Touching **5 Lakh** Families

VFS

ANNUAL REPORT

2019 - 2020

"Microfinance recognizes that poor people are remarkable reservoirs of energy and knowledge. And while the lack of financial services is a sign of poverty, today it is also understood as an untapped opportunity to create markets, bring people in from the margins and give them the tools with which to help themselves."

~ Kofi Annan, UN Secretary General (1997-2006), Nobel Prize Winner

"If we want to eradicate poverty, we need to get rid of financial untouchability,"

"In pyramid of development the bottom-most layer needs to be strengthened through financial inclusion improving purchasing power of the poor."

~ Narendra Modi, Prime Minister of India

"Trickle-down theories do not address the legitimate aspirations of the poor. We must lift those at the bottom so that poverty is erased from the dictionary of modern India."

~ Pranab Mukherjee, President of India (2012-2017)

"People.. were poor not because they were stupid or lazy. They worked all day long, doing complex physical tasks. They were poor because the financial institution in the country did not help them widen their economic base."

~ Muhammad Yunus, Social Entrepreneur, Nobel Prize Winner

"Poverty is not just a lack of money; it is not having the capability to realize one's full potential as a human being"

~ Amartya Sen, Economist, Nobel Prize Winner

"We make the future sustainable when we invest in the poor, not when we insist on their suffering."

~ Bill Gates, Business Magnate and Philanthropist

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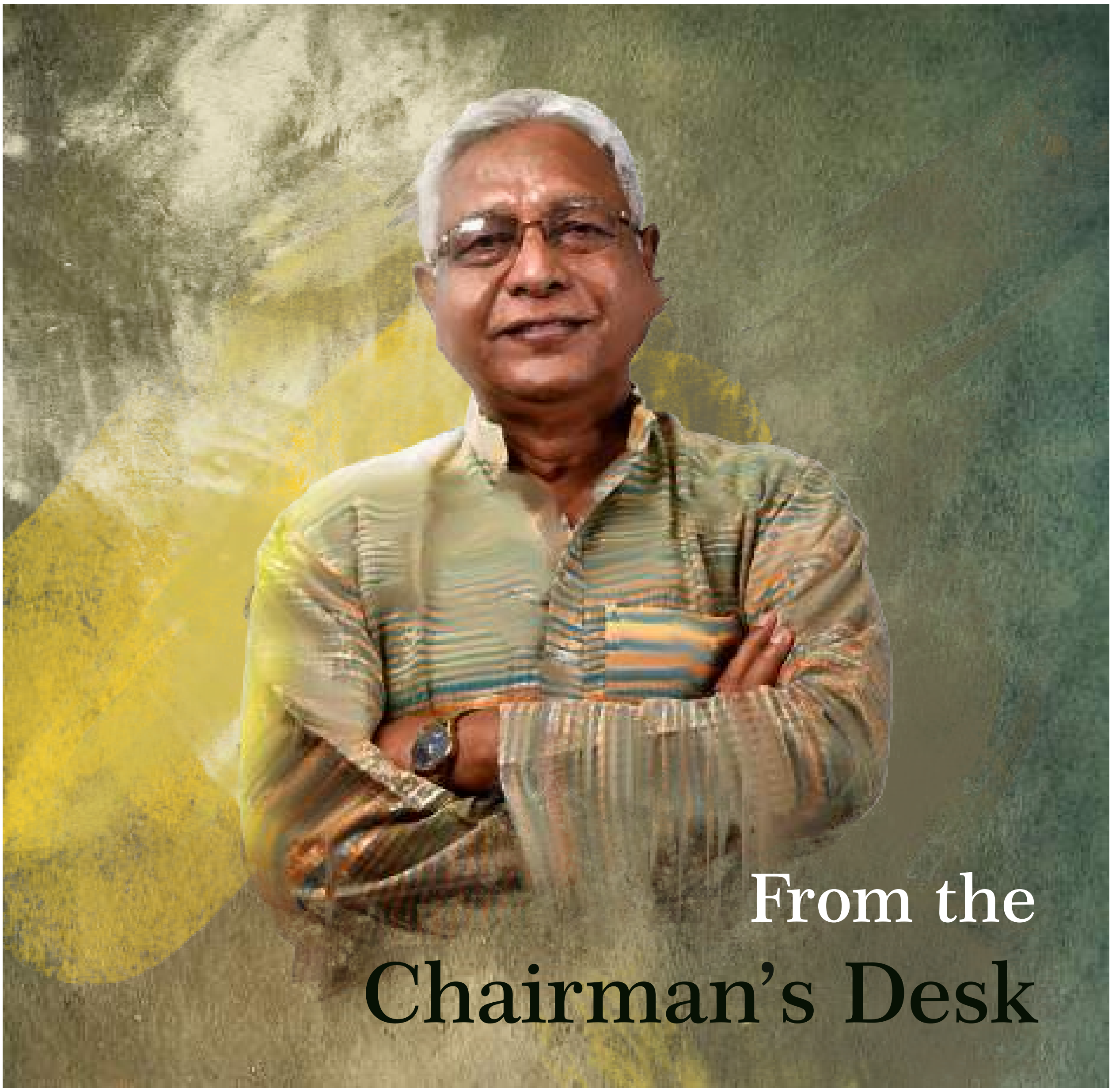


The development paradigm in India needs to focus more effectively on the vast untapped entrepreneurial potential of the people at the margin. The microfinance industry can make this potential come alive.

Your company grew out of the belief that if we were to serve the nation meaningfully, we must fuel the entrepreneurial spirit among people at the bottom of the pyramid. Charity is not the way to achieve this goal on a large scale; we needed to follow a route that is sustainable for the beneficiaries as well as us.

The solution? The double bottom line approach or making the company financially viable and ensuring that customers make productive use of the funds we lend.

In short, our mission is financial inclusion of the entrepreneurial masses, not considered "bankable" by traditional institutions.

Our economy, particularly that of the eastern region, is heavily dependent on the informal sector—a sector that's populated by the people we are mandated to serve. The informal sector in this region accounts for a big chunk of manufacturing activities. In the Northeast, the informal sector's contribution is as high as 62 per cent. The agricultural sector's contribution to the Gross Value Addition (GVA) is huge. In

Assam, Bihar, Jharkhand and Odisha, this exceeds 50 per cent, on an average. In West Bengal, the contribution of the agricultural sector to GVA is 43 per cent.

The organized credit structure often leaves out the informal sector, despite the critical role it plays in GVA, making it easy prey for local moneylenders who charge very high interest rates. Though there is evidence of improvement in the access of credit with better connectivity and use of technology, the huge gap does not allow for profitable and productive use of funds, perpetuating the vicious cycle of poverty.

Our sector has given the micro entrepreneurs access to funds and made them aware of the productive deployment of the money, helping them get out of poverty. This achievement is heartening.

Since 1982-83 when we had started our journey by incorporating ourselves as a society and later transformed into a non-banking financial company, we have created and shared with other stake holders substantial knowledge capital. The collective knowledge pool within the company is helping us meet challenges by identifying our strong points and overcoming weaknesses. Our journey has also helped us learn to address individual needs and group dynamics.

While the broader parameters of the products on offer are specified, individual needs and abilities may differ. This has been driving us to fine-tune the suite of products continuously and provide optimum benefit to the maximum number of customers. This "learning from doing" creates an improved credit infrastructure accessible to the masses. The industry learns from us; we learn from the industry. The knowledge capital created at the grassroots powers entrepreneurs who learn from each other.

Entrepreneurship needs financial backing. The poor people cannot translate their entrepreneurial dreams into reality unless they have access to funds at an affordable cost. The industry—and your company, in particular—is committed to fuelling this entrepreneurial engine. Success stories of different hues encourage us every day.

While reflecting on the year under review, in which we could little imagine the disaster ahead, I keep admiring this segment's strength in holding up against the pandemic threatening to disrupt our economy. The support that's coming from them by way of essential supplies for the nation's fight against the pandemic is more than commendable. The big takeaway from this is the resilience and the never-say-die spirit of the people for whom we have been working for almost four decades now, being the oldest microfinance enterprise in eastern India.

> Entrepreneurship needs financial backing. VFS is committed to unleashing this entrepreneurship as a pivot for making India a more prosperous nation.

The journey continues; we don't look for the destination as that marks the end of the journey.

With warm wishes,

Ajit Kumar Maity

From the MD's desk

Each year when I sit down to pen the report on the progress your company has made, it has always been a happy experience. Reflecting on the journey through the year gone by and recording the successes and the challenges in the years ahead has been exhilarating exercise.

This has been a different year. As the financial year closed, the COVID-19 pandemic cast a pall of gloom all around. The lockdown that followed the pandemic wreaked havoc on the economy. But we have the strength to overcome the problems. While we count the losses, so will we the gains—in medicine, in global cooperation and the resilience in the economy and indomitable spirit of entrepreneurship. The gains will outweigh losses many times over once the pandemic becomes history.

Talking about gains, we closed the financial year 2019-20 by hitting our goal of having 500,000 customers and stepping into three more states—Uttar Pradesh, Haryana and Meghalaya. We are now operational in 13 states across India, serving half a million customers and their families. Your company is moving fast and spreading its wings across geographies, implementing its mandate of financial inclusion.

Your company has been building on three strategic pillars —inclusion, governance and digitalization—to

Operational in 13 states across India, serving 5 lakh families, VFS is moving fast and spreading its wings across geographies, implementing its mandate of financial inclusion.

be a leader in microfinance. Of the three, governance and digitalization are predicated on the strategy of inclusion.

Financial inclusion involves giving more and more people— in our case, poor women—access to useful and affordable means of finance and guiding them in deploying the funds productively. This is our primary mandate; we gear all our programmes towards meeting this basic goal. We design our governance practices and digitalization programmes to subserve this strategic mandate.

Since we work at the bottom of the pyramid with customers who are unaware of the financing avenues they can tap, or how to use such avenues to improve their lot, we have a robust training framework.

The training programme has two strands. The first one involves showing the employees how to create awareness among their customers and drilling into the employees the importance of this task. We keep sharpening their skills through various processes, using digital technology. We also keep them abreast of changes in the regulatory environment and your company's strategies.

Armed with this knowledge, our employees then go out to the field and acquire and train customers. This training of customers is the second strand. Our employees organize regular activities that are structured to deliver the best results. The customers are organized into groups or guided individually—all to ensure that they deploy the borrowed funds most productively.

Through this process of training and reach-out programmes, we now have a family of five lakh customers. The cold number has a warm implication. It means five lakh families have benefited from our efforts directly, by the end of the financial year 2019-20. Assuming that each direct beneficiary creates at least three jobs, our efforts have created one-and-a-half million jobs (and benefited the families of these people) so far.

Your company is staffed with young blood. About 58 per cent of employees being less than 30 years of age, there is tremendous energy working on the ground. So spreading our footprints in 73 districts in 13 Indian states has not really been a struggle. Neither has it been a challenge to achieve a gross loan portfolio of over Rs 1,091 crore.

A word of caution though: We have started moving into thinly-populated districts and challenging terrain. Clearly, we have newer challenges. Our focus on digitalization is going to be of great help here.

Talking about digitalization, I am happy to report that your company is completing the loop in transactions. Last year we reported that we had completed digitalizing the disbursement process. I am happy to say that we are digitalizing collections also. After this, our entire transaction loop with our customers will be cashless. We will cross this milestone soon. This process will enable us to reach out to the so-called last mile, irrespective of the profile of the geographical terrain.

In the years ahead, as the world will keep counting the gains from the challenges of the COVID-19 pandemic, so will be your company. Stay safe, healthy and don't waste this crisis. Turn it into a great opportunity to stride ahead.

Regards,

Kuldip Maity

Our vision is to meet the aspirations of every Indian, empower them, and help them become entrepreneurs.

VISION

MISSION

Our mission is to be a responsible lender and a provider of all financial needs for the masses in a cost-effective and digital way.

2019-20: The Year Gone By

The year under review has been challenging for the microfinance industry. Natural disasters affected the industry's performance, particularly in Odisha, West Bengal and Kerala. Cyclone Bulbul hit Odisha and West Bengal in November; floods devastated Kerala in August. The year-on-year growth in loan outstanding was down to 31 per cent from 41 per cent in the previous year, and other indicators for the industry followed suit.

During the year under review, your company added three states to its fold. Now your company is in 13 states, and 78 districts across these states. Even after adding three states, we have been able to maintain a healthy presence of 3.15 branches per district to serve our customers.

The customer base has grown to a robust five lakhs, and we are picking up more as we cruise along.

Despite the macro challenges, we have held on to our mandate unwaveringly. With a staff perfectly balanced between youth (below 30 years of age) and experience (veterans in strategic planning and training), implementing our mandate in remote areas has not been difficult. In the year under review, the young blood on the ground accounted for more than 58 per cent of our staff strength. This mix in your company's collective energy at the operational level makes overcoming challenges that much easier.

We ended the year with a gross loan portfolio of Rs 1,091 crore, which, given the industry's travails, particularly in agriculture due to natural disasters, was a stellar performance.

We have been able to grow deeper and also spread into new territories because of our focus on continuous training and keeping the staff moti-

Kalpana Subba - Sikkim

Why sell just fruits? Why not vegetable also? Kalpana Subba, 38, runs a fruit stall that was set up by her mother-in-law 35 years ago in Singtam Lalbazar. She was content with the income but thought customers would be better served if she increased the product range.

She took a loan from VFS in January 2020 to widen her range. Now she also sells biscuits, chips, cold drinks, incense sticks and candles.

Her husband Raju Prasad fetches the fruits from wholesalers in Siliguri town in the plains. Kalpana, who got married after completing Class 12, has a daughter (8 years) and a son (two years). The daughter is in Class 2.

During summer, her best-selling fruits are mangoes and litchis. In winter, oranges sell the most. Kalpana earns Rs 15,000-20,000 a month, but her income peaks in the period from mid-September to mid-October.

vated and abreast of the latest trends. During the year, we arranged 88 orientation programmes for different levels of employees, apart from 104 refresher courses and participatory refresher training. Then we had management development programmes and managerial induction programmes aimed at developing leaders and entrepreneurs.

Your company holds its training programmes sacrosanct because it believes that awareness starts at home. The most important mandate for VFS is financial inclusion, which is about creating awareness about sources of funds and easy access to such funds. We believe that unless we keep upgrading our human resources to serve the mandate, we cannot hit the goal we have set.

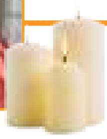
The most important part of our product delivery lies in making our customers aware of how best to put their funds to productive use. We have to handhold customers, who may not be aware of the proper use of funds or even getting the funds. Our field staff has to identify customer needs and form them into homogenous groups in which the members understand each other.

Since our staff is the catalyst for all this, we ensure that they get 360° training. This year we introduced the Managerial Induction on Leadership & Entrepre-

neurship (MILES) programme to encourage our managerial cadres to think and act like entrepreneurs. We expect that the programme will help our managers sharpen their business acumen and risk-taking appetite.

Our information technology department continued to implement our focus on going digital. During the year, we executed several pilot programmes to build an environment where smart devices can handle most of the field activities. We improved the mobility of our field force by releasing apps that enable them to capture data on handheld devices. Your company automated major areas of operations such as branch accounting, KYC or know-your-customer, compulsory group training and group recognition test. Your company can now track the entire workflow—from loan application to credit bureau verification, sanction, disbursement and recovery—to spot performance trends and alert management. We have also built a collaborative environment for the team to communicate better in-house and with the outside world.

We can never complete the story of the year without mentioning the activities of social welfare and customer connects. As in the previous years, we carried on with initiatives of tree plantations and local hygiene across all branches. We also introduced Customer Connect Programmes to enhance social engagement with our borrowers' families. As a pilot, this year, we rolled out the programme in Assam and West Bengal with the plan to organize them across all the VFS states in the next year. One such initiative was taken on Children's Day through a drawing/painting competition among our customers' children with themes of social awareness. The enthusiasm we witnessed indicated that the initiative will continue to be a grand success in forthcoming years.



Sikha Nag Das - Tripura

Sikha Nag Das, 47, dropped out of school in Class 10 because her parents could no longer afford it. Today, she employs 15 people in her candle-making business. A resident of East Kolabaria village, Sikha took a loan from the Belonia branch of VFS to buy materials and a candle-making machine around two years ago.

Sikha's husband Bishnu Pada Das is a hawker selling tea leaves and "mixture" or chanachur. He earns 15,000 per month from his business.

Sikha goes to the Sabroom Dak Bungalow bazar to sell her candles, earning a profit of Rs 20,000 per month. Sikha is now thinking of making incense sticks, which will bring her more profits.

Meanwhile, Sikha and her husband have ensured that their children got an education. Their son is in Class 10, while their daughter is 23 and married.

Core Values

We are committed to delivering value to all our stakeholders and hold ourselves accountable for our actions and those of our team and associates. This commitment is the thread that runs through our work across functional groups, hierarchies and geographies and help us leverage diverse competencies and perspectives.

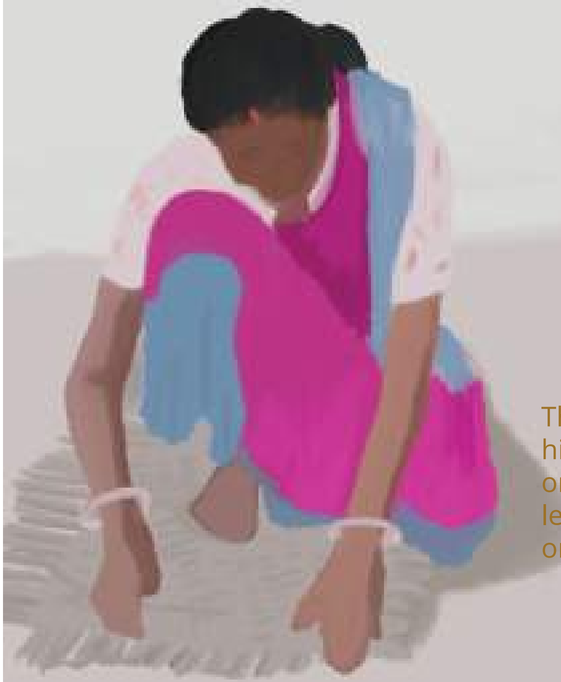
COMMITMENT

INTEGRITY

Integrity is at the core of our actions and decisions so that our leadership and management are known for being fair and honest. We uphold high standards of professionalism. Integrity for us means not only financial and intellectual integrity, but also sincerity and other forms of integrity as are generally understood.

As an MFI, social responsibility has to be the keystone of our arching success. Our mandate is to help the poor rural and urban women, raise their standard of living by spotting their entrepreneurial spirit and organizing them into groups that ensure responsible borrowing and spending by their members. Empathy goes a long way in achieving this.

SOCIAL RESPONSIBILITY



TRANSPARENCY

Thinking and working together across functional groups, hierarchies, businesses and geographies can succeed only with a high degree of transparency. No amount of leveraging diverse competencies to promote organizational unity and a vibrant culture can succeed unless our actions and finances are transparent.

