



# **XXIX ANNUAL REPORT 2015-2016**

**VLS FINANCE LTD.**

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### NOTICE

#### 29<sup>TH</sup> ANNUAL GENERAL MEETING OF MEMBERS OF THE COMPANY WILL BE HELD AT

The Auditorium, Sri Sathya Sai International Centre,  
Institutional Area, Lodhi Road  
Pragati Vihar, New Delhi - 110 003  
at 3:30 P.M.  
on Thursday,  
the 15<sup>th</sup> day of September, 2016

#### 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  
Ph. : 011 26387320-21-23 Fax : 011 26387322

Our e-mail address :

For investor services : [hconsul@vlsfinance.com](mailto:hconsul@vlsfinance.com)

Other than above : [vls@vsnl.com](mailto:vls@vsnl.com)  
visit us at [www.vlsfinance.com](http://www.vlsfinance.com)

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#### BOARD OF DIRECTORS :

Shri Ajit Kumar	Chairman
Shri S.K. Agarwal	Managing Director
Shri K. K. Soni	Director-Finance & CFO
Shri M.P. Mehrotra	Director
Dr. (Mrs.) Neeraj Arora	Director
Shri Vikas Mehrotra	Director
Dr. S. Ramesh	Director
Shri. D.K. Mehrotra	Director
Shri R. Bandyopadhyay	Director

#### COMPANY SECRETARY

Shri H. Consul

#### AUDITORS

M/s. Agiwal & Associates  
Chartered Accountants,  
3830, Lal Kothi, 2<sup>nd</sup> Floor,  
Pataudi House Road,  
Above Bank of Baroda,  
Darya Ganj, New Delhi-110002

#### BANKERS

HDFC Bank  
UCO Bank

#### EQUITY SHARES LISTED AT :

##### THE NATIONAL STOCK EXCHANGE OF INDIA LTD.

Exchange Plaza, 5th Floor, Plot No. C/1,  
G Block, Bandra Kurla Complex,  
Bandra (E), Mumbai-400051.

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

25, Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai - 400 001.

##### THE CALCUTTA STOCK EXCHANGE LTD.

7, Lyons Range, Kolkata-700 001.

#### 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.

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/Printing

## DIRECTORS' REPORT TO THE MEMBERS

Your Directors are pleased to present the 29<sup>th</sup> Annual Report of the Company together with the audited statement of accounts for the year ended 31<sup>st</sup> March, 2016.

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

	For the year ended 31st March, 2016	For the year ended 31st March, 2015*
<b>Gross Receipts</b>	<b>191701.79</b>	462349.03
Profit before Interest & Depreciation	<b>1036.82</b>	799.38
Less: Interest & Finance Charges	<b>195.80</b>	23.04
Profit before Depreciation	<b>841.02</b>	776.33
Less: Depreciation	<b>44.96</b>	47.64
Profit before Tax	<b>796.06</b>	728.69
Less: Provision for Taxation/(Credits)	<b>94.08</b>	(80.68)
Profit after Tax	<b>701.98</b>	648.01
Surplus brought forward from previous year	<b>4444.25</b>	2495.28
Less: Adjustment on account of transitional Provision effect for depreciation	<b>0.00</b>	1.16
Add: Transfer from Statutory Reserve (Under RBI Act, 1934)	<b>0.00</b>	1302.13
Available for Appropriation	<b>5146.23</b>	4444.25
<b>Appropriations:</b>		
To General Reserve	<b>0.00</b>	0.00
Surplus c/f	<b>5143.23</b>	4444.25

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

### 2. Management Discussion and Analysis

#### Financial Review

During the year under review, profit before tax was Rs.796.06 Lakhs as compared to Rs. 728.69 Lakhs for the previous year and profit after tax was also higher at Rs. 701.98 Lakhs as compared to Rs. 648.01 Lakhs during the previous year.

#### Industry Structure and Development

The world economy showed a weakening trend, with weak aggregate demand, falling commodity prices and increasing volatility in the financial markets. Most emerging economies have been showing slower economic growth. India has fortunately been able to buck this trend, thanks largely to the country's domestic demand and comparatively limited reliance on the external sector for growth. The world economy's revised growth rate was at 2.4% as compared to 3.6% in the previous year and is projected to grow by 2.9% in 2016.

The Asian region is expected to grow at a steady 5.4 percent in 2015–16 and will continue to remain the global growth leader. Asia's growth should benefit from relatively strong labour markets and growth in disposable income along with the ongoing recovery in major developed economies. Low inflation, increased public investment, revival of private investment and increased consumption (both urban and rural) were the major factors influencing India's GDP growth which was at 7.4%. The continuing tightening measures by the Reserve Bank of India to combat inflation, led to higher cost of funds which adversely affected India's industrial growth. The value of the rupee stabilized vis-à-vis other international currencies during the later half of the fiscal year as a result of various measures taken by the Government and Reserve Bank of India.

