To appoint a Director in place of Shri M. P. Mehrotra who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri A. K. Puri who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri M. G. Diwan who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint the Auditors and to fix their remuneration and in this connection to consider and if thought fit, to pass following resolution, with or without modification(s), as an **Ordinary Resolution**:

**"RESOLVED THAT** pursuant to the provisions of Section 224 and other applicable provisions of the Companies Act, 1956 M/s. Agiwal & Associates, Chartered Accountants, the present Statutory Auditors of the Company be and are hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting to the conclusion of next Annual General Meeting of the Company and at such remuneration as may be determined by the Board of Directors of the Company / 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."

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

Place: New Delhi  
Date : 6/8/2012

### **NOTES: -**

1. A Member entitled to attend and vote is also entitled to appoint a proxy to attend and vote instead of himself/herself. The proxy need not be a member of the Company. The appointment of proxy in order to be effective must be lodged at the Registered Office of the Company not less than 48 hours before the commencement of the meeting, in the form enclosed hereto, duly filled and authenticated. A proxy may not vote except on a poll.
2. The submission of form of proxy by a member does not preclude such member from attending and voting at the meeting. The proxy in such event shall not be eligible to attend the meeting. Only bonafide members of the Company whose names appear on the Register of Members/ Proxy holders, in possession of valid attendance slips duly filled and signed will be permitted to attend the meeting. The Company reserves its right to take all steps as may be deemed necessary to restrict non-members from attending the meeting.
3. In the case of joint holders, the vote of the senior shall be accepted to the exclusion of the vote of the other joint holders. Seniority shall be determined by the order in which the names stand in the Register of Members. Corporate Members intending to send their authorized

representative are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.

4. The Register of Members of the Company shall remain closed from **21/09/2012 to 28/09/2012** (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 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.
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 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.
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. 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).
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 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.

**12. Information regarding Directors**
**(A) Retiring by rotation and seeking re-appointment :**

S No.	Name of the Director	Date of Birth	Date of Appointment	Qualifications and Expertise in specific functional areas	List of Companies in which Directorship held as on 31/07/2012	Chairman/Members of the Committees of other companies as on 31/07/2012.	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 50 years of rich experience in areas of taxation, administration and financial services.	a) Baroda Pioneer Asset Management Co. Ltd. b) South Asian Enterprises Ltd. c) Dhampur Sugar Mills Ltd.  d) Empee Sugars & Chemicals Ltd.  e) Empee Distilleries Ltd. f) India Securities Ltd. g) Delton Cables Ltd. h) Maxim Infracon Pvt. Ltd. i) VLS Commodities Pvt. Ltd. j) Riskpro India Ventures (P) Ltd. k) Moonrock Hospitality Pvt. Ltd. l) SBICAP Securities Ltd. m) Superior Industrial Enterprises Ltd. n) Jinbhuvish Power Generations (P) Ltd. o) Mehrotra & Mehrotra, Chartered Accountants – Senior Partner p) Karta- M. P. Mehrotra (HUF)	- Remuneration Committee-Member NIL a) Audit Committee-Chairman b) Remuneration Committee-Chairman  - Audit Committee-Member  - Audit Committee-Member - Audit Committee-Chairman NIL NIL NIL NIL NIL Audit Committee- Chairman NIL  NIL  N.A.  N.A.	Yes
2.	Shri A. K. Puri	03/08/1935	07/05/1998	M.Sc., LL. B., C.A.I.I.B. He is former Deputy Managing Director of State Bank of India and Ex-Member of the Board for Industrial Finance & Reconstruction, Ministry of Finance, Government of India. He has over 50 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., F.I.A., F.A.S.I., F.I.I.I. He is former Chairman of LIC of India having experience of more than 55 years in the field of Insurance, Actuarial Services, Finance, Investments and administration.	a) G.M. Breweries Ltd.  b) Marketing Research Corporation of India Ltd. c) Sriram Chits (Maharashtra) Ltd. d) GDA Trustee & Consultancy Pvt. Ltd. e) Indian Institute of Public Opinion Pvt. Ltd. f) D. S. Actuarial Education Services Pvt. Ltd. g) M/s. K. A. Pandit Consultants & Acturaries-Partner	i) Audit Committee- Member ii) Remuneration Committee- Member  NIL  NIL  NIL  NIL  N.A.	Yes