Developing Human Capital

The rise of digital connectivity across regional and international boundaries marked the past decade. Connecting with people has now become a matter of a few clicks and our aspirations—and the challenges—grew as connectivity improved. To face the new challenges, our human resource team re-imagined our training processes for employees to strengthen our women entrepreneurs for the future.

The journey of a new entrant at VFS begins with the **Induction/ Orientation Level-1** that introduces the organizational objectives, vision, mission, general terms and conditions, rules and regulations, duties and responsibilities. The Training Team grooms the newcomer with the help of audio-visual aids. It ends this phase with an interactive session to answer all questions.

The second phase, or the **Orientation Level-2**, spans over one month. The newcomers are given real field work through on-job training. We post the newcomers to different branches, where Branch Managers conduct the necessary orientation. This initiation helps to prepare them to fill in larger shoes in the future. The one-month programme also helps us to review and assess the performance and capabilities of the freshers, thus keeping the benchmark of service high.

Noorjahan - Uttar Pradesh

Noorjahan, 38, is very busy in winter: She is in the jaggery business in the leading jaggery producing state when jaggery production has peaked. Noorjahan, who is illiterate, stays at home and sells jaggery cake. Her husband Salim and eldest son start out each morning from their village Niyampatpur in Saharanpur district. (The other son, 15, is in Class 7.)

They have been selling jaggery for 20 years and approached the Muzaffarabad branch of VFS for a loan so that they could stock more.They buy the jaggery from Jaunpur—at least 10 sacks at a time. Then they sell the jaggery cakes from the verandah of their house at Rs 40 for the 1kg cakes and Rs 80 for the 2kg cakes.

Their business is shockproof, and their payment record is perfect. In other seasons, they sell vegetables such as potatoes, onion and even besan, together with jaggery.

The successful completion of On-Job-Orientation leads on to the third phase, **Orientation Level-3.** The newcomers, now field staff, are given in-depth knowledge about the product and process, duties and responsibilities and hierarchy. The newcomers share their field experience and review the orientation programme topics.

The orientation programme completes the grooming and induction processes, but it does not signify the end. We follow up with regular training sessions to address special needs, helping our team provide quality service to budding women entrepreneurs and keep up with the changes in the field.

We organize a **Reorientation Training** every six months to upgrade every VFS employee with developmental changes, individual knowledge and skill level. The reorientation training seeks to strengthen our objective of empowering women through financial inclusion at the grass-root level. We also help them with the skill-specific **Customized Special Training** to address specific needs and requirements from time to time.

We start the skill-specific special training with a **Pre-Training Evaluation of Performance,** where a senior evaluates the competence level of a trainee. Then we run a **Training Need Assessment,** in which employees get to identify their need and training requirements. Once these employees spell out their training needs, a **Training Plan** is drawn up and executed accordingly. The 360-degree programme ends with **Training Feedback** from the trainees. The feedback helps the Training Team to improve the training programmes.

One of the newest initiatives of our HR team in the **Management Development Programme** (For M2 to M4 Grade) has been **MILES-(Managerial Induction on Leadership & Entrepreneurship skill).** VFS, to align itself with the needs of a self-reliant India, uses this programme to enrich its managing team with the perspective of an entrepreneur. It helps the manager think like an entrepreneur, thus appreciating our customer needs and challenges. It also helps in boosting their leadership skills and smoothen decision-making processes. Introduction of MILES has been a milestone in the history of our training programme.

VFS, to keep up with the pace of changing business and financial environment, has formulated a **Renewed Adaptability to Changing Environment or RACE** programme to encourage employees' professional skills with a better understanding of one's potential and personality. The meticulous framework guides the trainees towards management for both professional and personal resources.

The **Participatory Refreshing Employee Meet (PREM)** gives the employees scope to discuss HR-related issues. It also helps in boosting the cohesive bond within all departments.

Information technology has been a game-changer in the ways of executing our day-to-day business. Many sectors of our microfinance operation have been automated with the help of mobile apps and white listed handheld devices. Levelling up with the technological advancement, all our staff, including the freshers, are trained periodically on business applications to implement the smooth operation at field level.

Our history in financial inclusion has taught us that our women have an industrious and entrepreneurial spirit. But what they lack is the financial awareness to take their endeavours forward. With this realization, we continue to build awareness of microfinance operations through **Continuous Group Training or CGT.**

Once a prospective borrower decides to join a Joint Liability Group, the **Group Recognition Training or GRT** ensures smooth transition and a sense of sisterhood critical for functioning and sharing the joint liability. This three-day programme ensures that the members are aware of the new individual's background and the responsibilities that they hold towards each other. After induction and the start of operations of the JLG, regular **Customer Awareness Training (CAT)** ensures financial literacy and also guides in matters of loan utilization, over-lending etc.

Keeping ahead of the changes in the business environment, we are expanding our technological and human resources without losing the personal connection with our customers. The personal connect has been the key that helped us touch 500,000 families.

Sunita Dobhal - Uttarakhand

Sunita Dobhal's husband Jagadish ran a bag-manufacturing at their home and Sunita had helped out ever since they got married. When Jagadish died five years ago, Sunita struggled to keep it going while running her household (her two sons were in their teens then).
Sunita stopped manufacturing—school bags, travel bags and so on—and began taking in bags for repairs. Then, she started retailing bags that she bought once or twice a year from Dehradun. Her current range sells at Rs 150-Rs 700 each.
She heard about VFS and took a loan to help her stock up. Sunita's eldest son is 22 and an undergraduate. He wants to join the army. The younger one is 17 and still in school. Sunita's sons show no interest in the business and keep telling her to quit. But Sunita is firm: the work keeps her busy and fetches a tidy income.

The VFS Journey

2020-21

2019-20
Touching 5 Lakh Families

2018-19
VFS drafts new vision: Towards 1 million customers

2017-18
VFS turns a limited company, Injection of Private Equity funding

2016-17
Drafting of Vision 20-20

2013-14
Reclassification by RBI as NBFC-MFI

2006-07
Acquisition of NBFC, renamed as Village Financial Services Pvt Ltd

2004-05
Formation of Village Microfinance Services under Section 25 of the Companies Act

1996-97
Beginning of microfinance operations

1982-83
Formation of Village Welfare Society

Palakhi Talukdar
Assam

Love, location and labour: keywords for Palakhi, 33, of Japarkuchi in Assam's Nalbari. Palakhi studied up to Class 10. Then, just out of her teens, love happened. She married John Talukdar. John inherited his father's paan shop opposite Nalbari College, and they saved up to buy a battery-powered rickshaw which they gave on rent.

Palakhi and John decided to capitalize on the paan shop's location by setting up a 'hotel' near it, selling lunch to college students. But where was the money?

VFS extended a loan. Soon they had a roaring business, serving students and office workers. John and Palakhi do everything. Daily sales hit Rs 2,000, while they earn Rs 250 a day from the e-rickshaw and Rs 700 a month from the paan shop.

Palakhi has two daughters–one in Class 7 and the other in Class 1. Does Nalbari College beckon?

Anju Devi
Bihar

Anju Devi became our customer in 2017 when she was looking for a loan to start a business and supplement the family income. A mother of two, 42-year-old Anju lives with her family in Bhatdhala village, Thakurganj, in Bihar's Kishanganj district.

She had studied up to Class 6, and her husband is a farmer, so it had to be something simple. Anju decided to keep cows and sell cow's milk.

But milch cows are costly, and she needed a loan. She dropped into the Thakurganj office of VFS. With a moo moo here/ And a moo moo there... Today, Anju has 17 cows and is in her 4th loan cycle. Other milkmen buy the milk and sell it in neighbouring areas. There has been no turning back since then.

Anju takes care of her dairy herd herself. The daily income is good.

Kisa Yadav
Chhattisgarh

For Kisa Yadav, VFS was a godsend. Kisa had married into a milkman's family, and her husband took over his father's herd ten years ago. When he was injured in an accident in 2018, the medical bills were crippling.

Kisa, 45, a resident of Pensanwara in Raipur district, visited our Raipur branch for a loan. Today, she runs her business with eldest son Devendra, who goes around on his moped every morning to sell their milk. They earn a profit of Rs 10,000-12,000 a month.

Kisa and her son manage their 20 cows, eight calves and some goats without any labour. Occasionally, they sell a goat at nearby markets.

Kisa, who can barely sign her name, is proud that at least one member of her family is literate. Her daughter is in Class 9, determined to complete school.

Towards A Better Society

VFS has stayed ever vigilant in its commitment to the mandate of financial inclusion—ensuring that people at the bottom of the pyramid have easy access to affordable funds. Financial inclusion requires us to craft financial products that meet their needs and to ensure that they use them productively.

FY 2020 has not been an exception. Your company continuously applied itself to the cause of poverty alleviation by helping budding—but broke—entrepreneurs with funds and guidance to power their dream ventures and find their place in society. Be it weaving mekhelas or beating and welding brass into pitchers or crafting handicraft items: your company was there to help.

The challenges are many. We begin by identifying customer needs and finding a match between the funds on offer and the needs of the customer. Our customers often do not have physical assets to pledge against the funds they borrow. So we organize small groups of customers into a joint liability group or JLG. The group ensures that each member repays her loans according to the schedule. Forming a JLG is not easy: we have to ensure a homogeneous group. A rift within the group tends to create a huge credit risk for the funds that we lend. A tremendous degree of handholding is required to ensure that groups remain productively aligned, and the members are in social harmony.

We regularly interact with each such group and maintain a high level of awareness among them.

A loan gone bad is an NPA in our books. Worse, such a loan is a social NPA and becomes a marker of the failure of our mandate. When a customer fails to honour her commitment to repay her loan according to the agreed schedule, it implies her failure in productively deploying the loan. For VFS, the handholding after the loan is of greater significance as it ensures a double bottom line: financial and social.

So your company, as always, has diligently conducted extensive training programmes for the customers as well as the employees. During the year, we held 7,585 CATS or customer awareness training sessions, as well as 186 refreshers and induction training sessions for our teams to ensure that we were clear about the mandate and focused on it.

Our customers strive to create enterprises that bring alive their dream of being self-reliant, of being the master of their destiny. The microfinance industry seeks to help such seeds of enterprise flower. Such enterprises not only create the customer employed, but the customer often employs others. The chain thus created helps generate prosperity cycles that go a long way in creating sustainable development. In a sample survey that we conducted, we found a customer engages an average of three persons as direct employees or in ancillaries. Extrapolating the sample, we can proudly assume that your company has positively touched the lives of at least 20 lakh families through its mandate.

The entire team also strives to promote indigenous businesses that are part of our heritage. However, several ethnic products are losing out to cheaper alternatives because they don't have access to profitable markets. VFS has always sought to give such craftspersons access to finance and handhold them to get into bigger markets.

We, in VFS, understand that activities drawing on the environment ought to be sustainable. A VFS customer could be basing her business on bamboo or shells of sea animals. Therefore, she must understand the importance of preserving nature so that her livelihood is also protected.

Our awareness programmes also spread the message of how important it is to preserve the environment. VFS does so by actively creating participatory awareness camps for tree plantation and water resource preservation, among other things.

Health, hygiene and education remain at the top of our social welfare agenda. We understand that prosperity can be enjoyed only if the three aspects are taken care of. VFS has been regularly involving itself in creating awareness programmes on good living habits and emphasizing the education of children, especially the girl child. We have also engaged in sanitation and hygiene programmes such as distributing and sprinkling bleaching powder in areas where vector-borne ailments are high. The entire extended team of VFS worked hard with customers to restore some balance in their lives after cyclone Bulbul. We also made our customers aware of ways to avoid the typical diseases that follow cyclones and floods.

We, in VFS, understand that our mandate is comprehensive and poverty alleviation also implies the creation of a sustainable development process. It's a comprehensive socio-economic process, and we are committed to the double bottom-line of finance and social justice through our activities.

Kiran Karmakar - West Bengal

Kiran Karmakar, 37, got into manufacturing by chance: her father-in-law used to make brass pitchers (*kolshis* in Bengali), in his house in Telkalpara, Purulia, but her husband is a para teacher who has no interest in the business.

Traders from Kolkata supply brass sheets and neckpieces and she completes them into *kolshis* using simple machinery and some welding. She employs two workers and pays them per *kolshi*. She took her first loan from VFS in 2016; now she is in her 4th loan cycle.

Kiran can sell each *kolshi* for Rs 2,000-2,500. She has two welding machines and two grinding/ polishing machines.

Kiran has a 14-year-old daughter in Class 10 and a 10-year-old son in Class 5. Kiran, who has studied up to Class 10, devotes her evening to her children. No metal-bashing then; just two kids reading.

Nirmala Devi
Haryana

Nirmala Devi, 46, joined the VFS family when we entered Haryana during 2019-20. Nirmala, who stays in Jagadhri town in Yamunanagar, had begun working in a college canteen in 2010 to supplement the family income (she has four children). The students liked her cooking, and she started delivering lunches to some of them.

She had married at 19 to Ashok Kumar, a worker in an aluminium utensils factory. When he died in 2018, Nirmala realized she had to run the show. She took a loan from VFS in 2019 and got cracking. Now, she has around 70 customers.

Nirmala, who had studied up to Class 5, has ensured that her children completed school. Nirmala's eldest daughter, who is divorced, is her business partner. They employ five women, paying each Rs 300 a day plus a free meal.

Nirmala's second daughter is married, and two sons work in a nearby steel utensils factory.

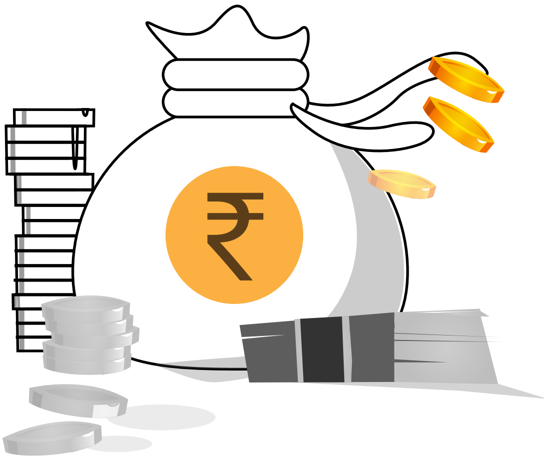
Monalisha Patra
Jharkhand

One day, Monalisha Patra, 36, learnt that she could carve out an income from her hobby. The mother of two, of Dahigora in East Singbhum, liked to make decorative items from wood. She had just heard about a centre in Ghatsila that helped people like her turn professionals. She did the course, then borrowed some money from VFS to buy some tools. She aims to buy electric tools as business increases.

She makes decorative items, trays, pen stands, key rings, key holders and nameplates, from wood. Her husband Sankar, who works in a scented oil factory, helps her on his holidays. Their son is in Class 10 and daughter in Class 8.

She sells her products to the Ghatsila workshop. Monalisha also supplies shops in Burudi and Dharagiri.

Monalisha aims to make her home a workshop so that she can train more women like her (for a fee).



Products
portfolio and process

As we traverse the roadmap of growth, we realise that to harness the entrepreneurial potential of Indian women, we need to adapt to the dynamic of the rapidly changing economy and cater our budding entrepreneurs with the much-needed financial boost.

After a successful pilot, the Vikas loan was introduced as a new product in our portfolio to accelerate their journey of entrepreneurship. The Vikas loan is a promise of a partnership between our customers and us.

While we are motivated to follow a stringent loan approval and strict disbursement process, much of the process has been automated without losing our connection with our customers. This is done keeping our motto of Touch and Tech in mind.

All existing products maintained their usual growth in their respective customer segments.

With the new products, we continue to focus on our aim to alleviate poverty in rural India through the empowerment of women entrepreneurs.

Name of Product	Briddhi Loan	Sri Briddhi Loan	Sambriddhi Loan	Vikas Loan
Clientele (group, individual)	JLG member	JLG member	Individual Loan	Group Loan
Loan Size	Up to Rs 30,000	Up to Rs 60,000	Up to Rs 2,00,000	Rs 24,000 to Rs 40,000
Loan tenure	12 months	24 months	24 months	18 months
Purpose	Income generating activity	Income generating activity	Income generating activity	Income generating activity

Satyabhama Sahoo - Odisha

Satyabhama Sahoo, of Haldharpur in Keonjhar, is an award-winning terracotta craftsperson. The village is known for its terracotta work, with almost all families involved in some way. Satyabhama and her husband Taranisen have been in terracotta for nearly two decades, but it was only in 2019 that she thought of taking a loan from VFS to grow.

Satyabhama makes terracotta horses, elephants, flower bases and large pots. The items are priced at Rs 500-Rs 5,000.

They sell the products to dealers in Puri, Rourkela and Cuttack, or at fairs. Satyabhama, who won her first award in 2010 and a government award in 2013, often earns up to Rs 2 lakh from a single handicrafts fair.

Satyabhama studied only up to Class 8 but has ensured that her children got a good education. The son teaches painting in an art school and the daughter is studying medicine.

Identifying customers	The CSR conducts field visits to source customers.
Check of original KYC details	A preliminary check is carried out to evaluate the customer's credit history.
Is the check positive?	No → Reject
Yes ↓	
Continuous Group Training	
Send documents to branch	Upon receiving all the necessary documents the branch manager and/or the OEx. makes the necessary entries in the system and send the loan appraisal to the CPC.
BM/OEx. collate documents	
Send to CPC	The CPC checks all documents and tallies customer details with the credit bureau report.
CPC to cross check	
Is the check positive?	No → Reject
Yes ↓	
CPC (CPC head) approves loan	The CPC sanctions the loan of appropriate loan amount.
NEFT/ Disbursement	

Satila Boro
Meghalaya

Satila Boro is one of the thousands of VFS customers who make a living and create jobs. She joined our family when we entered Meghalaya. A resident of Kadamshali village in West Garo Hills district, Satila has been weaving mekhela-chadors and gamchas for 20 years now, two years into her marriage with Manik.

Satila makes cotton mekhela-chadors, a traditional two-piece garment worn by women. Satila fetches the yarn in lots of Rs 10,000. She dictates the designs and supervises two weavers, paying each Rs 80-100 to weave a mekhela and Rs 20-30 for a gamcha. Satila, who dropped out of school after Class 7, sells each mekhela for prices ranging from Rs 1,000 to Rs 5,000, going from door to door in her own and nearby villages.

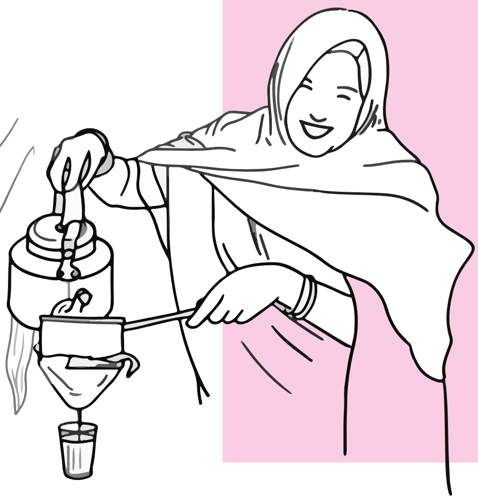
Satila has no children. No competitors either since the villagers are engaged in other activities.