### Outlook, Risks and Concerns

Your Company has been making use of available opportunities in the capital and the commodities markets for its operations, keeping in view its business objectives. The Company received registration as stock broker in October, 2014. After complying with the requisite formalities of the stock exchange viz. BSE Ltd, the Company commenced operations as stock broker in December, 2015.

The underlying strength of Indian consumption and demand, continues to remain robust. The country's equity markets remain a favourite of global investors. The performance of your Company is closely linked to those of the stock and commodities markets and more particularly to stock markets. The growth tendencies for 2016-17 are expected to be mostly reflective of the developments in these areas. Your Company is cautiously optimistic in the current scenario and will focus on a well-adjusted portfolio mix, resourceful cost management and risk containment measures in order to sustain profitability.

The Company is exposed to normal industry risks such as credit, interest rate, economic, currency, political, market and operational risks. Our approach to risk management is based on our extensive experience and well placed risk management framework. The Company views risk management as integral to its business for creating and maintaining best practices in business operations and administration.

### Opportunities and Threats

Positive strides have been made since the new government has taken over. The Company is looking forward to grasp the available opportunities. The Company will also focus on permitted avenues as a member of the Stock Exchange including corporate advisory and other related services. The uncertain state of the global economy however remains a cause of concern.

### Adequacy of Internal Financial Control Systems

The Internal Auditor monitors and evaluates the efficacy and adequacy of internal financial control systems in the Company, its compliance with operating systems, accounting procedures and policies at all levels of the Company and its subsidiaries. Significant audit observations and the corrective actions thereon are presented to the Audit Committee of the Board. The control framework is established and maintained by the Company. The observations by the internal and statutory auditors is perused by the Management, the Audit Committee as well as the Board for proper implementation. The Company's internal financial controls have been found to be adequate and effective.

### Segment wise Performance

Accounting Standard (AS-17) relating to "Segment Reporting" has been complied with. The gross operating income and profit from the other segment is below the norms prescribed in AS-17, hence separate disclosure has not been made.

### 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

As a measure to conserve resources, no dividend is recommended.

### 4. Reserve

No amount was proposed to be transferred to the reserve during the year under review.

### 5. Directors/ Key Managerial Personnel (KMP)

The following changes have occurred from 01/04/2015 till the date of

this report in the composition of the Board of Directors/ Key Managerial Personnel of your Company:

**Directors:**

Due to untimely demise of Shri Somesh Mehrotra on 22/08/2015, he ceased to be the Director from that date and Shri M.P. Mehrotra was appointed as Non-Executive/Non-Independent Director on 12.09.2015 to fill the casual vacancy so caused. Shri. B.M. Oza ceased to be Director w.e.f. 30/06/2016 due to his demise.

Shri R. Bandyopadhyay and Shri D.K. Mehrotra have been appointed as Additional Directors in the category of Independent Director w.e.f. 28.05.2016 besides Shri Vikas Mehrotra who was also appointed an Additional Director on 28.05.2016 in the category of Non-Independent Director. Shri Vikas Mehrotra is son of Shri M.P. Mehrotra- Promoter and Director of the Company and is related to him as such.

In accordance with the provisions of Article 89 of the Articles of Association of the Company, Shri K. K. Soni- Director-Finance & CFO will retire by rotation at the ensuing Annual General Meeting of your Company and being eligible, offers himself for re-election.

The tenure of Shri S.K. Agarwal-Managing Director is ending on 20<sup>th</sup> August, 2016 and his reappointment, subject to members approval, has been made in the Board meeting held on 28/05/2016. His tenure as a Managing Director will be effective from 21/08/2016 for a period of 3 years.

As already reported, Dr. (Mrs.) Sushma Mehrotra ceased to be Director on 09/04/2015 due to her demise. Dr. (Mrs.) Neeraj Arora was appointed as Additional Director w.e.f. 30/05/15 and her appointment as Director liable to retire by rotation was approved by members in 28<sup>th</sup> Annual General Meeting held on 24/09/15.

**Key Managerial Personnel (KMP):**

Shri K. K. Soni- Director-Finance & CFO was reappointed as such in the extraordinary general meeting held on 19<sup>th</sup> December, 2015. There has been no other change in the Key Managerial Personnel of your Company during the year under review.

**6. Independent Directors**

The Independent Directors of your company have complied with the relevant provisions of the law relating to their declaration served to the Company and they continue to comply with the provisions of the applicable laws & listing regulations.

**7. Annual Return extract (MGT-9)**

The details forming part of the extract of the Annual Return in Form MGT-9 is annexed herewith as **annexure A**.

**8. Contracts with Related Party**

The disclosure in prescribed form AOC-2 is enclosed as **annexure B**.

**9. Directors' Responsibility Statement**

Pursuant to the provisions of Section 134(3) of the Companies Act, 2013, the Directors hereby confirm:

- that in the preparation of the annual accounts for the financial year ended 31<sup>st</sup> March, 2016, 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, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- that they have prepared the Annual Accounts for the financial year ended 31<sup>st</sup> March, 2016 on a 'going concern' basis.
- that they have laid down Internal Financial controls to be followed by the Company and that such Internal Financial Controls are adequate and effective.

