



XXVI ANNUAL REPORT 2012-2013

VLS FINANCE LTD.

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

NOTICE

26TH 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 Wednesday,
the 25th day of September, 2013

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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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, 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.

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,
30, 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 26th 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 Wednesday, 25th day of September, 2013 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 31st March, 2013, 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 Ajit Kumar who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri B. M. Oza who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. S. Ramesh 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, (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:

6. 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, 2013 (i.e. from 21/08/2013 to 20/08/2016) 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 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."

By Order of the Board
For **VLS Finance Ltd.**

Place: New Delhi
Date : 22/07/2013

H. Consul
Company Secretary

NOTES: -

1. A Member entitled to attend and vote is also entitled to appoint a proxy to attend and vote instead of himself/herself. The proxy need not be a member of the Company. The appointment of proxy in order to be effective must be lodged at the Registered Office of the Company not less than 48 hours before the commencement of the meeting, in the form enclosed hereto, duly filled and authenticated. A proxy may not vote except on a poll.
2. The submission of form of proxy by a member does not preclude such member from attending and voting at the meeting. The proxy in such event shall not be eligible to attend the meeting. Only bonafide members of the Company whose names appear on the Register of Members/ Proxy holders, in possession of valid attendance slips duly filled and signed will be permitted to attend the meeting. The Company reserves its right to take all steps as may be deemed necessary to restrict non-members from attending the meeting.
3. In the case of joint holders, the vote of the senior shall be accepted to the exclusion of the vote of the other joint holders. Seniority shall be determined by the order in which the names stand in the Register of Members. Corporate Members intending to send their authorized representative are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
4. The Register of Members of the Company shall remain closed from 18.09.2013 to 25.09.2013 (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, 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 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 22/07/2013.	Chairman/Member of the Committees of other Companies as on 22/07/2013.	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
2.	Shri B. M. Oza IFS (Retd.)	28/08/1936	30/06/2001	M.A. (Economics) Diploma in Demographic Training. He is a distinguished Diplomat with over 50 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 5 decades experience in administration, planning and govt. affairs.	1. South Asian Enterprises Ltd.	Audit Committee-Member	Yes

(B) Shareholding of above stated Directors as on 22/07/2013

Sl 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, 2013 by the Board of Directors in its meeting held on 22/07/2013 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 re-appointment as Managing Director of the Company, was also the Managing Director of VLS Securities Ltd., a 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 27/05/2013 for a further period of 3 years w.e.f. 01.07.2013. He is not drawing any remuneration from said subsidiary.

Shri S. K. Agarwal is also Director in VLS Asset Management Ltd., Risk Software Solution Pvt. Ltd. and VLS Capital Limited.

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 had for the time being recommended the same remuneration package for the Managing Director which is currently drawn by him and reproduced below :

a. Salary

Basic salary of Rs. 1,15,000 /-(Rupees One Lac Fifteen Thousand Only) per month.

b. Perquisites

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

- HRA/ Leased Accommodation: Rs.33,500/- (Rupees Thirty Three Thousand Five Hundred only) per month.
- 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.
- Leave Travel Concession: For the Managing Director and his family incurred not exceeding Rs.48,000/- (Rupees Forty Eight Thousand only) per annum.
- Reimbursement of expenses for Books and Periodicals upto Rs. 47,400/-(Rupees Forty Seven Thousand Four Hundred only) per annum.

- Reimbursement of secretarial services upto Rs. 12,500/- (Rupees Twelve Thousand Five Hundred only) per month.
- Provident Fund, Gratuity payable, entitlement & encashment of leave as per rules of the Company.
- Facility of Chauffeur driven car for use on Company's business as per rules of the Company.
- Facility of Telephones or provision of similar equipments/ facilities for official purpose will be free & 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 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, without further approval from members. The Board recommends the appointment of Shri S. K. Agarwal as Managing Director of the Company as set out in item No. 6 of the Notice.

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

A copy 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 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 other holidays. In terms of Section 302 of the Companies Act, 1956, this may be construed as abstract of 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. The Board of Directors recommend passing of the Ordinary Resolution.

By Order of the Board
For VLS Finance Ltd.