Pramila Soni
Madhya Pradesh

Four years ago, Pramila Soni, 40, was running a beauty parlour in her home. It kept her busy but the income was small, and she needed more funds to send her sons to colleges of their choice. Pramila, a resident of Hoshangabad in Madhya Pradesh, decided to try her hand at selling saris. Saris were her passion in any case. To begin with, she got small stocks from her Indore-based brother. Husband Manoj, a computer operator, backed her venture (he always does).

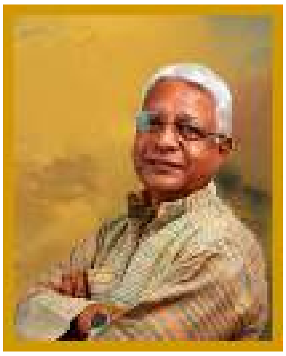
To scale up, Pramila needed more capital. That's when she tapped VFS for a loan. With it, she took a sari shop on lease and began buying from wholesale markets in Surat and Indore with the help of her brother. She stocks mostly silk and chiffon saris, priced at Rs 250-2500.

Today, one son is studying engineering, and the other is in Class 12.



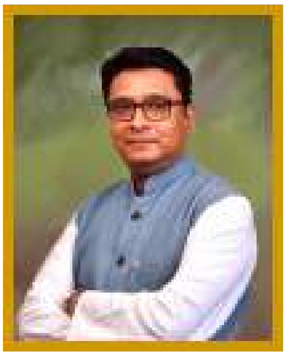
Board of Directors

Mr Ajit Kumar Maity
Chairman



Mr Ajit Kumar Maity, the chairman of our Board, has over 40 years of experience in social development and microfinance. He helped the company become the first microfinance institution in West Bengal to get the status of an NBFC-MFI. A graduate in Arts from the University of Calcutta, he has also trained in legal and regulatory frameworks for MFIs at the International Development Law Organization. He has a diploma in Management of Social Organizations from the National Institute of Public Cooperation & Child Development under the Ministry of Women & Child Development, Government of India.

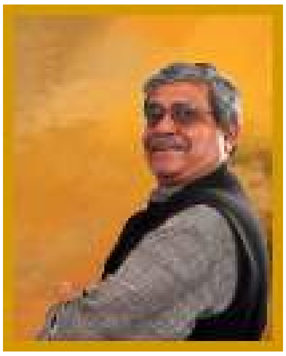
Mr Kuldip Maity
Managing Director and Chief Executive Officer



Mr Kuldip Maity, who steers the Village group, is an MBA with over 18 years of experience in microfinance and social development. He helped Village Financial Services become the first MFI in West Bengal to get the status of an NBFC-MFI and to become the first ISO9001:2008 certified microfinance institution in India. He has led the company's drive to adopt technology without losing its customer connect.

Dr Sankar Datta

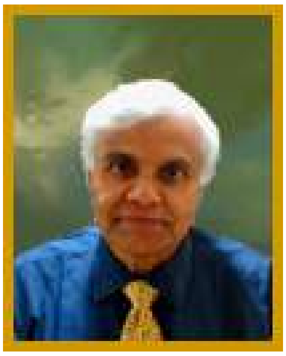
Independent Director



Dr Sankar Datta, a doctorate in economics, was a member of the faculty at the Institute of Rural Management, Anand, the Indian Institute of Management, Ahmedabad, and Azim Premji University, Bengaluru. He was also a member of the Task Force for drafting India's 12th Five-Year Plan, a member of the Chhattisgarh Planning Commission's initiative to reduce poverty and has been a consultant on projects of the World Bank, International Finance Corporation and various MFIs.

Dr Tapan Kumar Mukhopadhyay

Independent Director



Dr Tapan Kumar Mukhopadhyay, an M.Tech in chemical engineering and chemical technology, began his career in the steel industry and retired from IDBI Bank as a Chief General Manager and a Country Head. He also holds a doctorate of Calcutta University and a PGDM of AIMA. IDBI Bank had nominated him to the boards of many companies, including North Eastern Development Finance Corporation. At present, he is an independent director at Sangam (I) Ltd and Srei MF AMC (P) Ltd, among others.

Ms Jayshree Vyas

Independent Director

Ms Jayshree Ashwinkumar Vyas, a chartered accountant by training, is the managing director of Shri Mahila Sewa Sahakari Bank, which has more than 6,00,000 women clients. After she took over at Sewa Bank in 1986, she steered an integrated micro-insurance scheme for women working in the informal sector and housing finance schemes for poor women. Vyas has organised savings groups of poor women, bringing them into the banking system for the first time. At Sewa Bank, she also pioneered a financial literacy programme.

Mr Pradipta Kumar Jena

Independent Director

Mr Pradipta Kumar Jena, a Masters' in History and a CAIIB, was an officer with the Reserve Bank of India from 1984 to 2019 and held the post of regional director for Bihar, Jharkhand, Odisha and Madhya Pradesh before his superannuation. He was also the banking ombudsman in Odisha from 2006-09. At RBI, he handled general banking, foreign exchange, currency management, bank and non-bank supervision, rural development, HR and payment systems. The assignments were pan-India in nature.

The VFS Partners and Associates

AU Small Finance Bank	Axis Bank	Bandhan Bank	बैंक ऑफ़ बड़ौदा Bank of Baroda	बैंक ऑफ महाराष्ट्र Bank of Maharashtra
केनरा बैंक Canara Bank	Capital Small Finance Bank Vishwas Se Vikas Tak	caspian	CENTRUM	DCB BANK
efl ...by your side	FEDBANK	HeroFinCorp.	Hinduja Leyland Finance	ICICI Bank
IDFC BANK	इंडियन बैंक Indian Bank	INTELLEGROW	JANA Jana Small Finance Bank	kotak Kotak Mahindra Bank
OIKO CREDIT Maanaveeya Development & Finance Private Limited	MAGMA Investing in the smallest dream	Mahindra Finance	MANAPPURAM FINANCE LIMITED	MAS The Power of Distribution
mudra	muthoot CAPITAL	NABARD	nabfins	NABKISAN FINANCE LIMITED
NABSAMRUDDHI FINANCE LIMITED	NORTHERN ARC	ओरियन्टल बैंक ऑफ़ कॉमर्स Oriental Bank of Commerce	PROFECTUS CAPITAL	InCred Capital
Punjab & Sind Bank	SBM	PACE SHINE STAR BUILD-CAP PVT. LTD.	sidbi	SBI
SURYODAY A BANK OF SMILES	सिंडिकेटबैंक SyndicateBank	TATA CAPITAL	SOUTH INDIAN Bank	यूको बैंक UCO BANK
Union Bank of India	United Bank of India	vivriti CAPITAL	YES BANK	

VFS In The News

The Statesman

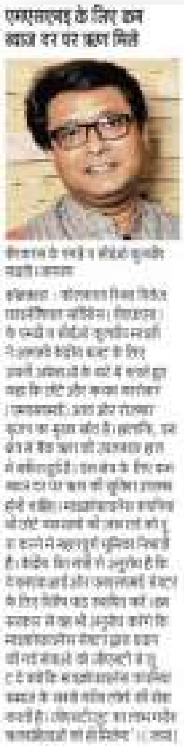

वीलेज फिनेंशियल सर्विस (वीएफएस) एमडी और सीईओ डॉ कुलदीप मैती ने कहा कि एनबीएफसी के लिए सीमा में कमी वित्तीय सुरक्षा और सिक्योरिटी इंटरेस्ट (एस एआर एफएईएस आई) अधिनियम के प्रतिभूतिकरण और पुनर्निर्माण के तहत ऋण वसूली के लिए पात्रता भी एक स्वागत योग्य कदम है। छोटे खुदरा विक्रेताओं, व्यापारियों, दुकानदारों पर अनुपालन बोझ को कम करना और ऐसे लेनदेन को डिजिटल लेनदेन से जोड़ना एक स्वागत योग्य कदम है।

Sanmarg


VFS launches operations in Meghalaya

Kolkata-based Village Financial Services (VFS) has announced the expansion of operations in Meghalaya with opening of a new branch at Tikrikilla in West Garo Hills district. With this, VFS has increased its footprint in 11 states in India. VFS now caters to more than 4.71 lakh women borrowers from 238 branches across WB, Tripura, Assam, Bihar, Jharkhand, Odisha, Sikkim, MP, Uttarakhand, Chhattisgarh and Meghalaya. It has also achieved the milestone of crossing the mark of Rs. 1000 crore of gross loan portfolio backed by the growth in number of borrowers.

The Telegraph


एमएसएमई के लिए कम ब्याज दर पर ऋण मिले

Dainik Jagran


EMPOWERING THE MASSES THROUGH FINANCIAL INCLUSION

Forbes India


VFS asset growth: Village Financial Services (VFS) has witnessed a robust growth of 42.8% in the asset size in FY19, and also achieved the milestone of crossing Rs 1,000crore mark. The loan portfolio of the company climbed to Rs 1057.1 crore in FY19 from Rs 740.3 crore in FY18, and recorded a loan disbursal of over Rs 1,395 crore. VFS also reported a robust growth of 212% in net profit at Rs 29.3 crore for 2018-19.

The Times of India


ক্ষুদ্র ঋণ নিয়ে ব্যবসা করে স্বাবলম্বী ওঁরা

Aajkaal


वीएफएस ने हरियाणा में कारोबार शुरू किया

Sanmarg


Connecting with the marginalised

Business India


নারীদিবসের আবহে নজির ক্ষুদ্র ঋণে স্বনির্ভর সাবেরাদের

Ei Samay

VILLAGE FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have the pleasure in placing before you the Annual Report on the business and operations of the Company and the Audited Accounts for the year ended March 31, 2020. A summary of the financial results for the year 2019-20, as compared with the previous year's figures, is given below:

Financial Results (In rupees crore)

Particulars	FY 2019-20	FY 2018-19
Total Revenue	213.73	193.81
Less: Total Expenses	165.66	155.32
Profit before Tax	48.06	38.49
Less: Provision for Tax	12.99	9.27
Profit for the year	**35.06**	**29.23**
Add: Surplus brought forward	35.29	13.37
	70.35	**42.59**
Less: Capitalization for issue of Bonus Share	-	-
Amount available for appropriation	-	-
Less: Appropriations:	-	-
Transfer to Statutory Reserve	*7.01	*5.84
Transfer to General Reserve	1.75	1.46
Closing Balance-Surplus	**61.59**	**35.29**

*An amount of ₹7.01 crore (previous year ₹5.84 crore) was transferred to Statutory Reserve Fund pursuant to Section 45-IC of the Reserve Bank of India Act, 1934.

Company's Operation Highlights

The following table summarizes the operational performance of the Company for the year ended March 31, 2020:

Year ended March 31	2020	2019
Number of working states	13	11
Number of working districts	85	74
Number of branches	246	238
Number of borrowers	4,84,884	4,74,879

Amount Disbursed (in Rs crore)	1,289.10	1,126.02
Loan Outstanding (in Rs crore)	1,090.96	1,057.12

Review of Business Operations and Financial Performance

Your Directors wish to present the details of business operations done during the year under review:

Your Company continues to draw strength from continued improvement in financial performance marked by improvement in loan portfolio, long experience of the promoters, well-defined organizational structure and governance framework, adequate IT infrastructure commensurate with the scale of operations.

Income grew by 10.28 per cent y-o-y to Rs 213.73 crore during the financial year under review. There has been a marginal growth in loan portfolio (rising from ₹1,057.12 crore as on March 31, 2019, to ₹1,090.96 crore as on March 31, 2020). During the financial year under review, return on average assets stood at 2.79 per cent (on gross book) and return on average equity stood at 24.29 per cent.

All these cumulative factors led to an increase in net profit after tax from ₹29.23 crore in the previous financial year to ₹35.06 crore during the current financial year under review, an increase of 19.95 per cent.

Dividend

Keeping in view the expansion plan of the existing business, in order to increase the net worth of the Company, your Directors intend to retain internal accrual which will generate a good return for shareholders both for today and tomorrow. Thus, your Board does not propose to declare any dividend for the financial year under review.

Share Capital

Increase in Authorized Share Capital

During the FY under review, there has been no increase of authorized capital of your Company. As such, as on March 31, 2020, the authorized capital of your Company stood at ₹80,00,00,000/- consisting of 7,70,00,000 equity shares of ₹10/- each and 30,00,000 preference shares at ₹10/- each.

Allotment of Shares

During the FY under review, your Company has not allotted any fresh equity shares.

As such, as on March 31, 2020, the paid-up share capital of the Company stood at ₹44,47,30,200 consisting of 4,44,73,020 equity shares of face value of ₹10/- each fully paid–up.

RBI Guidelines

The Reserve Bank of India (RBI) granted the Certificate of Registration to the Company on September 27, 2013, vide Registration No. B-05.05378, to commence the business of a Non-Banking Financial Institution MFI without accepting deposits. Pursuant to the conversion of the Company from 'Private' to 'Public', the Reserve Bank of India has issued a new certificate to your Company bearing the same Registration Number on January 4, 2018, during the financial year under review.

With the asset size of your Company exceeding Rs 500 crore, your Company is a Systemically Important Non-Deposit-taking Non-Banking Financial Company (NBFC-ND-SI).
Your Company has complied with and continues to comply with all the applicable regulations and directions of the RBI. Your Company, being a member of two SROs (MFIN and Sa-Dhan), follows the Code of Conduct as prescribed by these SROs. Your Company also complies with the directives, standards and rules as prescribed by the above SROs from time to time.

Capital Adequacy

Your Company is well-capitalized and has a capital adequacy ratio of 23.40 per cent as at March 31, 2020, as against the minimum regulatory requirement of 15 per cent for non-deposit accepting NBFCs.
Your Company has outstanding secured and unsecured borrowings of ₹764.40 crore at the end of the financial year 2019-20.

Ratings
Acuite Ratings & Research Ltd (a SEBI Registered, RBI accredited rating agency) has on August 8, 2019, (valid up to August 4, 2020) and Brickwork Ratings India Pvt Ltd (SEBI Registered, RBI accredited) has on June 14, 2019, (valid up to June 13, 2020) assigned rating for the credit facilities availed of/proposed to be availed of by the Company, details of which are given below:

Rating Agency	Facility	Limits (in crs)	Tenure	Rating
Acuite Ratings & Research Ltd	Proposed long-term facilities	500.00	Long Term	Acuite A- Outlook - Stable
Brickwork Ratings India Pvt Ltd	Fund-Based	800.00	Long Term	BWR BBB+

Further, the company has also received Comprehensive MFI grading of M2C2 (High capacity of the MFI to manage its operations in a sustainable manner and good performance on code of conduct dimensions) from SMERA on March 25, 2020, (valid up to: March 24, 2021).

Corporate Social Responsibility

Your Company's Corporate Social Responsibility activities are guided and monitored by its CSR Committee.
The CSR Policy of the Company provides a broad set of guidelines including intervention areas.

Your Company believes in ensuring strong corporate culture which emphasizes on integrating CSR values with business objectives. It believes in pursuing initiatives to eradicate hunger, poverty; promoting preventive healthcare and making available safe drinking water; promoting education (including special education), employment-enhancing vocational skill training for women, promoting gender equality, programmes for empowering women and projects for environmental protection.

The Policy is also uploaded on the Company's website. Web link:
https://village.net.in/compliance-policies/csr-policy/

These activities are in accordance with Schedule VII of the Companies Act, 2013. The Annual Report on CSR activities is annexed herewith as **Annexure A.**

Directors and Key Managerial Personnel

Directors

In accordance with the provisions of Section 152(6) of the Companies Act, 2013, (Act) not less than two-thirds of the total number of Directors of a public company, excluding Independent Directors & other non-rotational Directors, shall be liable to retire by rotation of which at least one-third shall retire at every Annual General Meeting and may be reappointed by the Company. The retiring Directors shall be those who have been longest in office since their last appointment.Your Company being a public limited company, Mr Ajit Kumar Maity, director of the Company (DIN: 00250806), liable to retire by rotation, has offered himself for re-appointment in the ensuing Annual General Meeting.
During the financial year under review, on the recommendations of the Nomination & Remuneration Committee, your Company at the Extra Ordinary General Meeting held on September 26, 2019, appointed Mr Pradipta Kumar Jena as an Independent Director and Mr Amarjit Chopra as an Independent Director with immediate effect. In the opinion of the Board, the independent directors appointed during the year are persons of integrity and possess relevant expertise and experience.
Further, during the financial year under review, Mr Ramanathan Annamalai, an Independent Director of the Company, retired from his office with effect from September 28, 2019.

Independent Directors

The Independent Directors hold office for the appointed term from the date of their respective date of appointment and are not liable to retire by rotation. The Company has received necessary declaration from each Independent Director of the Company under Section 149 (7) along with declaration under Rule 6 Sub Rule (1) and (2) of the Companies (Appointment and Qualifications of Directors) Rules, 2014, of the Companies Act, 2013, that the Independent Directors of the Company meet with the criteria of their independence laid down in Section 149 (6). Also, the Independent Directors are in compliance with the Code for Independent Directors prescribed in Schedule IV of the Companies Act, 2013.

Key Managerial Person

During the financial year under review, there has not been any change in the Key Managerial Personnel in your Company.

Code of Conduct for Directors and Senior Management Personnel

The Company has in place a board-approved Code of Conduct for Directors and Senior Management Personnel. The Code requires every Board Member and Senior Management Personnel to act within the authority conferred upon them and in the best interests of the Company. Accordingly, all the Directors and Senior Management Personnel have confirmed their compliance with the Code for the financial year ended March 31, 2020.

Meetings of the Board

Your Board meets at regular intervals to discuss and decide on business strategies/policies and review the financial performance of the Company. During the financial year under review, your Board met 5 (five) times. The meetings were held on May 10, 2019, July 12, 2019, July 22, 2019, October 30, 2019, and January 17, 2020. The interval between two meetings was well within the maximum period mentioned under Section 173 of the Companies Act, 2013.