- that the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating.

**10. Evaluation of Board/Committees/Individual Directors**

The Board carried out the annual performance evaluation of its own performance, its Committees and Directors. The exercise was led by the independent directors and the Chairman. The evaluation process focused on various aspects of the Board and Committees functioning such as composition of the Board and Committees, experience and competencies, performance of specific duties and obligations, governance issues etc. Separate exercise was carried out to evaluate the performance of individual directors on parameters such as attendance, contribution and independent judgment. The Directors expressed their satisfaction with the evaluation process. The aim was to assess the effectiveness of the Board's/Committees' processes, and to identify any actions required to improve effectiveness. The review thus focused on the following associated areas; structure, leadership, strategy, risks, decision making and development.

The evaluation process comprised the following:

- Review of Board, Committees and management information and other relevant documentation
- Meetings with key individuals within the organization.
- Discussions with all directors on the Board, Committee members focusing on aspects of the Board's and Committees' composition; strategy, risk and controls; decision-making, roles and performance of the Chairman, independent directors, executive directors and other non-executive directors.

Given the experience and qualifications of the Board members, it was not considered necessary to engage external persons to facilitate the evaluation process. Most directors have rich experience of corporate environment and so they are accustomed to having their performance regularly evaluated.

**11. Proper systems to ensure compliances were adequate and effective**

The professional conduct sets expectations that all employees shall comply with all laws and regulations governing company's conduct. Information is reported upwards internally within the organization to senior management and as appropriate, also shared with the Board of Directors and/or the external auditors. Information is reported externally in public filings, if it meets the criteria for requiring public disclosure.

**12. Number of meetings**

During the financial year ended on 31<sup>st</sup> March, 2016, the Board met 5 times, on 28/05/2015, 11/08/2015, 12/09/2015, 06/11/2015 and 09/02/2016.

**13. Corporate Social Responsibility (CSR)**

With the enactment of the Companies Act, 2013 ('Act') the Company is covered under the threshold prescribed under the Act for CSR.

In the previous year it was reported that the Company had to expend a sum of Rs. 4,98,534/- being 2% of the average profits of the previous three years on its CSR initiatives. However, based on the clarification by the Ministry of Corporate Affairs on the computation of the profits under section 135 of the Companies Act, 2013, a recalculated figure of Rs. 6,47,440/- was derived to be spent on its CSR activities which is higher than the earlier reported figure for the year 2013-2014. The amount to be spent on CSR initiatives for the year 2014-2015 amounted Rs. 8,46,347/-. Out of the total amount of Rs. 14,93,787/- to be spent on CSR in the year 2015-2016, the Company had placed Rs. 6,48,000/- in the 'Prime Minister's National Relief Fund' as recommended by the CSR committee in its meeting held on 21<sup>st</sup> March, 2016. The unspent amount for CSR as on 31/03/2016 was Rs. 8,45,787/-. Further, Rs. 100,000/- was approved by the CSR Committee by circulation on 06/06/2016 to be expended by way of contribution made by the Company to Jan Akanksha Pratishthan's (a non-government organisation) 'Flying Feet' initiative. The cumulative unspent brought forward amount for CSR activities thus stood at Rs.7,45,787/- . The allocation for the year 2015-16 towards CSR expenditure amounts to Rs. 7,98,376/-. Accordingly, the total unspent

amount under CSR as on date of this report is Rs. 15,44,163/-. This amount will be spent as per the further recommendations of the CSR Committee. Given below is the summary of the amount expended on CSR:

**Statement of CSR allocation and expenditure**

(in Rs.)

Financial Year	Allocated Amount	Amount Spent	Amount Unspent (cumulative)
2013-2014	6,47,440	Not applicable	6,47,440
2014-2015	8,46,347	0	14,93,787
2015-2016	7,98,376	6,48,000	16,44,163
2016-2017	*	1,00,000	15,44,163

\*will be computed after closure of current financial year.

The report of CSR Committee in terms of section 135 of the Companies Act, 2013 is enclosed as **Annexure –C** to this report.

**14. Policies**

Your Company has formulated following policies to better perform its functions and deliver results.

**A. Corporate Social Responsibility Policy**

**Primer**

VLS Finance Limited (VLSF) is committed to undertake CSR activities in accordance with the provisions of Section 135 of the Companies Act, 2013 and related Rules, as amended.

VLSF believes that development has to be all-encompassing and every community has to be responsible for the development of an impartial and benevolent society. VLSF commits itself to add to the society in ways possible for the organization.

**Intention & Purpose**

- Strategy is to develop a long-term vision for VLSF CSR goals.
- Outline of activities to be embarked upon, in line with the CSR policy and Schedule VII of the Companies Act, 2013, as amended.
- VLSF shall promote projects that are sustainable and create a long term value for the society;
- Have specific and measurable goals in alliance with VLSF beliefs;
- To establish a mechanism for the implementation and monitoring of the CSR activities.