**(B) Shareholding of above stated Directors As on 31/03/2012**

S. No.	Name of Directors	No. of Equity Shares held in Company	Percentage
1.	Shri M.P. Mehrotra	285	0.0007
2.	Shri A. K. Puri	Nil	Nil
3.	Shri M. G. Diwan	Nil	Nil

By Order of the Board  
For VLS Finance Ltd.

Place: New Delhi  
Date: 6/8/2012

H. Consul  
Company Secretary

## DIRECTORS' REPORT TO THE MEMBERS

Your Directors are pleased to present the Twenty Fifth Annual Report of the Company together with the audited statement of accounts for the year ended 31<sup>st</sup> March, 2012.

### 1. Financial Results (Rs. in Lakhs)

	For the year ended 31 <sup>st</sup> March, 2012	For the year ended 31 <sup>st</sup> March, 2011*
<b>Gross Receipts</b>	<b>213661.45</b>	60100.22
Profit before Interest & Depreciation	422.21	830.90
Less: Interest & Finance Charges	66.53	59.00
Profit before depreciation	355.68	771.90
Less: Depreciation	171.69	45.91
Profit before Tax	183.99	725.99
Less: Provision for Taxation/(credits)	(31.01)	222.73
Profit after Tax	215.00	503.26
Surplus brought forward from previous year	1953.25	1547.50
Previous year adjustments/other adjustment	220	3.14
Available for Appropriation	2170.45	2053.90
<b>Appropriations:</b>		
To General Reserve	000	0.00
To Statutory Reserve (under RBI Act, 1934)	43.00	100.65
Total Appropriations	43.00	100.65
Surplus c/f	2127.45	1953.25

\* (Figures have been regrouped/recast to conform to current year's methodology)

### 2. Management Discussion and Analysis

#### Financial Review

During the year under review, the gross receipts increased to Rs. 213661.45 lacs from Rs. 60153.05 lacs in the previous year. The profit after tax for the year was Rs. 215.00 lacs as compared to profit after tax of Rs. 503.26 lacs of the previous year.

#### Industry Structure and Development

The financial year 2011-12 was a difficult one for the Indian economy. As reported in the Economic survey of 2011-12, GDP grew by 6.9% in 2011-12 as compared to 8.4% in 2010-11. The inflation (WPI) at 9.1% in Financial Year 2011-12 led to consistent interest rate hikes, affecting demand adversely. The Reserve Bank of India hiked the repo rate 13 times between March 2010 to January 2012 cumulatively by 375 basis points to tame the inflation. Resultantly, the financial resources became dearer for borrowers and liquidity position tightened. This led to lower consumption and deferment of expansion plans by both corporate and government entities in industrial and services segments. The fragile economic recovery in the US and Europe and moderately subdued expectations at home affected the growth of the industrial sector in the current year. The stock markets continued to exhibit volatility responding to global happenings and consequent impact on Indian economy during 2011-12, the slowed growth on many occasions made stock markets tail spinning abruptly and consequently lowering investor confidence. However, with sustained, though slow recovery, the overall situation is expected to improve.

#### Outlook, Risks and Concerns

The Company's operation during the year under review, as in earlier

years, continued to be capital/commodity market centric. Your Company has been making a judicious use of risk hedging tools for generating revenues in a risk neutral environment.

Your Company's performance is closely linked to those of the stock and commodities markets. Consequently, the growth prospects for 2012-13 are likely to be broadly reflective of those trends. In the projected scenario of low to moderate growth, continuing inflation and high interest rates, your Company will continue to strive for meaningful growth, focusing as always on a balanced portfolio mix and efficient cost management, in order to sustain profitability.