Attendance of Directors at the Board Meetings:

Sr. No.	Name of Directors	No. of Board Meetings Attended
1.	Mr Ajit Kumar Maity	5 of 5
2.	Mr Kuldip Maity	5 of 5
3.	Dr Tapan Kumar Mukhopadhyay	2 of 5
4.	Dr Sankar Datta	4 of 5
5.	Ms Jayshree Ashwinkumar Vyas	2 of 5
6.	*Mr Ramanathan Annamalai	2 of 3
7.	**Mr Amarjit Chopra	2 of 2
8.	***Mr Pradipta Kumar Jena	1 of 2

** Mr Ramanathan Annamalai, an Independent Director of the Company, retired from his office with effect from September 28, 2019*
*** Mr Amarjit Chopra resigned from his office with effect from May 31, 2020*
**** Mr Pradipta Kumar Jena and Mr Amarjit Chopra were appointed as Independent Directors of the Company w.e.f September 26, 2019*

Committees of the Board

Currently, the Board has seven Committees: Audit and Risk Management Committee, Nomination & Remuneration Committee, Borrowing & Investment Committee, Securities Allotment Committee, Corporate Social Responsibility Committee, Asset Liability Committee and IT Strategy Committee. Compositions of the Committees are as follows:

NAME OF THE COMMITTEE	COMPOSITION OF COMMITTEE
Audit and Risk Management Committee (Audit & RM)	Dr Sankar Datta (Chairman) Mr Amarjit Chopra, Member Mr Kuldip Maity, Member
Nomination & Remuneration Committee	Ms Jayshree Ashwinkumar Vyas (Chairman) Dr Sankar Datta, Member Mr Ajit Kumar Maity, Member
Borrowing & Investment Committee	Mr Ajit Kumar Maity (Chairman) Mr Kuldip Maity, Member Mr Manish Somani, Member
Securities Allotment Committee	Mr Ajit Kumar Maity (Chairman) Dr Sankar Datta, Member Mr Kuldip Maity, Member
Corporate Social Responsibility Committee	Dr Sankar Datta (Chairman) Dr Tapan Kumar Mukhopadhyay, Member Mr Kuldip Maity, Member
Asset Liability Committee	Mr Kuldip Maity (Chairman) Mr Manish Somani, Member Mr Jitendra Nath Mahato, Member
IT Strategy Committee	Ms Jayshree Ashwinkumar Vyas (Chairman) Mr Kuldip Maity, Member Mr Arindam Chakraborty, Member

Attendance of Members at the Committee Meetings

Audit Committee and Risk Management Committee

Sr. No.	Name of Members	No. of Committee Meetings Attended
1.	Dr Sankar Datta	3 of 4
2.	Mr Kuldip Maity	4 of 4
3.	Mr Ramanathan Annamalai	2 of 2
4.	*Mr Amarjit Chopra	1 of 1

** Mr Amarjit Chopra resigned from his office with effect from May 31, 2020*

Nomination & Remuneration Committee

Sr. No.	Name of Members	No. of Committee Meetings Attended
1.	Mr Ramanathan Annamalai	2 of 2
2.	Mr Ajit Kumar Maity	3 of 3
3.	Dr Sankar Datta	2 of 3
4.	Ms Jayshree Ashwinkumar Vyas	0 of 0

Borrowing & Investment Committee

Sr. No.	Name of Members	No. of Committee Meetings Attended
1.	Mr Kuldip Maity	31 of 31
2.	Mr Ajit Kumar Maity	31 of 31
3.	Mr Manish Somani	31 of 31

Securities Allotment Committee

Sr. No.	Name of Members	No. of Committee Meetings Attended
1.	Dr Sankar Datta	0 of 0
2.	Mr Kuldip Maity	0 of 0
3.	Mr Ajit Kumar Maity	0 of 0

Corporate Social Responsibility Committee

Sr. No.	Name of Members	No. of Committee Meetings Attended
1.	Dr Sankar Datta	1 of 1
2.	Dr Tapan Kumar Mukhopadhyay	0 of 1
3.	Mr Kuldip Maity	1 of 1

Asset Liability Committee

Sr. No.	Name of Members	No. of Committee Meetings Attended
1.	Mr Kuldip Maity	4 of 4
2.	Mr Manish Somani	4 of 4
3.	Mr Jitendra Nath Mahato	3 of 4

* *Mr Jitendra Nath Mahato has been appointed as member with effect from May 10, 2019*

IT Strategy Committee

Sr. No.	Name of Members	No. of Committee Meetings Attended
1.	Ms Jayshree Ashwinkumar Vyas	1 of 2
2.	Mr Kuldip Maity	2 of 2
3.	Mr Arindam Chakraborty	2 of 2

During the financial year under review, the Audit & Risk Management Committee met four times, Nomination & Remuneration Committee met three times, Borrowing Committee met 31 times Corporate Social Responsibility Committee met once, ALCO met four times and IT Strategy Committee met twice.

There was no occasion of non-acceptance of any recommendation of the Audit & Risk Management Committee by the Board.

All members of the Audit & Risk Management Committee have adequate accounting and financial management expertise. Dr Sankar Datta, Chairman of the Audit & Risk Management Committee, could not attend the Company's Annual General Meeting (AGM) held on May 24, 2019, but authorised Mr Kuldip Maity, Managing Director & CEO of the Company, to answer shareholder queries. Your Company in the year under review held two Extra Ordinary General Meetings — on July 19, 2019, and September 26, 2019.

Vigil Mechanism/ Whistle-Blower Policy

As per the provisions of Section 177(9) of the Companies Act, 2013, read with rule 7 of the Companies (Meeting of Board and its Power) Rules, 2014, the Company is required to establish an effective vigil mechanism for Directors and Employees to report genuine concerns.

Your Company as part of the 'vigil mechanism' has in place a 'Whistle-Blower Policy' duly approved by the Board in its meeting held on May 18, 2018, to deal with instances of fraud and mismanagement, if any. The Whistle-Blower Policy has been placed on the website of the Company. This vigil mechanism of the Company is overseen by the Audit Committee and provides an adequate safeguard against victimization of employees and also provide direct access to the Chairperson of the Audit Committee.

During the year under review, your Company has not received any complaint. None of the personnel of your Company was denied access to the Audit Committee.

Company's Policy on Directors Appointment, Remuneration Including Criteria for Determining Qualifications, Positive Attributes, Independence

Pursuant to the provisions of Section 134(3)(e) of the Companies Act, 2013, read with the second proviso, salient features of your Company's Nomination and Remuneration Policy on director's appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under Section 178(3) are as follows:

- To guide and recommend to the Board in relation to appointment and removal of Directors and Key Managerial Personnel.
- To recommend to the Board on remuneration payable to the Directors and Key Managerial Personnel.
- To appoint/remove and decide remuneration payable to Senior Management Person (SMP) in accordance with criteria laid down for their appointment and remuneration either directly or through delegated authority.
- To recommend reward(s) payable to the KMP and Senior Management linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
- To attract, retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- To do all such other acts/deeds as may be prescribed by the Board.

The Policy is also uploaded on the Company's website. Web link:
https://village.net.in/compliance-policies/nomination-and-remuneration-policy/

Directors' Responsibility Statement

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3) (c) of the Companies Act, 2013:

a) in the preparation of the annual accounts for the year ended March 31, 2020, the applicable accounting standards read with requirements set out under Schedule III to the Act, have been followed and there are no material departures from the same.

b) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2020, and of the Profit & Loss statement of the Company for the year ended on that date.

c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

d) the Directors have prepared the annual accounts on a 'going concern' basis.

e) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

Risk Management

Risk being an integral part of our business and sound risk management being critical to our success, your Company recognizes the importance of risk management and has invested in appropriate processes, people and management structure.

As a financial intermediary, your Company is exposed to risks that are peculiar to its lending and the environment within which it operates. Comprehensive policies and procedure to identify, assess, monitor and manage risk throughout the Company have been identified and implemented.

The primary objectives of implementing this framework at your Company is to ensure that:

- Risks faced by your Company are identified and collected in a central repository, enabling Top Management to take a comprehensive understanding;
- Risks taken by the management are within your Company's risk appetite and that these risks are managed proactively.

Towards this end, the Board of Directors at its meeting held on May 10, 2019, had reviewed the Risk Management Policy towards the implementation of its risk management strategy and to review the systems used to manage and identify risks faced by your Company. The risk function is supervised by the Audit & Risk Management Committee of the Board. The Committee reviews key risk indicators covering areas such as credit risk, operational risk, market risk, portfolio risk, competition risks and the limits framework, including stress test limit for various risks. In addition, a Risk Management Committee comprising senior managers is in place and it works as eyes and ears of the top Management in the area of risk management.

The asset quality of the Company continues to remain healthy. The ratio of gross non-performing assets to gross advances and net non-performing assets to net advances as of March 31, 2020, stood at 1.32 per cent and 0.39 per cent respectively.

Internal Financial Controls

Your Company has in place adequate internal financial controls with reference to financial statements. During the financial year under review, such controls were tested and no reportable material weaknesses in the design or operation were observed.

Explanation or Comments by the Board on Auditor's Report

Your Board noted that the Statutory Auditor of the Company has not given any qualification, reservation or adverse remarks or disclaimers for the financial year under review.

Corporate Governance

Your Company adopts best corporate practices and is committed to conduct its business in accordance with applicable laws, rules and regulations and the highest standards of business ethics and ethical conduct.

Auditors

Pursuant to the provisions of Sections 139 and 141 of the Companies Act, 2013, Shankar Saraf & Associates, Chartered Accountants, (Firm Registration No-325896E), were appointed as Statutory Auditor of Your Company to hold office up to the conclusion of the Annual General Meeting to be held in the calendar year 2020. Shankar Saraf & Associates, Chartered Accountants (FRN - 325896E), shall be completing its initial term of five consecutive years as the Statutory Auditors of the Company with the close of the ensuing Annual General Meeting. It is proposed to re-appoint them as the Statutory Auditor of the Company for a second term of five consecutive years pursuant to section 139(2) of the Companies Act, 2013.

Shankar Saraf & Associates, Chartered Accountants, (Firm Registration No 325896E), Statutory Auditor of the Company, have confirmed that their continuity as Statutory Auditor of the Company from the conclusion of ensuing Annual General Meeting till the conclusion of the 30th Annual General Meeting of the Company, shall be within the limits prescribed under the Companies Act, 2013, and that they are not disqualified for such appointment within the meaning of Sections 139 and 141 of the Companies Act, 2013, read with Companies (Audit and Auditors) Rules, 2014.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

Your Company, being a Non–Banking Financial Company (NBFC), does not have any manufacturing activity. Your Directors, therefore, have nothing to report on 'conservation of energy and technology absorption'. There has been no foreign exchange earnings or outgo during the financial year under review.

Loans, Guarantees & Investments as per Section 186 of the Companies Act 2013

Your Company is a Non-Banking Financial Company-Microfinance Institution engaged in the business of providing loans as per the guidelines of RBI and it is exempted under Section 186(11) of the Companies Act, 2013, and hence the provision of Section 186 is not applicable to the Company.

Particulars of Employees

In terms of Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and amendments thereon the name of the top ten employees in terms of the remuneration drawn is annexed herewith as **Annexure B** and the name of every employee, who –

i. if employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than one crore and two lakh rupees – **As per Annexure B**

ii. if employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than eight lakh and fifty thousand rupees per month - **Nil**

iii. if employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than two per cent of the equity shares of the company - **Nil**

Annual Return

Pursuant to Section 92(3) of the Companies Act, 2013, the extract of Annual Return of the Company is annexed herewith as **Annexure C** and has been placed on the website of the Company. The web-address is https://village.net.in/.

Particulars of Contracts and Arrangements with Related Parties Referred to in Sub-Section (1) of Section 188 of the Companies Act, 2013

No contracts/arrangements/transactions were entered into by your Company during the financial year under review with any related parties **referred to in Sub-Section (1) of Section 188 of the Companies Act, 2013**. Your Company has a board-approved policy on Related-Party Transactions.

Board Evaluation

In terms of the requirement of the Companies Act, 2013, the Nomination and Remuneration Committee laid down the manner for effective evaluation of the performance of the Board, its committee and individual directors in the Board Evaluation Policy which was duly adopted by the Board Members. During the financial year under review, Board Evaluation cycle was completed by the Company internally. which included the evaluation of the Board as a whole, Board Committees and Peer evaluation of the Directors. The exercise was led by the Chairman of the Nomination and Remuneration Committee of the Company. The evaluation process focused on various aspects of the functioning of the Board and Committees such as composition of the Board and Committees, experience and competencies, performance of specific duties and obligations, governance issues, etc. A separate exercise was carried out to evaluate the performance of individual Directors on parameters such as attendance, contribution and independent judgement.

Management Discussion & Analysis

Pursuant to RBI Master Directions - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit-taking Company (Reserve Bank) Directions, 2016, Management Analysis & Discussion Report is annexed herewith as Annexure D.

Disclosure under the Sexual Harassment Of Women At Workplace (Prevention, Prohibition And Redressal) Act, 2013

Your Company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Your Company has in place a Policy on Sexual Harassment at Workplace in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. An Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy. During the financial year under review, your Company has not received any complaints of sexual harassment from any of the employees of the Company. The said policy is uploaded on the website of the Company as well.

Details in Respect of Frauds Reported by the Auditor under Sub-Section 12 of Section 143, other than those which are reportable to the Central Government

a. Nature of Fraud with descriptions: Misappropriation of cash and manipulation of books of accounts.
b. Approximate amount involved: Rs 3.42 lakh.
c. Parties Involved: Employees of the Company.
d. Remedial action taken: Service being terminated and necessary legal action has been taken against them.

General

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the financial year under review:

1. Details relating to deposits covered under Chapter V of the Companies Act, 2013, and others.
2. No significant or material orders were passed by the Regulators or Courts or Tribunals which may impact the going-concern status and the Company's operations in future.
3. Maintenance of cost records as specified by the Central Government under Sub-Section (1) of Section 148 of the Companies Act, 2013, is not required by your Company and accordingly such accounts and records are not made and maintained by your Company.

Material Changes and Commitments, Affecting the Financial Position of your Company, have occurred between the end of the Financial Year of your Company to which the Financial Statements Relate and the Date of the Report

The outbreak of the COVID-19 pandemic across the globe and in India has contributed to a significant decline and volatility in the global and Indian financial markets and slowdown in the economic activities. The extent to which the COVID-19 pandemic will impact the financial position of the Company between the end of the financial year of your company to which the financial statements relate and the date of the report, will depend on future developments, which are highly uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government-mandated or elected by the Company.

Acknowledgement

Your Directors express their sincere appreciation of the co-operation and assistance received from its customers, Reserve Bank of India, MFIN, Sa-Dhan, Shareholders, Bankers, all its employees and other stakeholders during the financial year under review. Your Directors also wish to place on record their deep sense of appreciation for the commitment displayed from all managers, executives and customer service representatives resulting in the successful performance of the Company during the year.

Finally, your Directors take this opportunity to express their appreciation and express their thanks for the continued support co-operation and guidance received from all the Banks and Financial Institutions.

For and on behalf of the Board of Directors

Kolkata
Dated: 02.06.2020

Ajit Kumar Maity
Chairman
DIN: 00250806

Annexure A

Disclosure on Corporate Social Responsibility (CSR) Policy and Activities

1. A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs:

Given in the CSR Policy, which is uploaded on the Company's website.

Web link: http:https://village.net.in/compliance-policies/csr-policy/

2. The Composition of the CSR Committee as on March 31, 2020

1. Dr Sankar Datta, Chairman
2. Dr Tapan Kumar Mukhopadhyay, Member
3. Mr Kuldip Maity, Member

3. Average net profit of the company for the last three financial years of the company: ₹ 22.48 crore

4. Prescribed CSR Expenditure (two per cent (2%) of the amount as in item 3 above): ₹ 44.96 lakh.

5. Details of CSR spent for the financial year:

a. Total amount spent for the financial year: ₹ 44.96 lakh
b. Amount unspent, if any: NIL

c. Manner in which the amounts spend during the financial year is detailed below: (in lakh)

Sl.No	CSR Project / Activity identified	Sector in which the project is covered	Projects or Programs (1) Local area or other (2) Specify the State and District where projects or programs was undertaken	Amount Outlay (Budget) Project or Programs wise (In lakhs)	Amount spent on the Project or programs Sub-Heads: (1) Direct expenditure on projects or programs (In lakhs)	Cumulative Expenditure upto the Reporting Period (In lakhs)	Amount Spent: Direct or through Implementing Agency*
1.	PM Cares Fund	Item No. (viii) of Schedule VII	National	15	15	15	Direct
2 .	State Disaster Fund	Item no (xii) of Schedule VII	West Bengal	10	10	25	Direct
3.	Livelihood Enhance-ment	Item No. (ii) of Schedule VII	West Bengal	19.96	19.96	44.96	Direct

6. In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report:

Not Applicable

7. The CSR Committee confirms that the implementation and monitoring of its CSR Policy is in compliance with the CSR objectives and policies of the Company.

Sd/- Dr Sankar Datta Chairperson, CSR Committee	Sd/- Mr Kuldip Maity Managing Director & CEO

//CERTIFIED TRUE COPY//
FOR VILLAGE FINANCIAL SERVICES LIMITED

AJIT KUMAR MAITY
CHAIRMAN
DIN: 00250806

Annexure C

Form No. Mgt 9: Extract of annual return

As on financial year ended on March 31, 2020

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

I. REGISTRATION & OTHER DETAILS:		
1	CIN	U51109WB1994PLC063746
2	Registration Date	28/06/1994
3	Name of the Company	VILLAGE FINANCIAL SERVICES LIMITED
4	Category/Sub-category of the Company	Public Company Limited by Shares
5	Address of the Registered office & contact details	F-15, GEETANJALI PARK, 18/3A, KUMUD GHOSHAL ROAD, ARIADAHA, KOLKATA, WB 700057 IN Email: contact@village.net.in Website: www.village.net.in, Land Line No : 033-66551414
6	Whether listed company	No
7	ISIN	INE00Y401015
8	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Link Intime India Pvt Ltd. 59 C, Chowringhee Road, 3rd Floor, Kolkata- 700020 Email id- kolkata@linkintime.co.in

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

S. No.	Name and Description of main products / services	NIC Code of the product/service	% to total turnover of the company
1	Providing small value (microfinance) loans	64990 Other financial service activities	99.48%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

SN	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	SHIVAM INVESTMENT ADVISORY PRIVATE LIMITED, Registered Office: F-15 GEETANJALI PARK, 18/3A KUMUD GHOSHAL ROAD, ARIADAHA, KOLKATA, WB 700057	U74140WB2008PTC126224	Holding	67.05	2(46)

IV. SHAREHOLDING PATTERN

(Equity share capital breakup as percentage of total equity)

(i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year [As on March 31, 2019]				No. of Shares held at the end of the year [As on March 31, 2020]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) **Indian**									
a) Individual/ HUF	6,359,477		6,359,477	14.30%	6,359,477	-	6,359,477	14.30%	0.00%
b) Central Govt	-	-	-	0.00%	-	-	-	0.00%	0.00%
c) State Govt(s)	-	-	-	0.00%	-	-	-	0.00%	0.00%
d) Bodies Corp.	29,820,000		29,820,000	67.05%	29,820,000	-	29,820,000	67.05%	0.00%
e) Banks / FI	-	-	-	0.00%	-	-	-	0.00%	0.00%
f) Any other (Trust)	-	-	-	0.00%	-	-	-	0.00%	0.00%
Sub Total (A) (1)	36,179,477	-	36,179,477	81.35%	36,179,477	-	36,179,477	81.35%	0.00%
(2) **Foreign**									
a) NRI Individuals	-		-	0.00%	-	-	-	0.00%	0.00%
b) Other Individuals	-		-	0.00%	-	-	-	0.00%	0.00%
c) Bodies Corp.	-		-	0.00%	-	-	-	0.00%	0.00%
d) Any other			-	0.00%	-	-	-	0.00%	0.00%
Sub Total (A) (2)	-	-	-	0.00%	-	-	-	0.00%	0.00%
TOTAL (A)	36,179,477	-	36,179,477	81.35%	36,179,477	-	36,179,477	81.35%	0.00%