**Committee Composition**

The CSR Committee of the Board shall be composed of at least three (3) Directors. The CSR Committee shall include one (1) independent director effectively within the time period prescribed under law. Members of the CSR Committee may be replaced by any other member of the Board.

**Committee Meetings**

The CSR Committee shall meet as often as its members deem necessary to perform its duties responsibly.

**Duties & Responsibilities of CSR Committee**

- i) Formulate and recommend to the Board the CSR activities/ programs to be undertaken by VLSF. The CSR Committee shall be guided by the list of activities specified in Schedule VII to the Companies Act, 2013.
- ii) Recommend the CSR expenditure to be incurred on the CSR activities.
- iii) Institute a transparent mechanism for implementation of the CSR projects and effective monitoring tools of such projects.
- iv) Preparation of annualized reports of the CSR activities undertaken and submission of the same to the Board.

**Responsibilities of the Board**

- i) Approve the CSR Policy and expenditure on CSR initiatives after taking into consideration the recommendations made by the CSR committee.

- ii) Ensure the CSR spending in every financial year is in accordance with statutory provisions as applicable from time to time.
- iii) Ensure that the CSR activities included in the policy are undertaken by the Company and are in conformity to the activities as outlined in Schedule VII of the Companies Act.
- iv) Ensure disclosure of the contents of the CSR Policy and CSR Committee in its report to the members and put the policy on the Company's website.

**CSR Expenditure**

- i) CSR expenditure shall mean all expenditure incurred in respect of specific projects/programs relating to activities as approved by the Board on the recommendation of its CSR committee including contribution to corpus relating to CSR activities and it shall not include expenditure on an item not in conformity with the CSR policy and Schedule VII of the Companies Act, 2013.
- ii) The surplus arising out of the CSR activities or projects shall not form part of the business profit of the Company.

**CSR Activities – Projects**

- i) The Company may undertake one or more CSR activities in line with Schedule VII of the Companies Act, 2013.
- ii) The Company shall give preference to the local area(s) around which it operates while considering the CSR activities to be undertaken. However, it may be guided by the requirements of the specific CSR activity in other locations within India.

**Implementing CSR Activities**

- i) The Company shall undertake the CSR activities directly and also through various implementing agencies within the group or outside such as, non-profit organizations, etc. Such outside implementing agencies shall have an established track record as prescribed under the relevant law.
- ii) The initiatives so undertaken may be communicated to the employees through specific awareness campaigns, so as to enable maximum participation.
- iii) The Company may collaborate with other companies for undertaking CSR projects or programs provided separate reporting mechanisms are in place and are in accordance with Companies Act, 2013 and rules thereunder, as amended.

**Assessment**

The CSR committee shall be apprised on the implementation of the CSR activities and the progress shall be monitored on regular basis.

The Company shall through its internal controls, monitoring and evaluation systems, implement, assess, document and report the impact of its CSR activities.

**General**

Any term or aspect not specifically defined or set out in this policy shall be construed to mean what is laid down in respect thereof under the Act or CSR Rules.

**Amendments**

This Policy may be reviewed and amended from time to time.

**B. Related Party Transaction**

The detailed policy may be accessed at [www.vlsfinance.com](http://www.vlsfinance.com)

The Board of Directors (the "Board") of VLS Finance Limited (the "Company") has adopted this Policy. The said Policy includes the materiality threshold and the manner of dealing with Related Party Transactions ("Policy") in compliance with the requirements of Section 188 of the Companies Act, 2013 and Clause 49 of the

#### Listing Agreement.

This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material transactions.

This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time.

#### C. Board diversity

The detailed policy may be accessed at [www.vlsfinance.com](http://www.vlsfinance.com)

VLS Finance Ltd. recognises and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the skills, regional and industry knowledge and experience, background, race, gender and other distinctions between Directors. These differences will be considered in determining the optimum composition of the Board and when possible would be balanced appropriately. All Board appointments shall be made on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

#### D. Risk Management

The detailed policy may be accessed at [www.vlsfinance.com](http://www.vlsfinance.com)

The Company has formed Risk Management Policy to ensure appropriate risk management within its systems and culture. The Company operates in a competitive environment and is generally exposed to various risks at different times such as technological risks, business risks, operational risks, financial risks, etc. The Board of Directors and the Audit Committee of the Company shall periodically review the Risk Management Policy of the Company so that the Management controls the risk through properly defined network.

The Company has a system based approach to business risk management backed by strong internal control systems. A strong independent Internal Audit Function at the corporate level carries out risk focused audits across all businesses, enabling identification of areas where risk managements processes may need to be improved. The Board reviews internal audit findings, and provided strategic guidance on internal controls, monitors the internal control environment within the Company and ensures that Internal Audit recommendations are effectively implemented.

The combination of policies and procedures adequately addresses the various risks associated with your Company's businesses.

