



XXVII ANNUAL REPORT 2013-2014

VLS FINANCE LTD.

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

NOTICE

27TH 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 Thursday,
the 25th day of September, 2014

SHARE TRANSFER & INVESTOR SERVICES

M/s RCMC Share Registry Pvt. Ltd.
Unit: VLS Finance Ltd.
B-25/1, 1st Floor, Okhla Industrial Area, Phase-II,
New Delhi-110020

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	
Shri K. K. Soni	Director-Finance & CFO

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.

DIRECTORS' REPORT TO THE MEMBERS

Your Directors are pleased to present the Twenty Seventh Annual Report of the Company together with the audited statement of accounts for the year ended 31st March, 2014.

1. Financial Results (Rs. in Lakhs)

	For the year ended 31 st March, 2014	For the year ended 31 st March, 2013*
Gross Receipts	381636.53	232213.50
Profit before Interest & Depreciation	459.53	435.47
Less: Interest & Finance Charges	1.97	15.55
Profit before Depreciation	457.56	420.32
Less: Depreciation	41.98	48.73
Profit before Tax	415.58	371.59
Less: Provision for Taxation/(Credits)	67.37	187.00
Profit after Tax	348.21	184.59
Surplus brought forward from previous year	2260.37	2127.45
Previous year adjustments/other adjustment@	(113.30)	(14.75)
Available for Appropriation	2495.28	2297.29
Appropriations:		
To General Reserve	0.00	0.00
To Statutory Reserve (under RBI Act, 1934)	0.00	36.92
Total Appropriations	0.00	36.92
Surplus c/f	2495.28	2260.37

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

@ Transferred to Capital Redemption Reserve A/c.

2. Management Discussion and Analysis

Financial Review

During the year under review, the gross receipts increased to Rs. 381636.53 lacs from Rs. 232213.50 lacs in the previous year. The profit before tax for the year under review stood at Rs. 415.58 lacs as compared to Rs. 371.59 lacs of the previous year. The profit after tax for the year was Rs. 348.21 lacs as compared to profit after tax of Rs. 184.59 lacs of the previous year.

Industry Structure and Development

The global economy in financial year 2013-2014 showed some improvement though slowly. Due to sluggish growth, many developing economies experienced general slowdown. The world economy growth was at 3.6% though expected to improve in the current fiscal. Among the Asian economies, deceleration in industrial output and exports weakened India's economic growth significantly. The depreciation of Indian Rupee vis-a-vis U.S. dollar was a significant factor in affecting India's GDP growth which fell below 5%. The continuing tightening measures by Reserve Bank of India to curb inflation leading to high cost of funds adversely affected India's industrial growth. As a result of various measures taken by the Government the value of rupee stabilized vis-a-vis other international currencies during the later half of the fiscal year under review.

Outlook, Risks and Concerns

The Company's operations during the year under review, as in earlier years, continued to be capital/commodity market centric. Your Company has been making use of available avenues in the capital market and the commodities market for its operations. The Company's registration as Non banking Finance Company was surrendered w.e.f. 29/01/2014. The Company immediately thereafter applied for trading membership of BSE Ltd. which has been accepted vide letter dated 14/05/2014 of BSE Ltd. The operations as Stock Broker will commence upon receipt of registration from Securities and Exchange Board of India which is awaited.

Your Company's performance is closely linked to those of the stock and commodities markets. Consequently, the growth prospects for 2014-15 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.

Opportunities and Threats

With the coming into power of new Government with focus on development the infrastructure and allied sectors are expected to perform better giving an impetus to the economy. The Company shall strive to take advantage of the emerging opportunities. The Company shall also focus on permitted avenues as member of Stock Exchange including, corporate advisory services. The Company 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 in compliance with applicable 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 remained an NBFC for most part of the year under review and was mainly engaged in finance business including dealing through stock exchanges and commodity exchanges. As activities of the company for most part of the year related to finance business 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 Securities 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