IV. SHAREHOLDING PATTERN

Category of Shareholders	No. of Shares held at the beginning of the year [As on March 31, 2019]				No. of Shares held at the end of the year [As on March 31, 2020]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
B. Public Shareholding									
1. Institutions									
a) Mutual Funds			-	0.00%	-	-	-	0.00%	0.00%
b) Banks / FI	3,125,000		3,125,000	7.03%	3,125,000	-	3,125,000	7.03%	0.00%
c) Central Govt			-	0.00%	-	-	-	0.00%	0.00%
d) State Govt(s)			-	0.00%	-	-	-	0.00%	0.00%
e) Venture Capital Funds			-	0.00%	-	-	-	0.00%	0.00%
f) Insurance Companies			-	0.00%	-	-	-	0.00%	0.00%
g) FIIs			-	0.00%	-	-	-	0.00%	0.00%
h) Foreign Venture Capital Funds			-	0.00%	-	-	-	0.00%	0.00%
i) Others (specify)			-	0.00%	-	-	-	0.00%	0.00%
Sub-total (B)(1):-	3,125,000	-	3,125,000	7.03%	3,125,000	-	3,125,000	7.03%	0.00%
2. Non-Institutions			-	-	-	-	-	-	
a) Bodies Corp.			-	-	-	-	-	-	
i) Indian			-	0.00%	-	-	-	0.00%	0.00%
ii) Overseas			-	0.00%			-	0.00%	0.00%
b) Individuals									
i) Individual shareholders holding nominal share capital up to Rs 1 lakh		40	40	0.00%		40	40	0.00%	0.00%
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	3,886,717	1,281,786	5,168,503	11.62%	3,886,717	1,281,786	5,168,503	11.62%	0.00%
c) Others (specify)									
Non Resident Indians		-	-	0.00%	-	-	-	0.00%	0.00%
Overseas Corporate Bodies		-	-	0.00%	-	-	-	0.00%	0.00%
Foreign Nationals		-	-	0.00%	-	-	-	0.00%	0.00%
Clearing Members		-	-	0.00%	-	-	-	0.00%	0.00%
Trusts		-	-	0.00%	-	-	-	0.00%	0.00%
Foreign Bodies - D R		-	-	0.00%	-	-	-	0.00%	0.00%
Sub-total (B)(2):-	3,886,717	1,281,826	5,168,543	11.62%	3,886,717	1,281,826	5,168,543	11.62%	0.00%
Total Public (B)	7,011,717	1,281,826	8,293,543	18.65%	7,011,717	1,281,826	8,293,543	18.65%	0.00%
C. Shares held by Custodian for GDRs & ADRs		-	-	0.00%	-	-	-	0.00%	0.00%
Grand Total (A+B+C)	43,191,194	1,281,826	44,473,020	100.00%	43,191,194	1,281,826	44,473,020	100.00%	0.00%

(ii) Shareholding of Promoter

SN	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Mr Kuldip Maity	5,506,528	12.38%	-	5,506,528	12.38%	-	0.00%
2	Mr Ajit Kumar Maity	852,949	1.92%	-	852,949	1.92%	-	0.00%
3	Shivam Investment Advisory Pvt. Ltd	29,820,000	67.05%	-	29,820,000	67.05%	-	0.00%
	Total	**36,179,477**	**81.35%**	**-**	**36,179,477**	**81.35%**	**-**	**0.00%**

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

SN	Particulars	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
	At the beginning of the year			36,179,477	81.35%	-	0.00%
	Date wise increase/decrease in promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)		No Change				
	At the end of the year			36,179,477	81.35%	36,179,477	81.35%

(iv) Shareholding Pattern of top ten Shareholders

(Other than Directors, Promoters and Holders of GDRs and ADRs):

SN	For each of the Top 10 shareholders	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
1	**Mr Mukul Agarwal & Param Capital Research Pvt. Ltd. (Jointly)**						
	At the beginning of the year			3,617,945	8.14%	-	0.00%
	Date wise increase/decrease in promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)		No Change				
	At the end of the year			3,617,945	8.14%	3,617,945	8.14%
2	**IDFC First Bank Ltd. (Formerly - Capital First Limited)**						
	At the beginning of the year			3125000	7.03%	-	0.00%
	Date wise increase/decrease in promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)		No Change				
	At the end of the year			3,125,000	7.03%	3,125,000	7.03%
3	**Mr Satyanarayan Karwa & Priti Karwa (jointly)**						
	At the beginning of the year			1,240,438	2.79%	-	0.00%
	Date wise increase/decrease in promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)		No Change				
	At the end of the year			1,240,438	2.79%	1,240,438	2.79%
4	**Mr Vijay Khetan**						
	At the beginning of the year			1,03,380	0.23%	1,03,380	0.00%
	Date wise increase/decrease in promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)		No Change				
	At the end of the year			1,03,380	0.23%	1,03,380	0.23%

SN	For each of the Top 10 shareholders	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
5	**Mr Monil Bhala**						
	At the beginning of the year			51,685	0.12%	-	0.00%
	Date wise increase/decrease in promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)		**No Change**				
	At the end of the year			51,685	0.12%	51,685	0.12%
6	**Mr Bhavin Haresh Thakkar**						
	At the beginning of the year			51,685	0.12%	-	0.00%
	Date wise increase/decrease in promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)		**No Change**				
	At the end of the year			51,685	0.12%	51,685	0.12%
7	**Mr Bhailal Umarshi Maru**						
	At the beginning of the year			41,348	0.09%	-	0.00%
	Date wise increase/decrease in promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)		**No Change**				
	At the end of the year			41,348	0.09%	41,348	0.09%
8	**Mr Sachit Ramesh Motwani**						
	At the beginning of the year			31,011	0.07%	-	0.00%
	Date wise increase/decrease in promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)		**No Change**				
	At the end of the year			31,011	0.07%	31,011	0.07%
9	**Mr Mangesh Anil Bhadang**						
	At the beginning of the year			20,674	0.05%	-	0.00%
	Date wise increase/decrease in promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)		**No Change**				
	At the end of the year			20,674	0.05%	20,674	0.05%

SN	For each of the Top 10 shareholders	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
10	**Mr Ajay Jayram Prabhudesai**						
	At the beginning of the year			10,337	0.02%	-	0.00%
	Date wise increase/decrease in promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)		**No Change**				
	At the end of the year			10,337	0.02%	10,337	0.02%

(v) Shareholding of Directors and Key Managerial Personnel:

SN	Shareholding of each Directors and each Key Managerial Personnel	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
1	**Mr Kuldip Maity**						
	At the beginning of the year			5,506,528	12.38%	-	0.00%
	Date wise increase/decrease in promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)		**No Change**				
	At the end of the year			5,506,528	12.38%	5,506,528	12.38%
2	**Mr Ajit Kumar Maity**						
	At the beginning of the year			852,949	1.92%	-	0.00%
	Date wise increase/decrease in promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)		**No Change**				
	At the end of the year			852,949	1.92%	852,949	1.92%

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment.

(Amt.₹)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	7,155,509,871	600,000,000	-	7,755,509,871
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	29,726,141	2,492,580	-	32,218,721
Total (i+ii+iii)	7,185,236,012	602,492,580	-	7,787,728,592
Change in Indebtedness during the financial year				
* Addition	23,640,111	-	-	21,147,531
* Reduction	(111,486,146)	(2,492,580)	-	(111,486,146)
Net Change	(87,846,035)	(2,492,580)	-	(90,338,615)
Indebtedness at the end of the financial year				
i) Principal Amount	7,044,023,725	600,000,000	-	7,644,023,725
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	53,366,252	-	-	53,366,252
Total (i+ii+iii)	7,097,389,977	600,000,000	-	7,697,389,977

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager: (Amt.₹)

SN.	Particulars of Remuneration	Name of MD/WTD/ Manager	Total Amount
	Name	Dr. Kuldip Maity	(`/Lakh)
	Designation	Managing Director & CEO	
1	Gross salary	-	-
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	11,520,000.00	11,520,000.00
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-
2	Stock Option	-	-
3	Sweat Equity	-	-
4	Commission		-
	- as % of profit	10,500,000	10,500,000
	- others, specify	-	-
5	Others, please specify	-	-
	Total (A)	22,020,000	22,020,000

B. Remuneration to other Directors (Amt.₹)

SN.	Particulars of Remuneration	Name of Directors			
		Dr Sankar Datta	Mr Amarjit Chopra	Dr Tapan Kumar Mukhopadhyay	Ms Jayshree Ashwinkumar Vyas
1	Independent Directors				
	Fee for attending board committee meetings	112,500	47,500	40,000	55000
	Commission	-	-	-	-
	Others, please specify	-	-	-	-
	Total (1)	112,500	47,500	40,000	55,000
	Independent Directors	Mr Ramanathan Annamalai	Mr Pradipta Kumar Jena		
	Fee for attending board committee meetings	77,500	20,000		
	Commission	-	-	-	-
	Others, please specify	-	-	-	-
	Total (1)	77,500	20,000	-	
2	Other Non-Executive Directors	Mr Ajit Kumar Maity (Chairman)			
	Fee for attending board committee meetings	-			
	Commission	-			
	Others, please specify	6,280,750.00			
	Total (2)	-			
	Total Managerial Remuneration	6,280,750.00			
	Overall Ceiling as per the Act				

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

SN.	Particulars of Remuneration	Name of Key Managerial Personnel		Total Amount
	Name	Mr Manish Somani (July 20, 2018, to March 31, 2019	Ms Samta Agarwal (April 1, 2018, to March 31, 2019)	(₹ Lakh)
	Designation	CFO	CS	
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	2,464,573.00	2,034,819.00	4,499,392.00
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	- as % of profit	-	-	-
	- others, specify	-	-	-
5	Others, please specify	300,000.00	300,000.00	600,000.00
	Total	2,764,573.00	2,334,819.00	5,099,392.00

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES					
Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty		NIL	NIL	NIL	NIL
Punishment		NIL	NIL	NIL	NIL
Compounding		NIL	NIL	NIL	NIL
B. DIRECTORS					
Penalty		NIL	NIL	NIL	NIL
Punishment		NIL	NIL	NIL	NIL
Compounding		NIL	NIL	NIL	NIL
C. OTHER OFFICERS IN DEFAULT					
Penalty		NIL	NIL	NIL	NIL
Punishment		NIL	NIL	NIL	NIL
Compounding		NIL	NIL	NIL	NIL

Annexure D

Management Discussion & Analysis

I. Microfinance Industry: A Broad Perspective

Industry Overview

The Indian microfinance market is projected to grow at a double-digit CAGR during 2019-2024 as small and medium enterprises mushroom, interest rates head down and the government takes initiatives to improve the credit lines for people from lower income groups. As of March 31, 2020, 84 NBFC-MFIs hold second-largest share of portfolio in micro-credit, with total loan outstanding of Rs 73,792 crore, which is 31.8 per cent of total micro-credit universe. Compared with FY 18-19, NBFC-MFIs' portfolio has grown by 10 per cent, which is lower than usual because of the merger of BFIL with IndusInd Bank.

II. Opportunities and Threats

The growing number of small finance banks (SFBs), Fin Techs, M&A and PE activities, universal banks and other entities such as NBFCs and Section 8 Companies, growing their own portfolio in microfinance, in order to meet the mandate of 40 per cent of the priority sector lending, is leading to significant overlap in the loan portfolio of NBFCs-MFIs, SFBs, banks and MSME lending institutions, thereby increasing the risk of delinquencies in MFI loans.

III. Discussion on financial performance with respect to operational performance

During the year under report, AUM stood at Rs 1,090.96 crore, net profit after tax stood at Rs 35.06 crore as compared with Rs 29.23 crore as on March 31, 2019, i.e., an increase of 19.95 per cent. Operating cost ratio maintained its decreasing trend, standing at around 4.86 per cent (gross) and PAR at 1.44 per cent, reasonably below the industry average.

IV. Risk and Concern

The Company has an evolving and robust risk management model of proven effectiveness, aligned with regulatory standards and best practices, and proportional to the scale and complexity of its activities.

V. New Initiatives

In digitalization, the Company promotes technology solutions that encapsulate the entire MFI operations of the Company on the Application Service Provider (ASP) model.

VI. Internal control systems and their adequacy

The Company has in-built internal control systems with well-defined responsibilities at each level. The Audit Committee of the Board exercises supervision and control over the functioning of such internal controls.

VII. Material developments in Human Resources

VFS derives its strength from the dedication of its highly-motivated staff. The HR department of the company places emphasis on professionalism and in honing the skills of employees to maintain the edge in a competitive world.

VIII. Outlook

Being one of the oldest MFIs in eastern India, the Company believes in ethical practices and strives to change the lives of people in the so-called bottom of the pyramid through credit and more. In line with its mandate, the Company has the following Vision and Mission statement:

Vision

Our vision is to meet the aspirations of every Indian, empower them, and help them become entrepreneurs.

Mission

Our mission is to be a responsible lender and a provider of all financial needs for the masses in a cost-effective and digital way.

INDEPENDENT AUDITOR'S REPORT

To
THE MEMBERS OF VILLAGE FINANCIAL SERVICES LIMITED

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Village Financial Services Limited ("the Company"), formerly known as Village Financial Services Pvt. Ltd. which comprise the balance sheet as at March 31, 2020, and the statement of profit and loss, and statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, its profit (or loss), changes in equity and cash flows for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with the standards on auditing specified under Section 143 (10) of the Companies Act, 2013. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the code of ethics issued by the Institute of Chartered Accountants of India together with the

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ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the code of ethics.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to note no. 36 of the financial statements, which describes that the extent to which the COVID-19 pandemic will impact the Company results will depend on future developments, which being highly uncertain, the said note narrates management's proposed future actions based on its assessment of internal and external factors and macro-level developments. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
Reporting of key audit matters as per SA 701, key audit matters are not applicable to the Company as it is an unlisted company.

Responsibility of Management for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134 (5) of the Act with respect to 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 principles generally accepted in India, including the accounting standards specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going-concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
The Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence,

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and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other legal and regulatory requirements

(1) As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Government of India in terms of sub-section (11) of Section 143 of the Companies Act, 2013, we give in **Annexure A** a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

(2) As required by Section 143(3) of the Act, we report that:
We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
(a) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
(b) The balance sheet, the statement of profit and loss, and the cash flow statement dealt with by this report are in agreement with the books of account;
(c) In our opinion, the aforesaid financial statements comply with the accounting standards specified under Section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014;
(d) On the basis of the written representations received from the directors as on March 31, 2020, taken on record by the board of directors, none of the directors is disqualified as on March 31, 2020, from being appointed as a director in terms of Section 164 (2) of the Act;
(e) With respect to the adequacy of the internal financial controls over financial reporting of the Company, and the operating effectiveness of such controls, refer to our separate report in **Annexure B**. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting;
(f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us;
a. The Company has disclosed the impact of pending litigations on its financial position in its financial statements — Refer Note No. 35 and 37 to the financial statements;
b. The Company has made provision, as required under the applicable law or accounting standards, and the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses—Refer Note 32(xix) to the financial statements.
c. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For Shankar Saraf & Associates
Chartered Accountants
ICAI Firm Registration No: 325896E

Subham Tulsian

SHANKAR SARAF & ASSOCIATES
Kolkata
Chartered Accountants

Subham Tulsian
(Partner)
Membership No. 313573
UDIN: 20313573AAAAAI7679

Place: Kolkata
Date: 02nd Day of June 2020

Annexure A to the Independent Auditor's Report

(Referred to in paragraph 1 under 'Report on other legal and regulatory requirements' section of our report to the members of Village Financial Services Limited of even date)

(i) In respect of the Company's property, plant & equipment:
(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the property, plant & equipment.
(b) The property, plant & equipment of the Company were physically verified in full by the management during the year. According to the information and explanations given to us and as examined by us, no material discrepancies were noticed on such verification.
(c) According to the information and explanations given to us, the records examined by us and based on the examination of the conveyance deeds provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date. In respect of immovable properties of land and building that have been taken on lease and disclosed as property, plant & equipment in the financial statements, the lease agreements are in the name of the Company.
(ii) The Company is a Non-Banking Financial Company-Micro Finance Institution engaged in the business of providing loans and hence not required to maintain any inventory. Accordingly, provisions of clause 3(ii) of the Order are not applicable to the Company.
(iii) According to information and explanation given to us, the Company has not granted any loan, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register required under Section 189 of the Companies Act, 2013. Accordingly, paragraph 3 (iii) of the Order is not applicable.
(iv) In our opinion and according to information and explanation given to us, the company has not granted any loans or provided any guarantees or given any security to parties covered under Section 185 of the Companies Act, 2013. Since the company is a Non-Banking Financial Company-Micro Finance Institution engaged in the business of providing loans, it is exempted under Section 186(11) of the Companies Act 2013 and hence the provisions of Section 186 are not applicable to the Company.
(v) In our opinion and according to the information and explanations given to us, the company has not accepted any deposits and, accordingly, paragraph 3 (v) of the order is not applicable.
(vi) The Government of India has not prescribed the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the activities of the company and accordingly paragraph 3 (vi) of the Order is not applicable.
(vii) In respect of statutory dues:
(a) According to the information and explanations given to us and on the

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basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, goods and services tax, duty of customs, duty of excise, value-added tax, cess and other material statutory dues have been generally regularly deposited during the year by the company with the appropriate authorities.

(b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of income tax, sales tax, service tax, goods and services tax, duty of customs, duty of excise and value-added tax which have not been deposited on account of any dispute.

(viii) In our opinion and according to the information and explanations given to us, the Company was not in default for repayment of dues to financial institution and banks. The Company does not have any loans or borrowing from government or debenture-holders during the year.

(ix) In our opinion and according to the information and explanations given to us, the Company has utilized the money raised by way of commercial papers and the term loans during the year for the purposes for which they were raised.

(x) To the best of our knowledge and according to the information and explanations given to us, the fraud reported during the year was misappropriation of cash amounting to Rs 3.42 lakh by the employee of the company. The aforesaid fraud has been disclosed in the Note No.33: Disclosure of frauds and Note No. 20: Other Expense in the notes forming part of the Financial Statement. As informed, service of the employee has been terminated and the company has taken legal action against the employee concerned.

(xi) The company has complied with the provisions of Section 197 read with Schedule V to the Companies Act.

(xii) The Company is not a nidhi company and, accordingly, paragraph 3 (xii) of the Order is not applicable to the Company.

(xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Section 177 and 188 of the Act. Where applicable, the details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

(xiv) During the year under review, it has not made any preferential allotment/ private placement of shares or fully or partly convertible debentures during the year.

(xv) According to the information and explanations given to us and based on our examination of the records of the company, the company has not entered into non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3(xv) of the Order is not applicable.