#### E. Anti-sexual harassment mechanism

The detailed mechanism may be accessed at [www.vlsfinance.com](http://www.vlsfinance.com)

The Company has in place an Anti-Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. All women employees interalia (permanent, contractual, temporary, trainees) are covered under this policy.

The Internal Complaints Committee is headed by the woman Director on the Board. There were no complaints received from any employee or otherwise during the year under review and no complaints were pending as on 31/03/2016.

#### F. Nomination and Remuneration Policy

##### Title:

This Policy shall be called 'VLSF Nomination and Remuneration Policy.'

##### Objective:

The provisions in the Companies Act, 2013 and corresponding provisions in the revamped Regulation 27(2) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 have ushered Indian corporate system in to a new era of Corporate Governance placing onerous governance responsibilities on the shoulders of the Board of Directors and Key Managerial Personnel of the Companies.

Section 178 of the Companies Act, 2013 and clause 49 of the Listing Agreement provide the necessary legal impetus for companies to have a policy and criteria for various matters like the remuneration of directors, key managerial persons and other employees, training of Independent Directors and performance evaluation of directors.

Considering this it is necessary to ensure quality of persons on the Board of Directors of the Company as well as in the Key Managerial personnel, as these are the persons who are entrusted with the responsibility of policy formulation for, direction to and execution of the business and operations of the Company.

##### Definitions:

**Board** means the Board of Directors of VLS FINANCE LIMITED.

**Company** means VLS Finance LIMITED.

**Committee** means Nomination and Remuneration Committee of Board of Directors.

**Director** means a person who has been appointed as such on the Board of the Company and includes Executive as well as Non-Executive Directors.

**Executive Director** means a Director who is in the whole time employment of the Company and includes a Managing Director as well as a Whole time Director and Manager, if member of the Board.

**Government** includes Central Government as well as any of the State Governments, any statutory authority, tribunal, board or a governmental or semi-governmental authority or any authority or agency recognized by the Government.

**HR Department** means the Human Resource Department of the Company.

**HR Policy** means the Policy of the Company defining the criteria and process for the recruitment, training, appraisal etc. and dealing with other matters concerning the employees of the Company.

**Key Managerial Person** means a person appointed as such by the Board under Section 203 of the Companies Act, 2013.

**Nomination & Remuneration Committee** means the Committee of the Board constituted as such under the provisions of Section 178 of the Companies Act, 2013.

**Non-Executive Director** means a Director who is not in the whole time employment of the Company and includes an Independent Director, Promoter Director and Nominee Director.

**Policy** means this policy, as amended from time to time.

##### Contents of the Policy:

This Policy contains following:

- a) Process for the selection and appointment of Directors and Key Managerial Personnel;
- b) Criteria for determining remuneration of the Directors, Key Managerial Personnel and other employees of the Company;
- c) Training of Independent Directors.
- (I) Selection of Directors and Key Managerial Personnel

In case of Executive Directors and Key Managerial Personnel, the selection can be made in either of the ways given below:

- a) by way of recruitment from outside;



- b) from within the Company hierarchy; or
- c) Upon recommendation by the Chairman or other Director.

The appointment may be made either to fill up a vacancy caused by retirement, resignation, death or removal of an existing Executive Director or it may be a fresh appointment.

In case of Non-Executive Directors the selection can be made in either of the ways given below:

- a) by way of selection from the data bank of Independent Directors maintained by the Government.
- b) Upon recommendation by Chairman or other Director.

The appointment may be made either to fill up a vacancy caused by resignation, death or removal of an existing Non-Executive Director or it may be appointment as an additional director or an alternate director.

(II) Qualifications, Experience and Positive Attributes of Directors

- a) While appointing a Director, it shall always be ensured that the candidate possesses appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the company's business.
- b) In case of appointment as an Executive Director, the candidate must have the relevant technical or professional qualifications and experience as are considered necessary based on the job description of the position. In case no specific qualification or experience is prescribed or thought necessary for the position then, while recommending the appointment, the HR Department shall provide the job description to the Committee and justify that the qualifications, experience and expertise of the recommended candidate are satisfactory for the relevant appointment. In such circumstances, the Committee may, if considered necessary, call for an expert opinion on the appropriateness of the qualifications and experience of the candidate for the position of the Executive Director.
- c) In case of appointment as a Non-Executive Director, the candidate must be a graduate or possess diploma or a professional qualification in the field of his practice / profession / service and shall have not less than five years of working experience in such field as a professional in practice, advisor, consultant or as an employee, provided that the Board may waive the requirements of qualification and /or experience under this paragraph for a deserving candidate.
- d) The Board, while making the appointment of a Director, shall also try to assess from the information available and from the interaction with the candidate that he is a fair achiever in his chosen field and that he is a person with integrity, diligence and open mind.