Place: New Delhi
Date: 22/07/2013

H. Consul
Company Secretary

DIRECTORS' REPORT TO THE MEMBERS

Your Directors are pleased to present the Twenty Sixth Annual Report of the Company together with the audited statement of accounts for the year ended 31st March, 2013.

1. Financial Results (Rs. in Lakhs)

	For the year ended 31 st March, 2013	For the year ended 31 st March, 2012*
Gross Receipts	232213.50	213661.45
Profit before Interest & Depreciation	435.47	422.21
Less: Interest & Finance Charges	15.55	66.53
Profit before depreciation	420.32	355.68
Less: Depreciation	48.73	171.69
Profit before Tax	371.59	183.99
Less: Provision for Taxation/(credits)	187.00	(31.01)
Profit after Tax	184.59	215.00
Surplus brought forward from previous year	2127.45	1953.25
Previous year adjustments/other adjustment	(14.75)	2.20
Available for Appropriation	2297.29	2170.45
Appropriations:		
To General Reserve	0.00	0.00
To Statutory Reserve (under RBI Act, 1934)	36.92	43.00
Total Appropriations	36.92	43.00
Surplus c/f	2260.37	2127.45

* (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. 232213.50 lacs from Rs. 213661.45 lacs in the previous year. The profit before tax for the year under review stood at 371.59 lacs as compared to Rs. 183.99 lacs of the previous year. However, the profit after tax for the year was Rs. 184.59 lacs as compared to profit after tax of Rs. 215.00 lacs of the previous year due to provision for deferred tax.

Industry Structure and Development

The global economy in financial year 2012-2013 showed some improvement though slowly but did not recover to the extent anticipated in the beginning of the financial year. Due to sluggish growth, many European economies experienced recession resulting in high unemployment, banking fragility, fiscal tightening and bearish market. The U.S. economy improved marginally, driven mainly by housing and the consumer sectors; however, capital investments remained sluggish. Among the Asian economies, deceleration in industrial output and exports weakened India's economy growth significantly. The weak macro environment and slower growth caused the margin environment to remain volatile with downward bias. The continuing tightening measures by Reserve Bank of India to curb inflation adversely effected the industrial growth due to costly funds. Accordingly, the financial sector's performance was not up to the mark.

The proportion of income of Company from commodity market activities has consistently increased in past and has crossed 50% mark of total income in the financial year under review. In the recent meetings with Reserve Bank of India's officials, it has been pointed out that in their view the income from commodity trading would not constitute income

from financial services or investment activities and thus continuing the Company's registration as an NBFC may be reviewed in terms of conditions/regulations for registration as NBFC. In view of this, the Company may be required to surrender its registration with RBI as NBFC.

The Board is contemplating, in such an eventuality, to take up the membership of a recognised stock exchange or a commodity exchange as a trading member to facilitate present line of business of the Company.

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 2013-14 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 better 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 apart from strengthening its subsidiary companies.

Adequacy of Internal Control Systems

The Company has an independent Internal Audit system to carry out extensive audits throughout the year covering all areas of Company's significant operations. The Audit Committee regularly reviews adequacy and effectiveness of the Company's internal control environment and monitors implementation of audit recommendations.

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. To enable the Company to obtain their continued valuable direction, guidance and assistance in conduct of the affairs of your Company, it is recommended that their reappointment be approved. The Board has re-appointed Shri S. K Agarwal as Managing Director of the Company for next 3 years w.e.f. 21/08/2013 subject to members' approval.

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, 2013, 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 31st March, 2013 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. There was no proposal during the year under review for buy back of shares by the Company. Details of foreign exchange earnings and outgo are given below:

Foreign Exchange earnings	:	Nil
Foreign Exchange outgo	:	Rs. 41,588/-

The shares of the Company are presently listed at BSE Ltd. (formerly, The Bombay 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 2013-2014 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 19. 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

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 31/3/2013 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. 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 : 22/7/2013