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 has been consistently following a conservative investment policy over the years.

#### Opportunities and Threats

The infrastructure sector and allied areas are expected to give good returns and it is intended to invest in these areas 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 near future.

Your Company is also making efforts to strengthen its subsidiary companies.

#### 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 M. P. Mehrotra, Shri A.K. Puri and Shri M.G. Diwan - 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, 2012, 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 adequate 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, 2012 on a 'going concern' basis.

## 6. Corporate Governance and Compliance Certificate

We have reported in Annexure-1 to this report, the extent of compliance of Corporate Governance practices in accordance with clause 49 of listing agreement.

## 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 forming part of financial statements 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 for this purpose. However, use of energy efficient devices, wherever possible, in conducting business of Company is part of administration policies. Details of foreign exchange earnings and outgo are given below:

Foreign Exchange earnings	:	Nil
Foreign Exchange outgo	:	Rs. 5,57,986/-

The shares of the Company are presently listed at BSE Ltd. (formerly, The Stock Exchange, Mumbai), The National Stock Exchange of India Ltd., Mumbai, The Calcutta Stock Exchange Ltd., Kolkata and The Madras Stock Exchange Ltd., Chennai.

The Company has paid the Annual Listing fees for the year 2012-2013 to all the aforesaid Stock Exchanges.

## 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

Employee relations continued to be cordial during the year. The number of employees stood at 20. The Directors place on record their appreciation for 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

Statement pursuant to Section 212(1) (e) read with sub-section (3) of the said section of the Companies Act, 1956 for the financial year ended 31/3/2012 in respect of the subsidiary companies, is 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

The SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 2011 had been promulgated w.e.f. 23/9/2011 repealing SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 1997. The new regulations do not prescribe disclosure requirement of 'group' in Annual Report of target Company as stipulated in earlier regulations, hence dispensed with in this report.

## 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 : 6/8/2012**

**M. P. MEHROTRA**  
**Director**

**S. K. AGARWAL**  
**Managing Director**

**Annexure-1**
**REPORT ON CORPORATE GOVERNANCE**
**Our Mission:**

To be one of the top ranking NBFCs to achieve sustained growth of business and profitability in core areas of investments, private placements and securities related operations, fulfilling socio economic obligations, excellence in customer service through up-gradation of skills of staff, their effective participation and making use of state of art technology.

**Corporate Philosophy:**

Your Company is committed to good corporate governance. The philosophy of your Company is to enhance the long-term economic value of the Company, its stakeholders and the society at large by adopting better corporate practices which not only ensures that the Company operates within the regulatory framework but also strive to achieve more transparency in management and institutional soundness.

**1. BOARD OF DIRECTORS**

- a) The total strength of the Board is 10 Directors all being non-executive, except the Managing Director. The Board of your Company consist of 2 (Two) Promoter Directors, 7 (Seven) Independent Directors and 1 (One) Non-Independent Director. With over two third members being independent Directors, the present constitution of Board adequately complies with present requirement of Clause-49 of Listing Agreement.

The attendance record of Directors for the year ended on 31/03/2012 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 2011-2012	Whether attended AGM held on 29.09.2011	No. of Directorships in other Public Limited Companies as on 31/7/2012	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	3	1	-
3)	Shri Somesh Mehrotra	Non-Executive, Promoter	1	NO	2	-	-
4)	Shri N. C. Sundararajan*	Non-Executive, Independent	0	NO	-	-	-
5)	Shri A. K. Puri	Non-Executive, Independent	4	NO	-	-	-
6)	Shri M. G. Diwan	Non-Executive, Independent	3	NO	4	-	1
7)	Dr. S. Ramesh	Non-Executive, Independent	4	YES	3	1	2
8)	Shri B. M. Oza	Non-Executive, Independent	4	NO	-	-	-
9)	Shri M. P. Mehrotra	Non-Executive, Promoter	4	NO	9	3	2
10)	Shri Gian Vijeshwar	Non-Executive, Independent	0	NO	7	1	2
11)	Shri B. B. Tandon	Non-Executive, Independent	4	NO	13	1	7