In accordance with the provisions of Article 89 of the Articles of Association of the Company, Shri Somesh Mehrotra- Director will retire by rotation at the ensuing Annual General Meeting of your Company and being eligible, offers himself for re-election. To enable the Company to obtain his continued valuable direction, guidance and assistance in conduct of the affairs of your Company, it is recommended that his reappointment be approved. The Board had re-appointed Shri S. K. Agarwal as Managing Director of the Company for 3 years w.e.f. 21/08/2013 and members' approval was obtained in Annual General Meeting held on 25/09/2013. Further, the Board in its meeting dated 14/11/2013 had revised the remuneration of Shri S. K. Agarwal - Managing Director w.e.f. 01/04/2013 and appointed Shri K. K. Soni, CFO of the Company as Director of the Company also by redesignating him as Director-Finance & CFO and revised his remuneration w.e.f. 01/04/2013, the approvals of which from members were obtained in Extra-ordinary General Meeting held on 21/12/2013.

Your Board at its meeting held on 11th August, 2014 has recommended the appointment of Shri Ajit Kumar, Shri B. M. Oza, Shri M.G. Diwan, Dr. S. Ramesh, Shri A. K. Puri, Shri B. B. Tandon and Shri Gian Vijeshwar as Independent Directors in terms of Sections 149, 152 read with Schedule IV & other applicable provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, with effect from the date of the ensuing Annual General Meeting of your Company.

Your Board at the said meeting, on the recommendation of the Nomination and Remuneration Committee, also recommended, for the approval of the Members for the change of terms of appointment of Shri S. K. Agarwal-Managing Director and Shri K. K. Soni - Director-Finance & CFO of the Company by making them liable to retire by rotation, with effect from the date of the ensuing Annual General Meeting of your Company. The remuneration of the Managing Director and the Director-Finance & CFO is also sought to be revised from the dates

indicated in respective resolutions therefor in the notice convening the ensuing Annual General Meeting. The re-appointment of Independent Directors and change in category of Executive Directors has been made in order to comply with provisions of the Companies Act, 2013 which are required to be approved by the members.

Appropriate resolutions seeking your approval to the aforesaid appointments are appearing in the Notice convening the 27th Annual General Meeting of the Company. Shri Ajit Kumar, Shri B. M. Oza, Shri M.G. Diwan, Dr. S. Ramesh, Shri A. K. Puri, Shri B. B. Tandon and Shri Gian Vijeshwar by virtue of being Independent Directors of your Company in terms of the provisions of the Companies Act, 2013, will not be liable to retire by rotation for the residual period of their respective terms of appointment approved by the Members of the Company.

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, 2014, 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, 2014 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 139 of the Companies Act, 2013 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. In terms of section 139 (2) read with Rule 6 of Companies (Audit and Auditors) Rules, 2014, the present auditors can be appointed for three consecutive terms of one year each starting from present proposal before being subjected to compulsory rotation of Auditors.

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. During the year under review the Company had decided to buyback its own shares under authority of Board's power to buyback the same and the entire process was completed on 11/02/2014. The Company had bought back 11,32,983 equity shares in terms of the offer to buyback made by it. Accordingly, the capital of the Company had been reduced by Rs.1,13,29,830/- as detailed in the enclosed balance sheet in Notes No. 2 i.e. Share Capital of the Company.

Details of foreign exchange earnings and outgo are given below:

Foreign Exchange earnings : Nil

Foreign Exchange outgo : Rs. 1,75,216/-

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 2014-2015 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 22. 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. Green Initiative in Corporate Governance

As a continuing endeavor towards the Go Green initiative, the Company proposes to send future correspondences and documents like the notice calling the general meeting, audited financial statements, directors' report, auditors' reports etc. in the electronic form, to the email addresses provided by the Members and made available to us by the Depositories. Members who hold shares in the physical form are requested to register their e-mail addresses and intimate any changes in their e-mail id, with the Company or with the Registrar & Share Transfer Agents, RCMC Share Registry Pvt. Ltd. In respect of electronic holdings, members are requested to register their e-mail addresses with the Depository through their concerned Depository Participants. However, in case you desire to receive Company's communication and documents in physical form, you are requested to intimate us through email at hconsul@vlsfinance.com. You may kindly note that as a Member of the Company, you will be entitled to be furnished, free of cost, a printed copy of the Annual Report of the Company, upon receipt of a requisition from you, at any time.