(xvi) The company is a Non-Banking Financial Company-Micro Finance Institution which is duly registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For Shankar Saraf & Associates
Chartered Accountants
ICAI Firm Registration No: 325896E

Subham Tulsian

SHANKAR SARAF & ASSOCIATES
Kolkata
Chartered Accountants

Subham Tulsian
(Partner)
Membership No. 313573
UDIN: 20313573AAAAAI7679

Place: Kolkata
Date: 02nd Day of June 2020

Annexure B to the Independent Auditor's Report

(Referred to in paragraph 2 (e) under 'Report on other legal and regulatory requirements' section of our report to the Members of Village Financial Services Limited of even date)

Report on the internal financial controls over financial reporting under clause (i) of sub–section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Village Financial Services Limited as at March 31, 2020, in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's responsibility for Internal Financial Controls

The board of directors of the Company is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the standards on auditing prescribed under Section 143 (10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those standards and the guidance note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting were established and maintained and if such controls operated effectively in all material respects.

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Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial control system over financial reporting.

Meaning of internal financial controls over financial reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Limitations of internal financial controls over financial reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management of override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion and according to the information and explanations given to us, the Company has, in all material respects, an adequate internal financial control system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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Kolkata
Chartered Accountants

Explanatory paragraph

We also have audited, in accordance with the Standards of Auditing issued by the Institute of Chartered Accountants of India, as specified under Section 143 (10) of the Act, the financial statements of company, which comprise the balance sheet as at March 31, 2020, and the related Statements of Profit and Loss for the year then ended, and a summary of significant accounting policies and other explanatory information, and our report of even date expressed an unqualified opinion thereon.

For Shankar Saraf & Associates
Chartered Accountants
ICAI Firm Registration No: 325896E

Subham Tulsian
(Partner)
Membership No. 313573
UDIN: 20313573AAAAAI7679

Place: Kolkata
Date: 02nd Day of June 2020

VILLAGE FINANCIAL SERVICES LIMITED

(Formerly known as Village Financial Services Private Limited)

CIN: U51109WB1994PLC063746

Balance Sheet as at March 31, 2020 *(Amount in ₹ unless otherwise stated)*

	Note	31st March, 2020	31st March, 2019
I. Equity and Liabilities			
Shareholders' funds			
Share capital	3	444,730,200	444,730,200
Reserves and surplus	4	1,165,730,732	815,095,686
		1,610,460,932	**1,259,825,886**
Non-current liabilities			
Long-term borrowings	5	3,678,393,300	3,223,299,362
Long-term provisions	6	73,893,913	43,343,643
		3,752,287,213	**3,266,643,005**
Current liabilities			
Other current liabilities	7	4,675,448,406	5,123,108,719
Short-term provisions	6	37,491,411	34,317,393
		4,712,939,817	**5,157,426,112**
Total		**10,075,687,962**	**9,683,895,003**
II. Assets			
Non-current assets			
Property, Plant and Equipment	8A	30,117,440	31,123,603
Intangible assets	8B	1,905,666	256,905
Capital work in progress		12,565,832	-
Intangible assets under development		2,000,000	-
Non-current investments	9	500,000	500,000
Deferred tax assets (Net)	10	16,312,195	16,401,251
Long-term loans and advances	11	1,623,807,896	1,961,914,274
Other non-current assets	12	599,436,944	588,828,403
		2,286,645,973	**2,599,024,436**
Current assets			
Cash and bank balances	13	1,841,143,882	1,128,158,421
Short-term loans and advances	11	5,818,254,408	5,776,593,428
Other current assets	12	129,643,699	180,118,718
		7,789,041,989	**7,084,870,567**
Total		**10,075,687,962**	**9,683,895,003**
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For Shankar Saraf & Associates
Chartered Accountants
ICAI Firm Registration No. 325896E

Subham Tulsian
Partner
Membership No: 313573
UDIN: 20313573AAAAAI7679

SHANKAR SARAF & ASSOCIATES Kolkata Chartered Accountants

Place : Kolkata
Date : June 2, 2020

For Village Financial Services Limited

Ajit Kumar Maity
Chairman

Kuldip Maity
Managing Director & CEO

Manish Somani
Chief Financial Officer

Samta Agarwal
Company Secretary

VILLAGE FINANCIAL SERVICES LIMITED

(Formerly known as Village Financial Services Private Limited)

CIN: U51109WB1994PLC063746

Statement of profit and loss for the year ended March 31, 2020 *(Amount in ₹ unless otherwise stated)*

	Note	31st March, 2020	31st March, 2019
I. Revenue			
Revenue from operations	14	2,126,218,047	1,934,816,522
Other income	15	11,062,323	3,315,097
Total Revenue		2,137,280,370	1,938,131,619
II. Expenses			
Employee benefits expense	16	367,514,915	341,287,034
Finance costs	17	1,113,161,009	1,068,498,766
Depreciation and amortization expense	18	6,968,601	5,726,198
Provisions and write offs	19	39,317,124	19,915,103
Other expenses	20	129,694,619	117,746,272
Total Expenses		1,656,656,268	1,553,173,373
Profit before Tax		480,624,102	384,958,246
Tax Expenses:			
Current Tax		129,900,000	109,200,000
Deferred tax (including ₹ Nil (PY- ₹1,56,65,022) for earlier years)		89,056	(16,521,050)
Total Tax Expenses		129,989,056	92,678,950
Profit for the year		350,635,046	292,279,296
Earning Per Equity Share (EPS)	21		
Basic and diluted		7.88	6.69
Nominal value of share		10.00	10.00

Summary of significant accounting policies 2.1

The accompanying notes are an integral part of the financial statements

As per our report of even date

For Shankar Saraf & Associates

Chartered Accountants

ICAI Firm Registration No. 325896E

SHANKAR SARAF & ASSOCIATES Kolkata Chartered Accountants

Subham Tulsian
Partner
Membership No: 313573
UDIN: 20313573AAAAAI7679

Place : Kolkata
Date : June 2, 2020

For Village Financial Services Limited

Ajit Kumar Maity
Chairman

Kuldip Maity
Managing Director & CEO

Manish Somani
Chief Financial Officer

Samta Agarwal
Company Secretary

VILLAGE FINANCIAL SERVICES LIMITED

(Formerly known as Village Financial Services Private Limited)

CIN: U51109WB1994PLC063746

Cash Flow Statement for the year ended March 31, 2020 *(Amount in ₹ unless otherwise stated)*

	31st March, 2020	31st March, 2019
Cash Flow From Operating Activities:		
Profit Before Tax and extraordinary items	**480,624,102**	**384,958,246**
Adjustments for :		
Provision for Gratuity	1,037,040	(5,877,078)
Provision for Loan Loss	32,619,403	19,915,103
Provision for Other Receivables	426,000	-
Portfolio written off	6,271,721	-
Provision for Fraud	67,845	554,838
Depreciation	6,968,601	5,726,198
Operating Profit Before Working Capital Changes	**528,014,712**	**405,277,307**
Decrease/ (Increase) in Loans and Advances	333,592,141	(1,244,242,324)
Decrease/ (Increase) in Other Assets	53,182,341	(100,901,029)
Increase in Term Deposits	(174,712,608)	(336,069,811)
Increase in Current Liabilities	118,919,771	426,003,199
Cash generated from/used in operations	**858,996,357**	**(849,932,658)**
Tax paid	(193,318,464)	(149,659,301)
Net Cash generated from/ (used in) Operating Activities (A)	**665,677,893**	**(999,591,959)**
Cash Flow From Investing Activities		
Purchase of Fixed Assets (including CWIP)	(22,177,031)	(14,557,470)
Investments in Mutual Funds (Net)	-	3,391,796
Net Cash used in Investing Activities (B)	**(22,177,031)**	**(11,165,674)**
Cash Flow From Financing Activities :		
(Decrease)/ Increase in Borrowings (Net)	(111,486,146)	1,454,245,321
Proceeds from Issue of Share Capital	-	150,000,000
Net Cash generated from/ (used in) Financing Activities (C)	**(111,486,146)**	**1,604,245,321**
Net Increase In Cash And Cash Equivalents (A+B+C)	**532,014,716**	**593,487,688**
Cash And Cash Equivalents at the beginning of the year	764,905,891	171,418,203
Cash And Cash Equivalents at the end of the year	**1,296,920,607**	**764,905,891**

Cash And Cash Equivalents Comprises of :		
Balance with banks:		
- in Current Accounts	585,239,974	761,524,354
- Deposits with original maturity of less than three months	704,200,000	-
Cash on hand	7,480,633	3,381,537
	1,296,920,607	**764,905,891**

Summary of significant accounting policies 2.1

The accompanying notes are an integral part of the financial statements

As per our report of even date

For Shankar Saraf & Associates

Chartered Accountants

ICAI Firm Registration No. 325896E

Subham Tulsian

Subham Tulsian

Partner

Membership No: 313573

UDIN: 20313573AAAAAI7679

Place : Kolkata

Date : June 2, 2020

Shankar Saraf & Associates Chartered Accountants Kolkata

For Village Financial Services Limited

Ajit Kumar Maity

Chairman

Kuldip Maity

Managing Director & CEO

Manish Somani

Manish Somani

Chief Financial Officer

Samta Agarwal

Company Secretary

VILLAGE FINANCIAL SERVICES LIMITED
(Formerly known as Village Financial Services Private Limited)
CIN: U51109WB1994PLC063746

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1. Corporate Information

Village Financial Services Limited (hereinafter referred as "the company" or "VFS"), is engaged in micro finance activities for providing financial services to the poor women in the rural and urban areas of India who are organized as joint liability groups (JLGs). The Company is registered as a non-deposit accepting Non-Banking Financial Company ('NBFC-ND') with the Reserve Bank of India ('RBI') and is classified as a Non-Banking Financial Company – Micro Finance Institution ('NBFC-MFI') with effect from September 27, 2013. The company provides small-value, collateral-free loans for tenure up to 24 months for income-generating activities to poor women.

2. Basis of Preparation of Financial Statements

The Financial Statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material respects with accounting standards notified under Section 133 of the Companies Act, 2013 ("the Act"), read with the Companies (Accounts) Rules 2014 and the provisions of the Reserve Bank of India ("RBI") as applicable to an NBFC-MFI and Systemically Important NBFC-ND.

The financial statements have been prepared under the historical cost convention on an accrual basis except interest on Non-Performing Loans which is accounted for on realization basis. The accounting polices applied by the Company are consistent with those applied in the previous year.

2.1 Summary of significant accounting policies/ accounting estimate

A. Use of Estimates

The preparation of Financial Statements in conformity with the Indian GAAP requires management to make judgements, estimates and assumptions that affect the reported amount of revenue, expenses, assets and liabilities and disclosure of contingent liabilities, at the date of the financial statements and the result of the operations during the reporting year end. Although these estimates are made as per the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future years.

B. Property, Plant & Equipment

All Property, Plant and Equipment have been stated at historical cost less accumulated depreciation and accumulated impairment loss, if any. The cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.
Gains or losses arising from derecognition of Property, Plant and Equipment are measured as the difference between the net disposal proceeds and the carrying amount of assets and are recognized in the statement of profit and loss when the asset is derecognized.

C. Intangible Assets

Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment.

SHANKAR SARAF & ASSOCIATES Kolkata Chartered Accountants

D. Depreciation and Amortization

Depreciation on property, plant and equipment has been provided on the straight-line method over the useful lives of assets estimated by the Management, which is consistent with the useful lives prescribed under Schedule II of the Companies Act, 2013.
Intangible assets other than software are amortized on straight-line basis over a period of five years. Software is amortized on a straight-line basis over a period of three years.

E. Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

F. Impairments

The carrying amount of assets are reviewed at each balance sheet date to determine if there is any indication of impairment based on internal as well as external factors. An impairment loss is recognized when the carrying amount of the asset is more than its recoverable value which is the greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessment of the time value of money and risks specific to the asset.
After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

G. Borrowing Cost

Borrowing costs include interest which are recognized on time-proportion basis taking into account the amount outstanding and the rate applicable on the borrowings.
Processing fees and ancillary fees incurred for arrangement of borrowings and securitization/ direct assignments from banks and financial institutions are charged off up-front to the statement of profit and loss.

H. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

(i) Interest income on portfolio loans is recognized in the statement of profit and loss on time proportion basis taking into account the amount outstanding and the rates applicable, except in the case of Non-Performing Assets ("NPAs"), where it is recognized upon realization, as per prudential norms of RBI. Any such income recognized before the assets become non-performing and remaining unrealized are reversed.

(ii) Interest income on deposit with Banks is recognized on a time-proportion accrual basis taking into account the amount outstanding and the rate applicable.

(iii) Processing fees are recognized as income upfront when they become due.

(iv) Profit arising at the time of securitization of loan portfolio is amortized over the life of underlying loan portfolio and any loss arising therefrom is accounted for immediately. Income from interest strip (excess interest spread) is recognized in the statement of profit and loss, net of any losses at the time of actual receipt.

(v) Income from services rendered as business correspondent of banks are accounted on accrual basis as and when such services are rendered.

(vi) All other income are recognized on an accrual basis.

I. Investments

Investments that are readily realizable and intended to be held for not more than one year are classified as current investments, all other investments are classified as long-term investment.
Current investments are carried at lower of cost and fair market value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline, other than temporary, in the value of investments. On disposal of investment, the difference between the carrying amount and net disposal proceeds are charged or credited to the statement of profit and loss.

J. Retirement and other Employee Benefits

(i) Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable under the scheme. The Company recognizes contribution payable to the provident fund scheme as expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset.

(ii) Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each year. Actuarial gains and losses for defined benefit plan are recognized in full in the year in which they occur in the statement of profit and loss.

K. Taxation

(i) Tax expenses comprise of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961. Income Tax Computation has been made in compliance with relevant applicable Income Computation & Disclosure Standards as notified by CBDT under Income Tax Act 1961. Deferred Income Taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.
(ii) Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realized.
(iii) The carrying amount of the deferred tax assets is reviewed at each Balance Sheet date. The company writes down the carrying amount of the deferred tax assets to the extent that it is no longer reasonably certain or virtually certain as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available.

L. Classification of loan portfolio

Loans are classified as follows:
(i) Standard Assets — Current loan and overdue up to 89 days
(ii) Non-performing assets — Overdue from 90 days and more
"Overdue" refers to interest and/or installment remaining unpaid from the day it became receivable.
The above classification is in compliance with the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit-taking Company (Reserve Bank) Directions, 2016 ("NBFC Master Directions, 2016").

M. Provision for portfolio loans

Provision on portfolio loans are made at the higher of management estimate or minimum provision required as per the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016 ("NBFC Master Directions, 2016") and subsequent notifications issued by the Reserve Bank of India. The Management treats a loan as overdue as soon as a scheduled installment is failed.
As per the NBFC Master Directions, 2016, the aggregate loan provision to be maintained by NBFC-MFIs at any point of time shall not be less than the higher of a) 1% of the outstanding loan portfolio or b) 50% of the aggregate loan installments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan installments which are overdue for 180 days or more.
During the current year, the aggregate provision to be maintained by the Company at any point of time shall not be less than the higher of a) 1.5% of the outstanding loan portfolio or b) 50% of the aggregate loan installments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan installments which are overdue for 180 days or more. As a result of this change, the profit before tax for the year is lower by ₹3.54 crore.

SHANKAR SARAF & ASSOCIATES Kolkata Chartered Accountants

Non-performing loans are written off when the prospect of recovery is considered remote as per the management estimates.
Provision on loans other than qualifying assets are provided as per the minimum provisioning norms applicable to all NBFCs specified in NBFC Master Directions, 2016.

N. Earnings per share

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year.

O. Provisions

A provision is recognized when the Company has a present obligation as a result of past event, it outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

P. Foreign Currency Transaction

All transactions in foreign currency are recognized at the exchange rate prevailing on the date of the transaction. Foreign currency monetary items are reported using the exchange rate prevailing at the close of the reporting year. Exchange differences arising on the settlement of monetary items or on the restatement of Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

Q. Cash and Cash Equivalents

Cash and Cash equivalents for the purpose of Cash Flow Statement comprise cash in hand and unrestricted amount of cash at bank and unrestricted short-term investments with an original maturity of three months or less.

R. Contingent Liability

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The company does not recognize a contingent liability but discloses its existence in the financial statements.

S. Government Grant

Government grant related to revenue is recognized on a systematic basis in the Profit & Loss Statement. Such grants are deducted from their related expense in the Profit & Loss Account.

T. Corporate Social Responsibility

Expenditure towards corporate social responsibility, in accordance with the Companies Act, 2013, is recognized in the Statement of Profit and Loss.