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 31/03/2013 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 2012-2013	Whether attended AGM held on 28/09/2012	No. of Directorships in other Public Limited Companies as on 22/7/2013	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 A. K. Puri	Non-Executive, Independent	4	NO	-	-	-
5)	Shri M. G. Diwan	Non-Executive, Independent	1	NO	4	-	1
6)	Dr. S. Ramesh	Non-Executive, Independent	4	YES	1	-	1
7)	Shri B. M. Oza	Non-Executive, Independent	3	NO	-	-	-
8)	Shri M. P. Mehrotra	Non-Executive, Promoter	4	NO	8	2	2
9)	Shri Gian Vijeshwar	Non-Executive, Independent	0	NO	7	-	2
10)	Shri B. B. Tandon	Non-Executive, Independent	4	NO	13	1	7

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 31/03/2013, 4 (Four) Board Meetings were held with one meeting in every quarter on 29/05/2012, 6/08/2012, 10/11/2012 and 4/02/2013.
- 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 31.03.2013:

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	4,89,662	0	0	22,71,662
3)	Shri Somesh Mehrotra	N.A.	N.A.	10,000	N.A.	10,000
4)	Shri B.M. Oza	N.A.	N.A.	48,000	N.A.	48,000
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 M.G. Diwan	N.A.	N.A.	10,000	N.A.	10,000
8)	Shri M. P. Mehrotra	N.A.	N.A.	80,000	N.A.	80,000
9)	Shri Gian Vijeshwar	N.A.	N.A.	0	N.A.	0
10)	Shri B. B. Tandon	N.A.	N.A.	1,02,000	N.A.	1,02,000

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 held 285 and 404106 equity shares of the Company respectively as on 31.03.2013. 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 31/03/2013.

Date: 22/7/2013
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 1/4/2012 the Audit Committee consisted of Dr. S. Ramesh (Chairman of the Committee) with Shri A.K. Puri, Shri M. P. Mehrotra and Shri B. B. Tandon as members. The Board, in its meeting held on 4/02/2013, nominated Shri Ajit Kumar -Director of Company as a member of 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 31/03/2013, 4 (Four) Audit Committee Meetings were held on 29/05/2012, 6/08/2012, 10/11/2012 and 4/02/2013. The summary of attendance of members is as under:

Name	Shri A.K. Puri	Shri Ajit Kumar	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, 11 (Eleven) meetings of Shareholders/ Investors Grievance Committee were held on 30/04/2012, 29/05/2012, 30/06/2012, 24/07/2012, 29/08/2012, 17/10/2012, 19/11/2012, 20/12/2012, 12/01/2013, 18/02/2013 and 12/03/2013.

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

Name	Shri B.M. Oza	Shri S. K. Agarwal	Shri B. B. Tandon
Attendance in 11 meetings	9	11	11

c) Shareholders Complaints

The Company had received 2 complaints during the financial year ended 31st March, 2013. 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	0	0
Non-receipt of Annual Report	2	2
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
Total	2	2

** 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, 2012	September 28, 2012	3.30 p.m.	Sri Sathya Sai International Centre Auditorium, Lodhi Road Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003.
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.

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

- In the AGM held on 28.9.2012, no agenda item was required to be approved by special resolution.
- 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.

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 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) 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 01/04/2012 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. No meeting of the Committee was held during the financial year 2012-13.

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 inter alia 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 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 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	: Wednesday, 25 th September, 2013 at 3.30 PM
- 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 18-09-2013 to 25-09-2013 (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. 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. (Code: 032019)
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 2013-2014. 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 2012-2013:

NSE				BSE		
Months	High Rs.	Low Rs.	Volume Nos.	High Rs.	Low Rs.	Volume Nos.
Apr-12	15.25	12.60	364766	15.27	12.70	289357
May-12	13.95	11.55	173003	13.90	11.90	151182
Jun-12	15.75	10.85	518096	15.70	11.50	350069
Jul-12	14.00	11.00	431400	14.09	11.65	260843
Aug-12	14.50	11.00	338709	14.44	11.71	222197
Sep-12	14.20	11.80	369940	14.15	11.81	217488
Oct-12	16.00	12.85	337604	14.90	12.81	296802
Nov-12	15.20	12.15	307752	14.95	12.30	282537
Dec-12	16.85	12.80	583900	16.90	12.60	423637
Jan-13	17.20	13.45	466014	17.37	13.40	814156
Feb-13	14.45	11.20	239225	14.60	11.25	212999
Mar-13	12.70	8.70	229716	12.75	8.70	138681
Total			4360125			3659948