(III) Process for Appointment of Directors and Key Managerial Personnel

(A) Process for the appointment of Executive Directors and Key Managerial Personnel:

- a) A proposal for the appointment of an Executive Director / Key Managerial Personnel with such details as may be prescribed shall be submitted for the consideration of the Committee. The proposal with recommendation of committee will be placed before the Board.
- b) The Board shall, based on the information

available in the proposal and recommendation of committee deliberate upon the necessity for appointment, expertise, skill and knowledge of the candidate and reasonableness of the remuneration.

- c) The Board may call and seek the help of any other Company Official including the recommender or a Key Managerial Personnel while finalizing the appointment. The recommender shall not take part in the discussion or voting on the appointment of a Key Managerial Personnel.

(B) Process for the appointment of Non- Executive Directors:

- a) A proposal for the appointment of a Non-Executive Director with such details as may be prescribed shall be submitted for the consideration of the committee. The proposal with recommendation of committee will be placed before the Board.
- b) The Board, based on the information available in the proposal, shall deliberate upon the necessity for appointment, integrity, qualifications, expertise, skill and knowledge of the candidate.

(IV) Remuneration of Directors, Key Managerial Personnel and other Employees

- a) While determining the remuneration of Executive Directors and Key Managerial Personnel, the Board shall consider following factors:
  - i) Criteria / norms for determining the remuneration of such employees prescribed in applicable statutory provisions and Company's internal criteria for remuneration.
  - ii) Existing remuneration drawn.
  - iii) Industry standards, if the data in this regard is available.
  - iv) The job description.
  - v) Qualifications and experience levels of the candidate,
  - vi) Remuneration drawn by the outgoing employee, in case the appointment is to fill a vacancy on the death, resignation, removal etc. of an existing employee.
  - vii) The remuneration drawn by other employees in the grade with matching qualifications and seniority, if applicable.
- b) The determination of remuneration for other employees shall be governed by the HR Policy.
- c) The proposal for the appointment of an Executive Director / Key Managerial Personnel shall provide necessary information in this regard including recommendation of Committee to the Board in arriving at the conclusion as to whether or not the remuneration offered to the candidate is appropriate, reasonable and balanced as to the fixed and variable portions (including the commission).
- d) The remuneration payable to the Executive Directors, including the Commission and value of the perquisites, shall not exceed the permissible limits as are mentioned within the provisions of the Companies Act, 2013.
- e) The Executive Directors shall not be eligible to receive sitting fees for attending the meetings of the Board or committees thereof.
- f) The Non-Executive Directors shall not be eligible to

receive any remuneration / salary from the Company. However, the Non-Executive Directors shall be paid sitting fees for attending the meeting of the Board or committees thereof and commission, as may be decided by the Board / shareholders from time to time.

The Non-Executive Directors shall also be eligible to receive reimbursement of reasonable out-of-pocket expenses incurred by them for attending the meetings of the Board, committees or shareholders, including travelling and lodging & boarding expenses or such other expense incurred by them regarding the affairs of the Company on an actual basis.

- g) The amount of sitting fee and commission payable to Non-Executive Directors shall not exceed the limits prescribed therefor under the provisions of the Companies Act, 2013.

Explanation: For the purposes of this Policy, Remuneration shall mean the Cost to the Company and shall include the salary, allowances, perquisites, performance incentive and any other facility provided or payment made to the employee.

#### (V) Training of Independent Directors

The Company shall arrange to provide training to Independent Directors to familiarize them with the Company, their roles, rights and responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company etc.

The training may be provided in any of the ways given below:

- By providing reading material to the Independent Director(s) giving all relevant information about the Company, industry and the role of Independent Directors.
- An induction program devised for the Independent Director(s) wherein structured training is provided to the Independent Director(s) either exclusively or with other officials of the Company who are due for such induction / training.
- Such other manner as may be prescribed by applicable law or decided by the Board.

#### Interpretation:

- Any words used in this policy but not defined herein shall have the same meaning ascribed to it in the Companies Act, 2013 or Rules made thereunder, SEBI Act or Rules and Regulations made thereunder, Listing Agreement, Accounting Standards or any other relevant legislation / law applicable to the Company.
- The reference to the male gender in the Policy shall be deemed to include a reference to female gender.
- In case of any dispute or difference upon the meaning / interpretation of any word or provision in this Policy, the same shall be referred to the Committee and the decision of the Committee in such a case shall be final. In interpreting such term / provision, the Committee may seek the help of any of the officers of the Company or an outside expert as it deems fit.

#### Amendments:

The Board of Directors shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provisions or replace this Policy entirely with a new Policy.

#### G. **Vigil Mechanism /Whistle Blower**

The Company is committed to adhere to the highest standards of ethical, moral and legal conduct of business operations. Vigil

(whistleblower) mechanism provides a channel to the employees and directors to report to the management concerns about unethical behaviour, actual or suspected fraud or violation of the code of conduct or policy. The mechanism provides for adequate safeguards against victimization of directors and employees who avail of the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional cases.

The detailed policy may be accessed at [www.vlsfinance.com](http://www.vlsfinance.com).