Members are advised to convert their shares from Physical form to Dematerialized form. Dematerialization of shares provides several benefits to the shareholders. The transaction of shares can be carried out quickly and in an easy way. Holding securities in Demat form helps the investors to get immediate transfer of securities. No stamp duty is payable on transfer of shares held in Demat form and the brokerage involved is also generally lower. The incidence of non-delivery or bad delivery and the risks associated such as forged transfers that occurs for the shares when held in physical format is totally avoided.

Further, the sale and purchase of Company's shares is possible if the shares are held in dematerialized form only. Hence members holding in physical form can not sell the shares through stock exchange unless the physical shares are converted in dematerialized form.

13. 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 31/3/2014 in respect of the Subsidiary Companies, is enclosed with Annual Accounts of the Company.

14. 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.

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 : 11/8/ 2014

K. K. Soni
Director-Finance & CFO

S. K. Agarwal
Managing Director

Annexure-1
REPORT ON CORPORATE GOVERNANCE
Our Mission:

To be one of the top ranking Corporate 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 which enjoins the highest standard of ethical and responsible conduct of business to create value for all stake holders. 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 11 Directors all being non-executive, except the Managing Director and Director-Finance & CFO. The Board of your Company consist of 2 (Two) Promoter Directors, 7 (Seven) Independent Directors and 2 (Two) Non-Independent Directors. 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 Independent Directors aforesaid adequately meet the criteria laid down in section 149 of Companies Act, 2013, in the opinion of Board and their appointment as Independent Directors for five years in terms of aforesaid statute has been recommended by the Board.

The attendance record of Directors for the year ended on 31/03/2014 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 2013-2014	Whether attended AGM held on 25/09/2013	No. of Directorships in other Public Limited Companies as on 11/8/2014	No. of Committee positions held in other Public Limited Companies	
						Chairman	Member
1)	Shri Ajit Kumar (Chairman)	Non-Executive, Independent	5	NO	1	-	1
2)	Shri S. K. Agarwal (Managing Director)	Executive, Non-Independent	5	YES	3	1	-
3)	Shri Somesh Mehrotra	Non-Executive, Promoter	2	NO	2	-	-
4)	Shri A. K. Puri	Non-Executive, Independent	4	NO	-	-	-
5)	Shri M. G. Diwan	Non-Executive, Independent	2	NO	4	-	1
6)	Dr. S. Ramesh	Non-Executive, Independent	5	YES	1	-	1
7)	Shri B. M. Oza	Non-Executive, Independent	5	NO	-	-	-
8)	Shri M. P. Mehrotra	Non-Executive, Promoter	5	NO	9	2	2
9)	Shri Gian Vijeshwar	Non-Executive, Independent	0	NO	7	-	2
10)	Shri B. B. Tandon	Non-Executive, Independent	4	NO	11	2	7
11)	Shri K.K. Soni	Executive, Non-Independent	2	YES	5	-	2

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 Company under Section 25 of the Companies Act, 1956 (or Section 8 of the Companies Act, 2013).

- b) During the year ended 31/03/2014, 5 (Five) Board Meetings were held with one meeting in every quarter on 28/05/2013, 22/07/2013, 14/11/2013, 10/12/2013 and 13/02/2014.
- 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 31.03.2014:

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.	1,40,000	N.A.	1,40,000
2)	Shri S.K. Agarwal	19,50,000	5,51,462	N.A.	N.A.	25,01,462
3)	Shri Somesh Mehrotra	N.A.	N.A.	30,000	N.A.	30,000
4)	Shri B.M. Oza	N.A.	N.A.	1,54,000	N.A.	1,54,000
5)	Dr. S. Ramesh	N.A.	N.A.	1,50,000	N.A.	1,50,000
6)	Shri A.K. Puri	N.A.	N.A.	1,10,000	N.A.	1,10,000
7)	Shri M.G. Diwan	N.A.	N.A.	30,000	N.A.	30,000
8)	Shri M. P. Mehrotra	N.A.	N.A.	1,30,000	N.A.	1,30,000
9)	Shri Gian Vijeshwar	N.A.	N.A.	0	N.A.	0
10)	Shri B. B. Tandon	N.A.	N.A.	1,54,000	N.A.	1,54,000
11)	Shri K. K. Soni (w.e.f. 14/11/2013)	3,03,683	69,938	N.A.	N.A.	3,73,621

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 884691 equity shares of the Company respectively as on 31.03.2014. 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. The tenure of Director-Finance & CFO is upto 30/01/2016 with notice period of one month. Presently, all the Directors other than Executive Directors are liable to retire by rotation. However, after the proposed modification in terms of appointment of Executive Directors and appointment of Independent Directors in terms of Section 149 of the Companies Act, 2013 is made, all the directors except Independent Directors will be 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 31/03/2014.

Date: 11/8/2014
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 1/4/2013 the Audit Committee consisted of Dr. S. Ramesh (Chairman of the Committee) with Shri Ajit Kumar, Shri A.K. Puri, Shri M. P. Mehrotra and Shri B. B. Tandon as members. 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 were 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. The terms of reference of Audit Committee had been revised by the Board on 26/05/2014 to conform to provisions of Section 177 of the Companies Act, 2013 and Clause 49 of Listing Agreement which is envisaged to be effective from 1/10/2014. No change in constitution of committee was made as present constitution complies with the extant norms.

c) Meetings and attendance

During the year ended on 31/03/2014, 4 (Four) Audit Committee Meetings were held on 28/05/2013, 22/07/2013, 14/11/2013 and 13/02/2014. 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	3	4	4	4	3

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.

The Board in its meeting held on 26/05/2014 had renamed the said committee as Stakeholders Relationship Committee under Section 178 of Companies Act, 2013. The composition of the said committee remained unchanged as present constitution complies with the requirements of applicable regulations.

b) Meetings and attendance

During the year under review, 13 (Thirteen) meetings of Shareholders/ Investors Grievance Committee were held on 08/04/2013, 07/05/2013, 28/05/2013, 27/06/2013, 22/07/2013, 21/08/2013, 12/10/2013, 14/11/2013, 10/12/2013, 26/12/2013, 22/01/2014, 27/02/2014 and 24/03/2014.

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 13 meetings	12	13	12

c) Shareholders Complaints

The Company had received 3 complaints during the financial year ended 31st March, 2014. 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	3	3
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	3	3

** 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. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE
Composition and terms of reference

The Board in its meeting held on 11/08/2014 had constituted Corporate Social Responsibility Committee in compliance with section 135 of the Companies Act, 2013 and applicable Companies (Corporate Social Responsibility) Rules, 2014. The Committee consists of Shri Ajit Kumar, Shri B. B. Tandon –Directors and

Shri S. K. Agarwal-Managing Director as members. The terms of reference of CSR Committee are in compliance with the applicable regulations.

5. GENERAL BODY MEETINGS

a) Details of the last three Annual General Meetings

Financial year ended	Date	Time	Venue
March 31, 2013	September 25, 2013	3.30 p.m.	Sri Sathya Sai International Centre Auditorium, Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003.
March 31, 2012	September 28, 2012	3.30 p.m.	Sri Sathya Sai International Centre Auditorium, 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, 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 25.9.2013, no agenda item was required to be approved by special resolution.
- 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.

c) Postal ballots

During the year under review, no item was proposed for approval of members through Postal Ballot.

6. 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:

- None

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 01/04/2013 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 Two meetings of remuneration committee were held on 22/07/2013 and 14/11/2013. Dr. S Ramesh and Shri B. M. Oza attended both the meetings. Shri A. K. Puri attended one meeting and Shri Somesh Mehrotra attended none of the above meetings.