\* Resigned w.e.f. 7/2/2012

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 31/03/2012, 4 (Four) Board Meetings were held with one meeting in every quarter on 30/05/2011, 12/08/2011, 9/11/2011 and 8/02/2012.
- 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 forming part of financial statement" in the Annual Accounts for the year under review.
- d) Information supplied to the Board:

The Board has unfettered and complete access to any information within the Company and to any employee of the Company. 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 of Listing Agreement.

- e) Details of remuneration paid to the Directors during the year ended on 31.03.2012 :

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	17,82,000	4,76,273	0	0	22,58,273
3)	Shri Somesh Mehrotra	N.A.	N.A.	20,000	N.A.	20,000
4)	Shri B.M. Oza	N.A.	N.A.	70,000	N.A.	70,000
5)	Dr. S. Ramesh	N.A.	N.A.	90,000	N.A.	90,000
6)	Shri A.K. Puri	N.A.	N.A.	90,000	N.A.	90,000
7)	Shri N.C. Sundararajan	N.A.	N.A.	0	N.A.	0
8)	Shri M.G. Diwan	N.A.	N.A.	30,000	N.A.	30,000
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 B. B. Tandon	N.A.	N.A.	1,04,000	N.A.	1,04,000

**Notes:**

- i) Currently, the Company does not have any stock option scheme.
- ii) No other remuneration, except sitting fee is paid to non-executive directors.
- iii) Shri M. P. Mehrotra and Shri Somesh Mehrotra and Shri N.C.Sundararajan held 285 and 4,04,106 equity shares of the Company respectively as on 31.03.2012. No other director held any shares of the Company on that date for self or for others on beneficial basis. None of the Directors except Shri M.P. Mehrotra and Shri Somesh Mehrotra are related to each other.
- 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 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 31/03/2012.

**Date: 6/8/2012**

**Place: New Delhi**

**S. K. Agarwal**

**Managing Director**

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

The relevant information about Directors retiring by rotation has been furnished in notice convening the ensuing Annual General Meeting.

**2. AUDIT COMMITTEE**
**a) Composition**

As on 1/4/2011 the Audit Committee consisted of Dr. S. Ramesh (Chairman of the Committee) with Shri N. C. Sundararajan, Shri A.K. Puri, Shri M. P. Mehrotra and Shri B. B. Tandon as members. The Board, in its meeting held on 8/02/2012, accepted the resignation of Shri N. C. Sundararajan as Director of Company. Consequently, he has also ceased to be member of the Audit Committee. The majority of the members are independent Directors including chairman of the committee. All the members of committee are financially literate in terms of relevant stipulation under Clause- 49 of the listing agreement and two members have 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 Audit Committee inter-alia advises the management on areas where systems, processes, measures for controlling and monitoring revenue, internal audit and risk management can be improved. 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 31/03/2012, 4 (Four) Audit Committee Meetings were held on 30/05/2011, 12/08/2011, 9/11/2011 and 8/02/2012. 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	Shri B.B. Tandon
Attendance in Four Meetings	4	0	4	4	4

**3. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE**
**a) Composition and terms of reference**

The Committee consists 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 29/04/2011, 30/05/2011, 29/06/2011, 29/07/2011, 26/08/2011, 22/09/2011, 28/10/2011, 30/11/2011, 29/12/2011, 27/01/2012, 29/02/2012, and 29/03/2012.