SHANKAR SARAF & ASSOCIATES
Kolkata
Chartered Accountants

VILLAGE FINANCIAL SERVICES LIMITED
(Formerly known as Village Financial Services Private Limited)
CIN: U51109WB1994PLC063746

Notes to the financial statements as at and for the year ended March 31, 2020

(Amount in ₹ unless otherwise stated)

Note - 3 : Share capital	31st March, 2020	31st March, 2019
Authorised:		
7,70,00,000 Equity shares (PY: 7,70,00,000) of ₹10/- each	770,000,000	770,000,000
30,00,000 Preference shares of ₹10/- each	30,000,000	30,000,000
	800,000,000	**800,000,000**
Issued, subscribed and paid-up:		
4,44,73,020 Equity shares (PY: 4,44,73,020) of ₹10/- each	444,730,200	444,730,200
Total	**444,730,200**	**444,730,200**

Terms/Rights attached to Equity shares:

The Company has only one class of equity shares having at par value of ₹10/- per share. Each holder of the equity share is entitled to one vote per share.
In the event of liquidation of the company, the holders of the equity will be entitled to receive the remaining asset of the company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

The reconciliation of number of shares is set out below:

Particulars	31st March, 2020	31st March, 2019
Number of shares at the beginning of the year	44,473,020	41,348,020
Issued during the year	-	3,125,000
Number of shares at the end of the year	**44,473,020**	**44,473,020**

Details of shareholders holding more than 5% of the aggregate shares of the company:

Particulars	As at 31st March, 2020		As at 31st March, 2019	
	Equity Shares	% of holding	Equity Shares	% of holding
Shivam Investment Advisory Pvt. Ltd.	29,820,000	67.05	29,820,000	67.05
Kuldip Maity	5,506,528	12.38	5,506,528	12.38
Mukhul Mahavir Prasad Agarwal & Param Capital Research Pvt. Ltd - Jointly	3,617,945	8.14	3,617,945	8.14
IDFC First Bank Limited	3,125,000	7.03	3,125,000	7.03

SHANKAR SARAF & ASSOCIATES
Kolkata
Chartered Accountants

Notes to the financial statements as at and for the year ended March 31, 2020

(Amount in ₹ unless otherwise stated)

Note - 4 : Reserves and Surplus	31st March, 2020	31st March, 2019
a. Securities Premium Account		
Balance as per last financial statements	317,065,464	198,315,464
Add: Addition during the year	-	118,750,000
	317,065,464	**317,065,464**
b. Statutory Reserve		
Balance as per last financial statements	121,832,185	63,376,326
Add: Amount transferred from surplus balance in the Statement of profit and loss during the year	70,127,009	58,455,859
	191,959,194	**121,832,185**
c. General Reserve		
Balance as per last financial statements	23,269,561	8,655,596
Add: Amount transferred from surplus balance in the Statement of profit and Loss during the year	17,531,752	14,613,965
	40,801,313	**23,269,561**
d. Surplus		
Balance as per last financial statements	352,928,476	133,719,004
Add: Profit for the year	350,635,046	292,279,296
Amount available for appropriation	703,563,522	425,998,300
Appropriation :		
Transferred to Statutory Reserve	70,127,009	58,455,859
Transferred to General Reserve	17,531,752	14,613,965
Net surplus in the statement of profit and loss	**615,904,761**	**352,928,476**
Total (a+b+c+d)	**1,165,730,732**	**815,095,686**

(Amount in ₹ unless otherwise stated)

Note - 5 : Long-term borrowings	31st March, 2020	31st March, 2019
Secured:		
Term Loans		
— from Banks/Small Finance Banks	3,517,399,904	3,206,320,111
— from Financial Institutions/NBFCs	3,526,623,821	3,949,189,760
	7,044,023,725	**7,155,509,871**
Unsecured:		
Subordinated Debt		
— from Banks	600,000,000	600,000,000
	600,000,000	**600,000,000**
Total	**7,644,023,725**	**7,755,509,871**
Less: Amount disclosed under the head "other current liabilities" (Refer Note - 7)	3,965,630,425	4,532,210,509
Long-term borrowings	**3,678,393,300**	**3,223,299,362**

SHANKAR SARAF & ASSOCIATES
Kolkata
Chartered Accountants

VILLAGE FINANCIAL SERVICES LIMITED
CIN: U51109WB1994PLC063746
(Formerly known as Village Financial Services Private Limited)

Notes to the financial statements as at and for the year ended March 31, 2020

NOTE - 5A : Long-term borrowings (Contd...) *(Amount in ₹ unless otherwise stated)*

Terms of repayment of long term borrowings as on March 31, 2020

Description	Due within 1 year		Due within 1 to 2 years		Due within 2 to 3 years		Due within 3 to 5 years		Above 5 years		Interest Rate (p.a.)	Total
	No. of instalments	Amount	No. of instalments	Amount	No. of instalments	Amount	No. of instalments	Amount	No. of instalments	Amount		
Term Loans:												
Secured:												
Monthly repayment schedule												
From Banks:												
1-3 Yrs	198	1,015,877,880	72	524,607,783	11	85,937,500					10.35%-14.50%	**1,626,423,163**
3-5 Yrs	144	609,781,189	148	661,384,682	89	365,979,578	4	10,000,000			10.75%-14.50%	**1,647,145,449**
From NBFCs/FIs:												
1-3 Yrs	409	1,621,882,992	243	828,954,488	14	162,638,434					6.95%-14.75%	**2,613,475,914**
Total (a)	**751**	**3,247,542,061**	**463**	**2,014,946,953**	**114**	**614,555,512**	**4**	**10,000,000**	**-**	**-**		**5,887,044,526**
Quarterly repayment schedule												
From Banks:												
1-3 Yrs	12	147,727,395	1	14,285,716	-	-	-	-	-	-	11.40% - 12.50%	**162,013,111**
3-5 Yrs	4	36,363,636	4	36,363,636	1	9,090,909					11.60%	**81,818,181**
From NBFCs/FIs:												
1-3 Yrs	16	219,997,333	5	66,650,574	-	-	-	-	-	-	12.75%-14.50%	**286,647,907**
Total (b)	**32**	**404,088,364**	**10**	**117,299,926**	**1**	**9,090,909**	**-**	**-**	**-**	**-**		**530,479,199**
Half-yearly repayment schedule												
From NBFCs/FIs:												
3-5 Yrs	6	314,000,000	5	226,500,000	4	51,500,000	2	34,500,000	-	-	10.85% - 11.50%	**626,500,000**
Total (c)	**6**	**314,000,000**	**5**	**226,500,000**	**4**	**51,500,000**	**2**	**34,500,000**	**-**	**-**		**626,500,000**
Unsecured:												
One time repayment schedule												
From Banks:												
More than 5 Years	-	-	1	100,000,000	-	-	2	200,000,000	1	300,000,000	16.00% - 17.00%	**600,000,000**
Total (d)	**-**	**-**	**1**	**100,000,000**	**-**	**-**	**2**	**200,000,000**	**1**	**300,000,000**		**600,000,000**
Grand Total (a+b+c+d)	**789**	**3,965,630,425**	**479**	**2,458,746,879**	**119**	**675,146,421**	**8**	**244,500,000**	**1**	**300,000,000**		**7,644,023,725**

Note:

(a) The above term loans are secured by hypothecation of portfolio loans covered by deed of hypothecation and term deposits.

(b) The term loans amounting to ₹5,82,84,53,604/- are guaranteed by the promoter directors of the company.

SHANKAR SARAF & ASSOCIATES * Chartered Accountants * Kolkata

VILLAGE FINANCIAL SERVICES LIMITED

(Formerly known as Village Financial Services Private Limited)

CIN: U51109WB1994PLC063746

Notes to the financial statements as at and for the year ended March 31, 2020

NOTE - 5B : Long-term borrowings (Contd...) *(Amount in ₹ unless otherwise stated)*

Terms of repayment of long term borrowings as on March 31, 2019

Description	Due within 1 year		Due within 1 to 2 years		Due within 2 to 3 years		Due within 3 to 5 years		Above 5 years		Interest Rate (p.a.)	Total
	No. of instalments	Amount	No. of instalments	Amount	No. of instalments	Amount	No. of instalments	Amount	No. of instalments	Amount		
Term Loans:												
Secured:												
Monthly repayment schedule												
From Banks:												
1-3 Yrs	241	1,114,781,222	98	353,311,068	3	8,293,709	-	-	-	-	10.50% - 14.50%	**1,476,385,999**
3-5 Yrs	78	203,591,504	75	352,873,854	62	350,274,352	11	57,900,858	-	-	11.10% - 15.00%	**964,640,568**
From NBFCs/FIs:												
1-3 Yrs	439	2,095,721,778	129	570,393,654	13	71,755,453	-	-	-	-	6.95% - 15.50%	**2,737,870,885**
Total (a)	**758**	**3,414,094,504**	**302**	**1,276,578,576**	**78**	**430,323,514**	**11**	**57,900,858**		**-**		**5,178,897,452**
Quarterly repayment schedule												
From Banks:												
1-3 Yrs	42	653,281,338	9	112,012,206	-	-	-	-	-	-	11.00% - 14.80%	**765,293,544**
From NBFCs/FIs:												
1-3 Yrs	12	138,334,667	8	103,330,667	1	16,653,541	-	-	-	-	12% - 12.75%	**258,318,875**
Total (b)	**54**	**791,616,005**	**17**	**215,342,873**	**1**	**16,653,541**	**-**	**-**	**-**	**-**		**1,023,612,419**
Half-yearly repayment schedule												
From NBFCs/FIs:												
3-5 Yrs	6	326,500,000	6	314,000,000	5	226,500,000	6	86,000,000	-	-	10.85% - 11.50%	**953,000,000**
Total (c)	**6**	**326,500,000**	**6**	**314,000,000**	**5**	**226,500,000**	**6**	**86,000,000**	**-**	**-**		**953,000,000**
Unsecured:												
One time repayment schedule												
From Banks:												
More than 5 Years	-	-	-	-	1	100,000,000	-	-	3	500,000,000	16% - 17.00%	**600,000,000**
Total (d)	**-**	**-**	**-**	**-**	**1**	**100,000,000**	**-**	**-**	**3**	**500,000,000**		**600,000,000**
Grand Total (a+b+c+d)	**818**	**4,532,210,509**	**325**	**1,805,921,449**	**85**	**773,477,055**	**17**	**143,900,858**	**3**	**500,000,000**		**7,755,509,871**

Note:

(a) The above term loans are secured by hypothecation of portfolio loans covered by deed of hypothecation and term deposits.

(b) The term loans amounting to ₹552,35,38,515/- are guaranteed by the promoter directors of the company.

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Note - 6 : Provisions	Non-current portion		Current portion	
	31st March, 2020	31st March, 2019	31st March, 2020	31st March, 2019
Provision for employee benefits:				
Gratuity	-	-	3,208,532	2,171,492
Provision for loan loss:				
-- Contingent provision against standard assets	7,770,457	10,066,464	33,660,196	31,591,063
-- against non performing assets	66,123,456	33,277,179	-	-
Provision for fraud	-	-	622,683	554,838
Total	**73,893,913**	**43,343,643**	**37,491,411**	**34,317,393**

(Amount in ₹ unless otherwise stated)

Note - 7 : Other current liabilities	31st March, 2020	31st March, 2019
Current maturities of long-term debt (Refer Note 5)	3,965,630,425	4,532,210,509
Interest accrued but not due on borrowings	53,366,252	32,218,721
Expenses payable	35,486,487	43,294,256
Payable for portfolio loans securitized/ assigned	584,549,674	456,296,600
Payable to bank against direct sale agreement	28,791,354	-
Statutory dues payable	7,624,214	14,636,104
Other payables	-	44,452,529
Total	**4,675,448,406**	**5,123,108,719**

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NOTE - 8A : Property, Plant and Equipment

Cost or Valuation	Building	Furniture & Fixtures	Computers	Office Equipment	Electrical Equipment	Other Equipment	Motor Vehicle	Total
Gross Block:								
At 1st April 2018	1,105,000	21,361,972	14,683,770	-	2,887,949	376,358	1,470,814	**41,885,863**
Additions for the year	-	7,336,238	5,096,063	1,184,120	865,449	-	-	14,481,870
Disposals	-	-	-	-	-	-	-	-
As at 31st March 2019	**1,105,000**	**28,698,210**	**19,779,833**	**1,184,120**	**3,753,398**	**376,358**	**1,470,814**	**56,367,733**
Additions for the year	-	526,155	4,182,564	450,395	356,731	-	-	5,515,845
Disposals	-	-	-	-	-	-	-	-
As at 31st March 2020	**1,105,000**	**29,224,365**	**23,962,397**	**1,634,515**	**4,110,129**	**376,358**	**1,470,814**	**61,883,578**
Depreciation:								
At 1st April 2018	86,836	6,349,570	10,363,888	-	1,481,739	48,757	1,353,013	19,683,803
Charge for the year	17,294	2,122,608	3,006,568	114,575	250,720	23,837	24,725	5,560,327
Disposals	-	-	-	-	-	-	-	-
As at 31st March 2019	**104,130**	**8,472,178**	**13,370,456**	**114,575**	**1,732,459**	**72,594**	**1,377,738**	**25,244,130**
Charge for the year	17,341	2,437,615	3,443,832	291,114	286,087	23,901	22,118	6,522,008
Disposals	-	-	-	-	-	-	-	-
As at 31st March 2020	**121,471**	**10,909,793**	**16,814,288**	**405,689**	**2,018,546**	**96,495**	**1,399,856**	**31,766,138**
Net Block:								
As at 31st March 2020	**983,529**	**18,314,572**	**7,148,109**	**1,228,826**	**2,091,583**	**279,863**	**70,958**	**30,117,440**
As at 31st March 2019	1,000,870	20,226,032	6,409,377	1,069,545	2,020,939	303,764	93,076	31,123,603

NOTE - 8B: Intangible Assets

Particulars	Computer Software	Trademark	Total
Gross Block:			
At 1st April 2018	1,621,351	-	1,621,351
Additions for the year	11,800	63,800	75,600
Disposals	-	-	-
As at 31st March 2019	**1,633,151**	**63,800**	**1,696,951**
Additions for the year	2,095,354	-	2,095,354
Disposals	-	-	-
As at 31st March 2020	**3,728,505**	**63,800**	**3,792,305**
Amortization:			
At 1st April 2018	1,274,175	-	1,274,175
Charge for the year	155,775	10,096	165,871
Disposals	-	-	-
As at 31st March 2019	**1,429,950**	**10,096**	**1,440,046**
Charge for the year	434,438	12,155	446,593
Disposals	-	-	-
As at 31st March 2020	**1,864,388**	**22,251**	**1,886,639**
Net Block:			
As at 31st March 2020	**1,864,117**	**41,549**	**1,905,666**
As at 31st March 2019	203,201	53,704	256,905

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Note - 9 : Investments	Non-current portion		Current portion	
	31st March, 2020	31st March, 2019	31st March, 2020	31st March, 2019
Trade Investment				
Investment in equity shares (unquoted) (valued at cost) 50,000 (March 31, 2019: 50,000) fully paid-up equity shares of Alpha Micro Finance Consultants Private Limited at face value of ₹10/- per share	500,000	500,000	-	-
Total	**500,000**	**500,000**	**-**	**-**

(Amount in ₹ unless otherwise stated)

Note - 10 : Deferred tax assets (net)	31st March, 2020	31st March, 2019
Deferred tax liabilities on account of :		
Fixed assets: Impact of difference between tax depreciation and depreciation charged for financial reporting	(330,124)	(420,015)
Deferred tax assets on account of :		
Impact of provision against standard assets and non-performing assets	15,570,863	16,027,359
Impact of expenditure charged to statement of profit and loss but allowed for tax purpose on payment basis	807,523	632,338
Impact of provision against other assets	263,933	161,569
Deferred tax assets (net)	**16,312,195**	**16,401,251**

(Amount in ₹ unless otherwise stated)

Note - 11 : Loans and advances	Non-current portion		Current portion	
	31st March, 2020	31st March, 2019	31st March, 2020	31st March, 2019
Micro finance loans:				
Unsecured, considered good	1,310,772,452	1,798,900,001	5,678,025,769	5,645,394,515
Unsecured, considered doubtful	93,160,249	33,277,179	-	-
SME loans				
Unsecured, considered good	43,156,520	26,498,189	48,013,530	13,249,095
Unsecured, considered doubtful	674,116	-	-	-
Security deposit for rent & others:				
Unsecured, considered good	7,747,757	4,360,567	-	-
Advances recoverable in cash or kind	310,000	310,000	1,215,109	949,818
Advance tax (net of provision)	95,986,802	32,568,338	-	-
Margin money with non-banking financial companies and financial institutions	72,000,000	66,000,000	91,000,000	117,000,000
Total	**1,623,807,896**	**1,961,914,274**	**5,818,254,408**	**5,776,593,428**

(Amount in ₹ unless otherwise stated)

Note - 12 : Other assets	Non-current portion		Current portion	
	31st March, 2020	31st March, 2019	31st March, 2020	31st March, 2019
Non-current bank balances (Refer note - 13)	571,573,366	557,831,503	-	-
Accrued interest on loans	-	-	54,396,982	51,177,250
Interest accrued but not due on term deposits	27,863,578	30,996,900	48,573,343	57,613,670
Receivable from bank against direct sale agreement	-	-	-	26,017,248
Interest receivable on securitisation and assignment transactions	-	-	-	31,038,949
Other Receivables	-	-	26,673,374	14,271,601
Total	**599,436,944**	**588,828,403**	**129,643,699**	**180,118,718**

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Note - 13 : Cash and bank balances	Non-current portion		Current portion	
	31st March, 2020	31st March, 2019	31st March, 2020	31st March, 2019
Cash and cash equivalents:				
Balance with banks in Current Account				
- in current account	-	-	585,239,974	761,524,354
- deposits with original maturity of less than three months			704,200,000	-
Cash on hand	-	-	7,480,633	3,381,537
	-	**-**	**1,296,920,607**	**764,905,891**
Other bank balances:				
Deposit with remaining maturity period of more than three months but less than twelve months (*)	-	-	544,223,275	363,252,530
Deposit with remaining maturity period of more than twelve months (*)	571,573,366	557,831,503	-	-
	571,573,366	**557,831,503**	**544,223,275**	**363,252,530**
Amount disclosed under non-current assets (Refer Note - 12)	(571,573,366)	(557,831,503)	-	-
Total	**-**	**-**	**1,841,143,882**	**1,128,158,421**

** [Deposit accounts with Banks amounting to ₹ 1,10,67,96,641 (March 31, 2019 - ₹ 87,89,37,641) are being held as collateral security against borrowings, BC activities and loan securitization]*

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Note - 14 : Revenue from operations	31st March, 2020	31st March, 2019
Interest income on portfolio loans	1,529,171,469	1,624,279,133
Service fees	58,295,515	47,771,953
Income from securitization and direct assignment (Excess Interest Spread)	331,484,150	69,256,868
Other Operating Revenue		
Processing fee on portfolio loans	121,127,968	130,276,220
Interest on margin money deposits	85,674,496	62,782,125
Recovery of bad debts	464,449	450,223
Total	**2,126,218,047**	**1,934,816,522**

(Amount in ₹ unless otherwise stated)

Note - 15 : Other income	31st March, 2020	31st March, 2019
Profit on sale of mutual fund	10,960,769	3,259,812
Other non-operative Income	101,554	55,285
Total	**11,062,323**	**3,315,097**

(Amount in ₹ unless otherwise stated)

Note - 16 : Employee benefits expense	31st March, 2020	31st March, 2019
Salaries and allowances	341,787,994	315,371,249
Contribution towards provident fund (net of contribution of ₹24.91 lakh (March 31, 2019: ₹12.80 lakh) under PMRPY scheme)	13,746,689	13,338,487
Contribution towards E.S.I.C	7,927,058	9,844,265
Gratuity expense (Refer Note 26)	3,628,670	2,171,492
Staff welfare expense	424,504	561,541
Total	**367,514,915**	**341,287,034**

(Amount in ₹ unless otherwise stated)

Note - 17 : Finance costs	31st March, 2020	31st March, 2019
Interest expense	963,368,934	966,159,450
Other borrowing costs	149,792,075	102,339,316
Total	**1,113,161,009**	**1,068,498,766**

(Amount in ₹ unless otherwise stated)

Note - 18 : Depreciation and amortization expense	31st March, 2020	31st March, 2019
Depreciation of tangible assets	6,522,008	5,560,327
Amortization of intangible assets	446,593	165,871
Total	**6,968,601**	**5,726,198**

(Amount in ₹ unless otherwise stated)

Note - 19 : Provisions and write off	31st March, 2020	31st March, 2019
Provision for standard and non-performing assets	32,619,403	12,262,577
Portfolio loans written off	6,271,721	7,652,526
Provisions for other receivables	426,000	-
Total	**39,317,124**	**19,915,103**

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Note - 20 : Other expenses	31st March, 2020	31st March, 2019
Rent for office accomodation	29,273,597	25,902,648
Consultancy & professional charges	25,664,344	22,257,380
Software customization charges	3,054,520	2,467,852
Printing & stationery	7,804,765	8,435,988
Repair & maintenance	12,537,730	10,725,608
Communication expenses	8,326,533	6,492,234
Travelling and conveyance	9,919,496	10,578,049
Expenses on corporate social responsibility (Refer Note 31)	4,496,837	2,250,000
Training expenses	2,256,367	2,155,090
Electricity charges	2,351,464	2,104,335
Auditors' Remuneration		
Audit fees (excluding taxes)	1,200,000	1,200,000
Advertisement & publicity	2,450,336	1,116,899
Rating expenses	4,223,696	3,397,425
Rates & taxes	7,884,610	9,480,637
Security charges	887,670	857,082
Filing fees	144,725	1,605,985
Subscription	4,180,165	3,625,674
Loss of cash on theft/ fraud	301,315	882,400
Miscellaneous expenses	2,736,449	2,210,986
Total	**129,694,619**	**117,746,272**

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Notes to the financial statements as at and for the year ended March 31, 2020

21. Earnings Per Share

Particulars	31st March, 2020	31st March, 2019
Net Profit as per Profit and Loss Statement (₹)	350,635,046	292,279,296
Weighted average number of shares used in Computing Basic Earnings per share	44,473,020	43,685,349
Earning per Share (Basic and diluted) (₹)	7.88	6.69

22. Classification of microfinance loans

Management classifies its loan portfolio as Standard and Non-Performing Asset (NPA) as per the norms stipulated by the Reserve Bank of India (RBI).