The Board in its meeting held on 26/05/2014 had renamed the said committee as Nomination and Remuneration Committee to comply with the provisions of Section 178 of Companies Act, 2013 and revised its terms of reference accordingly. There was no change in constitution of Committee since the existing Committee complied with requirements of applicable regulations.

iii) Buyback Committee

The Board in its meeting held on 10/12/2013 had considered buyback of Company's own shares pursuant to the provisions of Article 5(iv) and (v) of the Articles of Association of the Company, as amended and the provisions of Sections 77A, 77AA, 77B and all other applicable provisions, of the Companies Act, 1956 (to the extent applicable) and Sections 69, 70 and other applicable provisions, of the Companies Act, 2013 (to the extent notified) and in compliance with the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998 ("SEBI Buyback Regulations"), approved the buy back by the Company of its fully paid-up equity shares of Rs.10/- each not exceeding 99,48,750 (Ninety Nine Lacs Forty Eight thousand Seven Hundred and Fifty) equity shares (representing 25% of the total paid-up equity capital of the Company) at a price of Rs.14.50/- (Fourteen rupees and Paise Fifty Only) per equity share (the "Buy Back Offer Price") payable in cash for an aggregate amount of Rs. 14,42,56,875 (Rupees Fourteen Crores Forty Two Lacs Fifty Six Thousand Eight Hundred Seventy Five Only) (the "Buyback Offer Size") which was within 10% of the fully paid-up equity share capital and free reserves of the Company as per the audited accounts of the Company for the year ended March 31, 2013, from the shareholders of the Company on a proportionate basis, through the Tender Offer route as prescribed under the SEBI Buyback Regulations (hereinafter referred to as the "Buyback").

Accordingly the board had constituted Buyback committee for monitoring the said activity by nominating Shri B. M. Oza, Shri B. B. Tandon - Directors, Shri S. K. Agarwal- Managing Director and Shri K. K. Soni- Director- Finance & CFO as members as member of the said committee. The Board also appointed SMC Capitals Limited as Merchant Banker and RCMC Share Registry Pvt. Ltd. as registrar to the Buyback.

During the year under review two meetings of Buyback committee were held on 18/12/2013 and 03/01/2014.

The entire process of Buyback was completed on 11/02/2014. The Company had bought back 11,32,983 Fully Paid-up Equity Shares of Rs.10/-each of the Company from the existing share holders at a price of Rs.14.50/- per share. Accordingly, the Paid up Capital of the Company stood reduced by Rs.1,13,29,830/-.

- iv) 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. The Whistle blower policy or Vigil Mechanism as envisaged under the provisions of Companies Act, 2013 and Listing Agreement is being formulated.
- v) 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.
- vi) 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. The Nomination and Remuneration Committee is now empowered to do necessary evaluation in accordance with policy of the Company being formulated for this purpose.

- vii) There was no qualification in the Auditor's Report on the Annual Accounts of the Company for the year under review.
- viii) The Company has adhered to the directions of Reserve Bank of India (RBI) for Non Banking Finance Companies as applicable to the Company at the relevant point of time and the following committees were constituted on 22/01/2009.

a. Asset Liabilities Committee, b. Nomination Committee, c. Risk Management Committee

The Asset Liability Committee was reconstituted on 28/05/2013 with Shri Ajit Kumar, Shri B. B. Tandon – Directors and Shri S. K. Agarwal- Managing Director as Members. The Risk Management Committee was reconstituted on 28/05/2013 with Shri Ajit Kumar, Shri B. B. Tandon – Directors and Shri S. K. Agarwal- Managing Director as Members. The Nomination Committee was reconstituted on 28/05/2013 with Shri B. M. Oza, Shri B. B. Tandon, Shri A. K. Puri – Directors and Shri S. K. Agarwal- Managing Director as Members.