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 4 complaints during the financial year ended 31<sup>st</sup> March, 2012. 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:

<b>Nature of Complaints**</b>	<b>Received</b>	<b>Redressed</b>
Non-receipt of Dividend	0	0
Non-receipt of shares after transfer	0	0
Non-receipt of Annual Report	4	4
Non-receipt of Bonus Shares	0	0
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	0	0
<b>Total</b>	<b>4</b>	<b>4</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

<b>Financial year ended</b>	<b>Date</b>	<b>Time</b>	<b>Venue</b>
March 31, 2011	September 29, 2011	3.30 p.m.	Sri Sathya Sai International Centre Auditorium, Lodhi Road Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003.
March 31, 2010	September 21, 2010	3.30 p.m.	Sri Sathya Sai International Centre Auditorium, Lodhi Road Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003.
March 31, 2009	August 31, 2009	3.00 p.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 29.9.2011, no agenda item was required to be approved by special resolution.
- In the AGM held on 21.9.2010, a Special Resolution was passed for approval of raising funds under section 81(1A) of the Companies Act, 1956.
- In the AGM held on 31.8.2009, 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.

#### 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 forming part of financial statements'.

##### 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 10<sup>th</sup> 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) 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 01/04/2011 comprised Shri B.M. Oza - Chairman of the Committee with Shri Somesh Mehrotra, Dr. S. Ramesh 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 one meeting of remuneration committee was held on 12/08/2011.
- iii) The Company does not have a documented 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.

- 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 as recommended in listing agreement. The individual contribution of Directors in fulfilling their responsibilities as Director interalia in strategic management of Company forms basis of internal evaluation by the Board.
- 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.

## 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 and annual audited results in prescribed format, in two newspapers viz. The Financial Express and Jansatta regularly. The said results are also made available on the Company's website <http://www.vlsfinance.com> and [www.corpfiling.co.in](http://www.corpfiling.co.in) in terms of clause 52 & 54 of Listing Agreement. Further, disclosures pursuant to the listing agreement are promptly communicated to the concerned 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

- <b>Date and time</b>	:	Friday, 28 <sup>th</sup> September, 2012 at 3.30 PM
- <b>Venue</b>	:	The Auditorium, Sri Sathya Sai International Centre, Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003
- <b>Financial Year</b>	:	April to March
- <b>Book Closure</b>	:	From 21-09-2012 to 28-09-2012 (both days inclusive)
- <b>Buy back of shares</b>	:	During the year under review, there was no proposal by the Company to buy back its shares.
- <b>Dividend payment date</b>	:	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. BSE Limited (formerly The Bombay Stock Exchange), Mumbai. (Code:511333)
2. The National Stock Exchange of India Ltd., Mumbai. (Code: VLSFINAC)
3. The Calcutta Stock Exchange 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 2012-2013. However, de-listing confirmation is yet to be received from the Calcutta Stock Exchange Ltd. and the Madras Stock Exchange Ltd.

### c) Stock Market data

(Source: Metastock)

Monthly highs, lows and trading volume for the Financial Year 2011-2012:

Months	NSE			BSE		
	High Rs.	Low Rs.	Volume Nos.	High Rs.	Low Rs.	Volume Nos.
Apr-11	21.25	14.90	892834	21.15	14.90	713995
May-11	17.35	13.20	303024	17.20	14.35	164652
Jun-11	16.45	12.80	426411	16.60	13.15	377272
Jul-11	16.00	13.40	266481	15.00	13.36	207199
Aug-11	14.20	9.35	573661	13.95	9.51	440889
Sep-11	12.60	10.25	224567	12.40	10.78	226443
Oct-11	12.35	9.00	215294	12.30	10.25	198701
Nov-11	12.00	9.20	228086	12.00	9.20	156011
Dec-11	10.75	8.20	258449	11.00	9.05	177171
Jan-12	14.50	9.90	464442	13.05	9.90	280686
Feb-12	20.20	12.30	1781652	20.25	12.50	1642119
Mar-12	22.90	11.90	2176783	21.60	12.00	933133
<b>Total</b>			7811684			5518271