#### 15. **Corporate Governance and Compliance Certificate**

We have reported in **annexure D** to this report, the extent of compliance of Corporate Governance practices in accordance with Regulation 27 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

#### 16. **Auditors**

The Statutory Auditors, M/s. Agiwal & Associates, Chartered Accountants (FRN: 000181N), 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 ('Act') 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 auditor can be appointed for one more term i.e. for the financial year 2016-17 before being subjected to compulsory rotation of auditors as per the extant provisions of the Act. The Board in its meeting held on 28/05/2016 has appointed Ms. Pooja Gandhi –Practicing Company Secretary as secretarial auditor for the year 2016-17. The provisions relating to Cost Records and Audit are not applicable to your company.

#### 17. **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.

#### 18. **Secretarial Audit Report**

According to the provision of Section 204 of the Companies Act, 2013 read with rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Secretarial Audit Report submitted by Company Secretary in Practice is enclosed as a part of this report as **annexure E**.

#### 19. **Statutory Information**

During the year under review, the Company did not absorb any new technology or carry 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 its administration policies. The detailed disclosure is enclosed as **annexure F** to this report.

- The shares of the Company are presently listed at BSE Ltd., The National Stock Exchange of India Ltd., Mumbai and The Calcutta Stock Exchange Ltd., Kolkata.
- The Company has paid the annual listing fees for the year 2016-2017 to all the aforesaid Stock Exchanges.
- Upon closure of Madras Stock Exchange (MSE) vide SEBI order dated 14/05/2015 the listing of shares of Company stood terminated from said exchange.
- Your company's principle business is acquisition of securities; hence Section 186 of the Act is not applicable.
- Your Company has not issued equity shares with differential voting rights, sweat equity or ESOP in terms of section 43 and section 62 of the Companies Act, 2013, during the year under review.
- No revision of financial statements or boards report has been made in terms of Section 131 of the Companies Act, 2013, during the year under review.



- No Independent Director was reappointed through special resolution during the year under review.
- Disclosure relating to ratio of the remuneration of each director to the median employee's remuneration in terms of Section 197(12) of the Companies Act, 2013 is enclosed as **annexure G** to this report.
- The managing director and whole time director (Director-Finance & CFO) of your company are not in receipt of any remuneration or commission from any of subsidiary company in terms of Section 197(14) of the Companies Act, 2013.
- There were no orders passed by the regulators against the Company.
- Senior Management have made all the disclosures to the Board relating to all material financial and commercial transactions, if any.

## 20. 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.

## 21. Human Resources

Employee relations continued to be cordial during the year. The number of employees stood at 30. The Directors place on record their appreciation of the devoted service of the employees at all levels. In terms of the provisions of Section 197 of the Companies Act 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, there was no employee during the year drawing remuneration more than the stipulated amount in the said rules. Your company has not approved any scheme relating to provision of money to be held in a trust for the benefit of the employees in terms of section 67(3)(b) of the Companies Act, 2013 during the year under review.

## 22. Green initiative in Corporate Governance

As a continuing endeavor towards the Go Green initiative, the Company proposes to send future correspondence and documents like the notice calling the general meeting, audited financial statements, directors' report, and 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](mailto: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.

## 23. Subsidiary Companies

Statement pursuant to Section 129(3) of the Companies Act, 2013 for the financial year ended 31/3/2016 in respect of the Subsidiary Companies, is enclosed with Annual Accounts of the Company.

After coming into effect of the Companies Act, 2013, the definition of "associate" covers a Company or Companies in which the Company holds not less than 20% of the Total Share Capital of that company or those companies irrespective of whether they are in the same group or not except when held in fiduciary capacity. Hence, Sunair Hotels Ltd. and BMS IT Institute Private Ltd which are presently not in the same group, have been considered as associates. Even though the Company is in litigation with these companies, in the opinion of the Company, there is no adverse impact of such litigation on investments/advances made by it in these associates.

Separate section on performance and financial position of subsidiary and associate companies have been provided as note no. 23 sub-note 17(a) and 17(b) of Notes forming part of consolidated financial statement in the Annual Report for the year under review.

## 24. Consolidated Financial Statements

In compliance of section 129(3) of the Companies Act, 2013, the consolidated financial statements in accordance with the prescribed accounting standards are annexed to the audited annual accounts for the year under review.

## 25. Acknowledgements

Your Directors wish to place on record their sincere appreciation and gratitude to the Company's business associates, customers, Bankers, the Securities & Exchange Board of India, Stock Exchanges and in particular BSE Ltd. 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 of Directors**