7. COMMUNICATION TO SHAREHOLDERS

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 and other quarterly compliances under listing agreement alongwith Reconciliation of Capital had also been uploaded on NEAPS a platform provided by NSE and <http://listing.bseindia.com> a platform provided by BSE Ltd. as well as emailed to corp.relations@bseindia.com, cmli@nse.co.in, listing@cse-india.com and listing@mseindia.com the official email ID of BSE Limited, The National Stock Exchange of India Ltd., Mumbai, The Calcutta Stock Exchange Ltd., Kolkata and The Madras Stock Exchange Ltd., Chennai, respectively. 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**.

- a) 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.
- b) 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.
- c) 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'.

8. SHAREHOLDERS INFORMATION

a) Annual General Meeting

-	Date and time	: Thursday, 25 th September, 2014 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 18-09-2014 to 25-09-2014 (both days inclusive)
-	Buy back of shares	: During the year under review, 11,32,983 Fully Paid-up Equity Shares of Rs.10/-each have been bought back by the Company from the existing share holders at a price of Rs.14.50/- per share. Accordingly, the Paid up Capital of the Company stand reduced by Rs.1,13,29,830/-.
-	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 Ltd. (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 2014-2015. 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 2013-2014:

NSE				BSE		
Months	High Rs.	Low Rs.	Volume Nos.	High Rs.	Low Rs.	Volume Nos.
Apr-13	11.80	9.25	181821	11.80	9.50	108903
May-13	11.45	9.15	215184	11.20	9.41	133397
Jun-13	10.30	7.40	256931	10.50	7.99	105864
Jul-13	10.65	8.25	290644	10.50	8.01	172638
Aug-13	11.15	8.25	440229	10.34	8.61	133661
Sep-13	12.60	9.75	675913	12.60	9.55	272439
Oct-13	12.50	10.05	397926	12.45	10.05	168327
Nov-13	12.85	10.35	308469	12.64	10.50	175469
Dec-13	14.40	10.80	1709220	14.40	10.80	759078
Jan-14	14.40	11.80	231109	14.25	11.67	192605
Feb-14	13.50	11.90	99297	13.65	11.63	92640
Mar-14	13.85	12.00	387737	13.89	12.03	189161
Total			5194480			2504182

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

NSE Graph of VLS Finance Ltd.



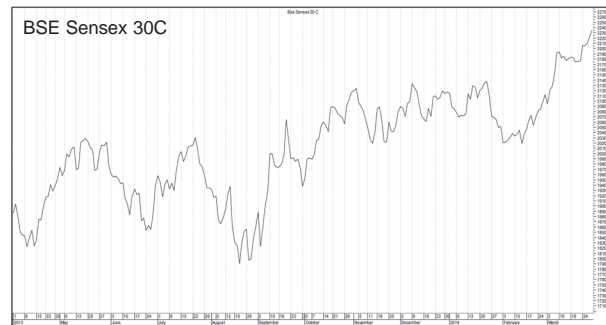
Nifty :



BSE Graph of VLS Finance Ltd.



Sensex :



d) Registrar and Transfer Agents and Share Transfer System

The Company has retained M/s. RCMC Share Registry Pvt. Ltd., as its Registrar & Transfer Agents for further period of one year w.e.f. 01/04/2014 for entire shareholder services viz. processing request for transfer, other shareholder services, dematerialisation of holding, providing connectivity services with depositories in compliance of SEBI's circular No.D&CC/F/TTC/CIR-15/2002 dated 27/12/2002.

e) Investors Correspondence

For any query relating to transfer/transmission of shares, dematerialisation, change of address etc. please write to M/s. RCMC Share Registry Pvt. Ltd., (the "Registrar") at B-25/1 First Floor, Okhla Industrial Area Phase-II, New Delhi-110020 (Phone Nos. 011 – 26387320, 26387321, 26387323 and Fax 011-26387322). For any further assistance in said matters, queries may be addressed to the Company Secretary at the registered office of the Company.

f) Distribution of shareholding as on March 31, 2014

Slab of share holdings (No. of shares)	No. of share holders	%age	Nominal value of shares held (Rs.)	%age
1-500	13177	51.1291	29728270.00	7.6893
501-1000	9380	36.3961	61778740.00	15.9792
1001-2000	1833	7.1124	26665190.00	6.8970
2001-3000	510	1.9789	13183870.00	3.4100
3001-4000	203	0.7877	7362020.00	1.9042
4001-5000	178	0.6907	8430590.00	2.1806
5001-10000	276	1.0709	20816860.00	5.3843
10001 and above	215	0.8342	218654630.00	56.5554
Total	25772	100.0000	386620170.00	100.0000

According to categories of shareholders as on March 31, 2014

Sl. No.	Categories	No. of shares	Amount in Rs.	Percentage of shareholding
1	Promoters, Directors and Relatives	16083242	160832420.00	41.5996
2	Financial Institution and Banks	9500	95000.00	0.0246
3	Mutual Fund	100	1000.00	0.0003
4	FIs	300	3000.00	0.0008
5	Corporate Bodies	1716881	17168810.00	4.4407
6	Clearing Members	161865	1618650.00	0.4187
7	Indian Public	20407719	204077190.00	52.7849
8	Trust	30000	300000.00	0.0776
9	NRI/OCBs/FN	252410	2524100.00	0.6529
	Grand Total	38662017	386620170.00	100.0000

g) Dematerialisation of Shares and liquidity

89.68% of the total share capital of Company was held in dematerialized form as on 31/03/2014. The shares of Company are actively traded in BSE Ltd. and The National Stock Exchange of India Ltd.. The shares of the Company are traded only in demat segment w.e.f. 28th August 2000.

h) There were no ADRs/ GDRs/ Warrants or other convertible instruments out standing as on 31/03/2014.

i) Reconciliation of capital

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

j) Financial Calendar (Tentative)

Quarter ending June 30, 2014	Mid of August, 2014
Quarter ending September 30, 2014	Mid of November, 2014
Quarter ending December 31, 2014	Mid of February, 2015
Year ending March 31, 2015 #	End of May, 2015
Annual General Meeting for the year ended March 31, 2014	25 th September, 2014

For the quarter ending 31/03/2015 un-audited results may not be published and only audited results will be published, unless decided otherwise.

k) Subsidiary Companies

The Company does not have a material non-listed Indian subsidiary in terms of Clause 49 of the Listing Agreement with Stock Exchanges, as per financial results of the period under review, i.e. Financial Year 2013-14.

l) Plant Location

Not applicable since the Company is not into manufacturing or similar activity.

Auditors' Certificate on Corporate Governance

As required by Clause 49 of the Listing Agreement, the Auditors Certificate is annexed hereto.

CERTIFICATE

To

The Members of VLS Finance Ltd.

We have examined the compliance of conditions of Corporate Governance by VLS Finance Ltd., for the year ended on 31st March, 2014, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the abovementioned Listing Agreement.

We state that no investor grievance was pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the company nor of the efficiency or effectiveness with which the management has conducted the affairs of the company.

For and on behalf of
Agiwal & Associates
(Firm Registration No: 000181N)
Chartered Accountants
(P.C. Agiwal)
(Partner)
Membership No. 80475

Date: 11/8/2014
Place: New Delhi

Covering letter of the annual audit report to be filed with the stock Exchange
FORM A

1.	Name of the Company	VLS Finance Limited
2.	Annual financial statement for the year ended	31st March 2014
3.	Type of Audit observation	Un-Qualified
4.	Frequency of Observation	Not Applicable

S.K. Agarwal
Managing Director

K.K. Soni
Director-Finance & CFO

P.C. Agiwal
Representative of Statutory Auditor

Dr. S. Ramesh
Chairman-Audit Committee

Independent Auditor's Report
TO THE MEMBERS OF VLS FINANCE LIMITED
REPORT ON THE FINANCIAL STATEMENTS

1. We have audited the accompanying financial statements of **VLS FINANCE LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act") and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants

of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and Notes to Accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit of the company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. As required by the Companies (Auditor's Report) Order, 2003 as amended by "the Companies (Auditor's Report) (Amendment) Order 2004", issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act (herein after referred to as the "Order"), and on the