**Place : New Delhi**

**Date : 29/07/2016**

**S.K. Agarwal**

**Managing Director**

**DIN: 00106763**

**K.K. Soni**

**Director-Finance & CFO**

**DIN: 00106037**

## Annexure A

**FORM NO. MGT 9  
EXTRACT OF ANNUAL RETURN  
as on financial year ended on 31.03.2016**

**Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration ) Rules, 2014.**

### I REGISTRATION & OTHER DETAILS:

i	CIN	L65910DL1986PLC023129
ii	Registration Date	20/01/1986
iii	Name of the Company	VLS FINANCE LIMITED
iv	Category/Sub-category of the Company	Public Limited Company
v	Address of the Registered office & contact details	2nd Floor, 13, Sant Nagar, East of Kailash, New Delhi- 110065 Phone Nos. 011-46656666 Fax : 011-46656699
vi	Whether listed company	Yes
vii	Name , Address & contact details of the Registrar & Transfer Agent, if any.	M/s. RCMC Share Registry Pvt. Ltd., B-25/1 First Floor, Okhla Industrial Area Phase-II, New Delhi-110020 Phone Nos. 011 – 26387320 Fax 011-26387322

**II. PRINCIPAL BUSINESS ACTIVITY OF THE COMPANY**

All the business activities contributing 10% or more of the total turnover of the company shall be stated

Sl. No.	Name and Description of main products / services	NIC Code of the Product / service	% to total turnover of the company
1	Investment	9999999	99.83

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

S. No.	NAME AND ADDRESS OF THE COMPANY	CIN/GLN	HOLDING/ SUBSIDIARY /ASSOCIATE	% of shares held	Applicable Section
1	VLS Securities Ltd. 2nd Floor, 13, Sant Nagar, East of Kailash, New Delhi- 110065	U74899DL1994PLC062123	Subsidiary	99.67	2(87)
2	VLS Asset Management Ltd. 2nd Floor, 13, Sant Nagar, East of Kailash, New Delhi- 110065	U74899DL1995PLC065812	Subsidiary	99.15	2(87)
3	VLS Capital Ltd. C-561, Defence Colony, New Delhi- 110024	U67190DL1985PLC022302	Associate	38.09	2(6)
4	Sunair Hotels Ltd. A-7, 1st Floor, Geetanjali Enclave New Delhi-110017	U74899DL1977PLC008495	Associate	24.14	2(6)
5	BMS IT Institute Pvt. Ltd. 56, Navjeevan Vihar New Delhi- 110017	U80301DL2005PTC139764	Associate	28.24	2(6)

**IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as % of total Equity)**
**(i) Category-wise Share Holding**

Category of Shareholders	No. of shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
(1) Indian									
a) Individual/HUF	3472115	0	3472115	8.98%	3637594	0	3637594	9.41%	0.43%
b) Central Govt.or State Govt.	0	0	0	0.00%	0	0	0	0.00%	0.00%
c) Bodies Corporates	13686138	29300	13715438	35.48%	13686138	29300	13715438	35.48%	0.00%
d) Bank/FI	0	0	0	0.00%	0	0	0	0.00%	0.00%
e) Any other	0	0	0	0.00%	0	0	0	0.00%	0.00%
<b>SUB TOTAL:(A) (1)</b>	<b>17158253</b>	<b>29300</b>	<b>17187553</b>	<b>44.46%</b>	<b>17323732</b>	<b>29300</b>	<b>17353032</b>	<b>44.88%</b>	<b>0.43%</b>
(2) Foreign									
a) NRI- Individuals	0	0	0	0.00%	0	0	0	0.00%	0.00%
b) Other Individuals	0	0	0	0.00%	0	0	0	0.00%	0.00%
c) Bodies Corp.	0	0	0	0.00%	0	0	0	0.00%	0.00%
d) Banks/FI	0	0	0	0.00%	0	0	0	0.00%	0.00%
e) Any other...	0	0	0	0.00%	0	0	0	0.00%	0.00%
<b>SUB TOTAL (A) (2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Shareholding of Promoter (A)= (A)(1)+(A)(2)</b>	<b>17158253</b>	<b>29300</b>	<b>17187553</b>	<b>44.46%</b>	<b>17323732</b>	<b>29300</b>	<b>17353032</b>	<b>44.88%</b>	<b>0.43%</b>
<b>B PUBLIC SHAREHOLDING</b>									
(1) Institutions									
a) Mutual Funds	0	100	100	0.00%	0	100	100	0.00%	0.00%
b) Banks/FI	9000	500	9500	0.02%	9000	500	9500	0.02%	0.00%
c) Central govt	0	0	0	0.00%	0	0	0	0.00%	0.00%
d) State Govt.	0	0	0	0.00%	0	0	0	0.00%	0.00%
e) Venture Capital Fund	0	0	0	0.00%	0	0	0	0.00%	0.00%
f) Insurance Companies	0	0	0	0.00%	0	0	0	0.00%	0.00%
g) FIIS	0	300	300	0.00%	0	300	300	0.00%	0.00%
h) Foreign Venture Capital Funds	0	0	0	0.00%	0	0	0	0.00%	0.00%
i) Others (specify)	0	0	0	0.00%	0	0	0	0.00%	0.00%
<b>SUB TOTAL (B)(1):</b>	<b>9000</b>	<b>900</b>	<b>9900</b>	<b>0.03%</b>	<b>9000</b>	<b>900</b>	<b>9900</b>	<b>0.03%</b>	<b>0.00%</b>