Quality of Portfolio outstanding:

Classification	As at March 31, 2020		As at March 31, 2019	
	Amount (₹)	Share (%)	Amount (₹)	Share (%)
Standard				
Current	6,925,868,627	97.80%	7,427,666,410	99.33%
1-90 days	62,929,594	0.89%	16,628,106	0.22%
NPA				
91- 179 days	22,878,018	0.32%	8,133,189	0.11%
180 days and more	70,282,231	0.99%	25,143,990	0.34%
Total	**7,081,958,470**	**100.00%**	**7,477,571,695**	**100.00%**

23. Segment Reporting

The Company operates in a single reportable segment i.e. giving loans and other related activities, which have similar risks and returns for the purpose of Accounting Standard-17 on 'Segment Reporting'. The Company operates in a single geographical segment i.e. domestic. Hence, no additional disclosures are required under Accounting Standard-17.

24. Expenditure in foreign currency (on accrual basis)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Data management fees	-	443,050
Communication expenses	239,011	-

25. Leases

Operating lease: Company as lessee

Certain office premises are obtained on operating lease. The lease term is for one to three years and renewable for further periods either mutually or at the option of the Company. There are no restrictions imposed by lease agreements. There are no subleases and the leases are cancellable.

Description	Year ended March 31, 2020	Year ended March 31, 2019
Operating lease payments recognized during the year	29,273,597	25,902,648

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26. Employee Benefits

a) Gratuity

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on departure and it is computed at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of qualifying insurance policy.

The following table summarize the components of net benefit expense recognized in the statement of profit and loss, the funded status and amounts recognized in the balance sheet for the gratuity plans.

Particulars	31-Mar-20	31-Mar-19
Assumptions:		
Discount Rate	7.00%	7.70%
Salary Escalation	6.75%	6.75%
Expected Rate of Return on Assets	7.00%	7.70%
Expected Average Remaining Working Life of Employees (years)	28.42	28.71
Withdrawal Rate	20%	20%
	(₹)	**(₹)**
Table showing changes in present value of Defined Benefit		
Present value of defined benefit obligation as at the beginning of the year	16,683,967	15,077,775
Interest cost	1,097,644	1,088,657
Current Service Cost	3,260,096	3,019,647
Benefits paid	(2,092,359)	(1,878,751)
Actuarial loss/ (gain) on obligation	139,417	(623,361)
Present value of defined benefit obligation as at the end of the year	19,088,765	16,683,967
Table showing fair value of Plan Assets:		
Fair value of plan assets at the beginning of the year	14,512,475	7,029,205
Expected return on plan assets	868,487	541,249
Employer contributions	2,591,630	8,048,570
Benefits paid	(2,092,359)	(1,878,751)
Actuarial (loss)/ gain on plan assets	-	772,202
Fair value of plan assets at the end of the year	15,880,233	14,512,475
Actuarial gain/ loss recognized:		
Actuarial loss/ (gain) on obligation	139,417	(623,361)
Actuarial loss/ (gain) on plan assets	-	(772,202)
Actuarial loss/ (gain) recognized during the year	139,417	(1,395,563)
Amount to be recognized in the Balance Sheet:		
Present value of defined benefit obligation as at the end of the year	19,088,765	16,683,967
Fair value of plan assets at the end of the year	15,880,233	14,512,475
Net liability recognized in the Balance Sheet	3,208,532	2,171,492
Expenses recognized in the statement of profit and loss:		
Current Service Cost	3,260,096	3,019,647
Interest Cost	1,097,644	1,088,657
Expected Return on Plan Assets	(868,487)	(541,249)
Net actuarial (gain)/ loss recognized in the year	139,417	(1,395,563)
Expenses recognized in the statement of profit and loss	3,628,670	2,171,492

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Amounts for the current period and previous year are as follows*:

Particulars	As on 31st March, 2020	As on 31st March, 2019
Defined benefit obligation	19,088,765	16,683,967
Plan assets	15,880,233	14,512,475
(Surplus)/Deficit	3,208,532	2,171,492
Experience Adjustment on present Value of Obligation -	758,985	556,627
Experience Adjustment on Fair Value of Plan Assets -	-	772,202

The major categories of Plan Asset as a percentage of the fair value of Total Plan Asset are as follows:

Particulars	As on 31st March, 2020	As on 31st March, 2019
Insurance Managed Funds	100%	100%

The estimates of future salary increases considered in actuarial valuation takes account of inflation, seniority and other relevant factors, such as supply and demand in the employment market.

The Company expects to contribute ₹35,40,271 (March 31, 2019 - ₹21,71,492) to gratuity fund in the next 12 months.

The overall expected rate of return on assets is determined based on market prices prevailing on that date, applicable to the period over which the obligation is to be settled. There has been no significant change in expected rate of return.

* The Company has started recording gratuity liability based on actuarial valuation from the financial year 2018-19 onwards, hence figures for earlier years are not furnished.

(b) Amount incurred as expense for defined contribution to Provident Fund is ₹1,37,46,689/- (March 31, 2019: ₹1,33,38,487/-)

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27. Related Party Transactions

As per Accounting Standard 18 (AS-18) on related party disclosure issued by the Institute of Chartered Accountants of India related parties of the company are as follows.

A: List of Related Parties with whom transactions held

a	Enterprises under the common control with the reporting enterprise	Shivam Investment Advisory Pvt Ltd
b	Shareholders having control or significant influence over the enterprise	Shivam Investment Advisory Pvt Ltd Mr Kuldip Maity
c	Key Management Personnel	Mr Ajit Kumar Maity, Chairman Mr Kuldip Maity, Managing Director & CEO Mr Manish Somani, CFO (w.e.f. July 16, 2018) Ms Samta Agarwal, Company Secretary

B: Transactions with the related parties during the year ended March 31, 2020

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Remuneration to key managerial personnel		
Mr Ajit Kumar Maity		
Salary, Bonus and other allowances*	6,270,480	5,225,400
Reimbursement of expenses	10,270	6,351
Mr Kuldip Maity		
Salary, Bonus and other allowances*	20,637,600	16,748,000
Contribution to provident fund	1,382,400	1,152,000
Mr Manish Somani		
Salary, Bonus and other allowances*	2,332,218	1,511,732
Contribution to provident fund	132,355	73,554
Reimbursement of expenses	300,000	212,500
Ms Samta Agarwal		
Salary, Bonus and other allowances*	1,924,801	1,885,596
Contribution to provident fund	110,018	91,236
Reimbursement of expenses	300,000	300,000

Notes:
As the actuarial liability for gratuity has been provided for the company as a whole, the amount pertaining to Key Management Personnel are separately not ascertainable, and therefore not included above.

Refer note no. 5A and 5B as regards to term loans personally guaranteed by promoter directors of the Company.

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28. Details of Business Correspondent (BC) activity

The Company has entered into Direct Sale Agreements with banks under the following terms:

i. Amounts received from the bank are disbursed as loan to joint-liability groups organized / monitored by the Company and such joint-liability groups are considered as banks borrowers

ii. The Company provides services in connection with recovery and monitoring of such loans

iii. The Company has provided collateral in the form of fixed deposits which would be adjusted by banks, to the extent of default made by borrowers.

The information regarding to Business Correspondent activity is shown below:

(₹ in crore)

Particulars	31-Mar-20	31-Mar-19
Number of Accounts (in numbers)	39,637	31,766
BC loan outstanding	72.12	66.55
Income from BC activities	5.38	4.50
Cash collateral	4.70	3.20

29. Details of Securitized Portfolio and income arising out of the same

During the year the Company has sold loans through securitization. The information on securitization activity of the Company as an originator is shown below:

(₹ in crore)

Particulars	31-Mar-20	31-Mar-19
Total number of loans securitized	335,011	211,265
Total book value of loans securitized	572.38	340.18
Sale consideration received for loans securitized	572.38	340.18
Income from securitization recognized in the statement of profit and loss	32.76	6.93

30. Details of Assigned Portfolio and income arising out of the same:

During the year the Company has sold loans through direct assignment. The information on assignment activity of the Company as an originator is shown below:

(₹ in crore)

Particulars	31-Mar-20	31-Mar-19
Total number of loans assigned	63,546	-
Total book value of loans assigned	104.41	-
Sale consideration received for loans assigned	104.41	-
Income from assignment recognized in the statement of profit and loss	0.84	-

31. Disclosure relating to CSR expenditure

(a) Gross amount required to be spent by the company during the year - ₹44,96,837/- (March 31, 2019 - ₹22,35,277/-)

(b) Amount spent during the year:

(Amount in ₹ unless otherwise stated)

Particulars	In Cash	Yet to be paid in cash	Total
(i) Construction/acquisition of any asset	-	-	-
(ii) On purposes other than (i) above	4,496,837	-	4,496,837

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32. Additional disclosures required by the Reserve Bank of India

i) Capital to Risk Asset Ratio ("CRAR")

	Particulars	March 31, 2020	March 31, 2019
i)	**CRAR (%)**	**23.40%**	**18.83%**
ii)	CRAR - Tier I Capital (%)	18.04%	13.27%
iii)	CRAR - Tier II Capital (%)	5.35%	5.56%
iv)	Amount of subordinated debt raised as Tier-II capital	0.00	40.00
v)	Amount raised by issue of Perpetual Debt Instruments	-	-

ii) Information on net interest margin

	Particulars	March 31, 2020	March 31, 2019
a	Average Interest charged by the company (%)	21.23%	21.66%
b	Average Cost of Borrowings (%)	14.09%	13.53%
	Margin Cap (a-b) (%)	**7.14%**	**8.13%**

iii) Investments

	Particulars	March 31, 2020	March 31, 2019
1)	Value of Investments		
	(i) Gross Value of Investments		
	(a) In India	0.05	0.05
	(b) Outside India	-	-
	(ii) Provisions for Depreciations		
	(a) In India	-	-
	(b) Outside India	-	-
	(i) Net Value of Investments		
	(a) In India	0.05	0.05
	(b) Outside India	-	-
2)	Movement of provisions held towards depreciation on investments		
	(i) Opening balance	-	-
	(ii) Add: Provisions made during the year	-	-
	(iii) Less: Write-off/write-back of excess provisions the year	-	-
	(iv) Closing balance	-	-

iv) Derivatives

The Company has no transactions/exposure in derivatives in the current and previous year. The company has no unhedged foreign currency exposure as on March 31, 2020 (March 31, 2019 - Nil)

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VILLAGE FINANCIAL SERVICES LIMITED
(Formerly known as Village Financial Services Private Limited)
CIN: U51109WB1994PLC063746

Notes to the financial statements as at and for the year ended March 31, 2020

v) Disclosures relating to securitization:

Sl.	Particulars	March 31, 2020	March 31, 2019
1	No. of SPVs sponsored by the NBFC for securitization	22	11
2	Total amount of securitized assets as per the books of SPVs sponsored by the NBFC as on the date of balance sheet	292.89	284.47
3	Total amount of exposures retained to comply with minimum	-	-
	a) Off-balance sheet exposures		
	-- First loss	-	-
	-- Others	-	-
	a) On-balance sheet exposures		
	-- First loss (In the form of fixed deposits)	53.42	20.81
	-- Pool Principal	29.30	35.33
4	Amount of exposures retained to securitization transactions other than MRR		
	a) Off-balance sheet exposures		
	(i) Exposure to own securitizations	-	-
	-- First loss	-	-
	-- Others	-	-
	(ii) Exposure to third party securitizations		
	-- First loss	-	-
	-- Others	-	-
	b) On-balance sheet exposures		
	(i) Exposure to own securitizations		
	-- First loss	-	-
	-- Others*	-	-
	(ii) Exposure to third party securitizations		
	-- First loss	-	-
	-- Others	-	-

vi) Details of Financial Assets sold to Securitization/Reconstruction Company for Asset Reconstruction

The Company has not sold financial assets to Securitization / Reconstruction Company for asset reconstruction in the current and previous year.

vii) Details of non-performing financial assets purchased / sold

The Company has not purchased /sold non-performing financial assets in the current and previous year.

viii) Outstanding of loans against security of gold as a percentage to total assets is Nil. (March 31, 2019 -

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ix) Asset Liability Management

Maturity pattern of certain items of Assets and Liabilities as on March 31, 2020 *(₹ in crore)*

Particulars	Up to 30/31 days	Over 1 month up to 2 months	Over 2 months up to 3 months	Over 3 months up to 6 months	Over 6 months upto 1 year	Over 1 year upto 3 years	Over 3 yrs up to 5 yrs	Over 5 years	Total
Advances	-	-	90.14	205.82	276.65	141.63	3.15	-	**717.38**
Investments	-	-	-	-	-	-	-	0.05	**0.05**
Borrowings	22.15	24.69	42.50	120.29	186.94	313.39	24.45	30.00	**764.40**

Maturity pattern of certain items of Assets and Liabilities as on March 31, 2019 *(₹ in crore)*

Particulars	Up to 30/31 days	Over 1 month up to 2 months	Over 2 months up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 3 years	Over 3 yrs up to 5 yrs	Over 5 years	Total
Advances	82.19	79.64	76.72	183.02	144.30	185.87	-	-	**751.73**
Investments	-	-	-	-	-	-	-	0.05	**0.05**
Borrowings	41.50	43.01	46.18	136.47	186.05	257.94	14.39	50.00	**775.55**

x) Exposures

The Company has no exposure to real estate Sector and capital market directly or indirectly during the current and previous year.

xi) Details of financing of parent company products

The Company is not engaged in financing parent company products during the current and previous year.

xii) Details of Single Borrower Limit (SGL)/ Group Borrower Limit (GBL) exceeded by NBFC

The Company has not exceeded any limit in respect of SGL/ GBL during the current and previous year.

xiii) Overseas Assets (for those with Joint Ventures and Subsidiaries abroad)

The Company does not have any Joint Venture and Subsidiaries abroad.

xiv) Unsecured Advances

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Portfolio loans	717.38	751.73

xv) Registration obtained from other financial sector regulators:

The Company is registered with following other financial sector regulators (Financial regulators as described by Ministry of Finance):

(i) Ministry of Corporate Affairs

(ii) Ministry of Finance (Financial Intelligence Unit)

xvi) Disclosure of Penalties imposed by RBI and other regulators:

No penalties were imposed by RBI and other regulators during the current and previous year.

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xvii) Off-balance sheet SPVs sponsored (which are required to be consolidated as per accounting norms):

There are no off-balance SPVs sponsored which are required to be consolidated as on March 31, 2020 and March 31, 2019.

xviii) Ratings assigned by credit rating agencies and migration of ratings during the year:

Deposit Instruments	Name of Rating Agency	Date of rating	Rating assigned	Valid up to
Long term Bank facilities	Acuite Ratings & Research	8-Aug-2019	ACUITE A-	04-Aug-19
Long term Bank facilities	Brickwork	14-Jun-2019	BWR BBB+	13-Jun-20
Comprehensive MFI Grading	SMERA	25-Mar-2020	M2C2	24-Mar-21

xix) Provisions and Contingencies (shown under the head expenditure in the statement of profit and loss):

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Provision made towards Income Tax	12.99	10.92
Provision for standard assets and non-performing assets	3.26	1.23
Provision for gratuity	0.36	0.22

xx) Draw down from Reserves:

There has been no draw down from reserves during the year ended March 31, 2020 (Previous Year: Nil).

xxi) Concentration of Deposits

This disclosure is not applicable as the Company is not a deposit taking NBFC.

xxii) Concentration of Advances, Exposures and NPAs:

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Concentration of Advances		
Total advances to twenty largest borrowers	1.68	1.70
% of advances to twenty largest borrowers to total advances	0.23%	0.23%
Concentration of Exposures		
Total exposure to twenty largest borrowers / customers	1.68	1.7
% of exposures to twenty largest borrowers / customers to total exposure	0.23%	0.23%
Concentration of NPAs		
Total exposure to top four NPA accounts	0.04	0.02

xxiii) Sector-wise NPAs:

Sector	% of NPAs to total advances in that sector as on March 31, 2020	% of NPAs to total advances in that sector as on March 31, 2019
Agriculture & allied activities	2.41%	0.51%
MSME	0.90%	0.44%
Corporate borrowers	-	-
Services	1.31%	0.23%
Unsecured personal loans	-	-
Auto loans	-	
Other personal loans	-	

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xxiv) Movement of NPAs:

(₹ in crore)

Sl.	Particulars	March 31, 2020	March 31, 2019
i)	Net NPAs to Net Advances (%)	0.39%	-
ii)	**Movement of NPAs (Gross)**		
	a) Opening balance	3.33	3.01
	b) Addition during the year	6.68	1.09
	c) Reductions during the year (represents loan portfolio written off)	(0.63)	(0.77)
	d) Closing balance	**9.38**	**3.33**
iii)	**Movement of Net NPAs**		
	a) Opening balance	-	-
	b) Addition during the year	2.77	-
	c) Reductions during the year	-	-
	d) Closing balance	2.77	-
iv)	**Movement of provisions for NPAs**		
	a) Opening balance	3.33	3.01
	b) Provision made during the year	3.91	1.09
	c) Write-off/ write back of excess provisions	(0.63)	(0.77)
	d) Closing balance	**6.61**	**3.33**

xxv) Disclosure of Customer Complaints:

Sl	Particulars	March 31, 2020	March 31, 2019
i)	No. of complaints pending at the beginning of the year	-	-
ii)	No. of complaints received during the year	86	65
iii)	No. of complaints redressed during the year	86	65
iv)	No. of complaints pending at the end of the year	-	-

33. Disclosure of frauds

Disclosure of frauds reported during the year ended March 31, 2020 vide RBI/2015-16/17; DNBR (PD) CC.No. 058/03.10.119/2015-16 July 01, 2015 (Updated as on April 11, 2016)

Particulars		No. of accounts	Value (₹ in lakhs)
Persons involved	**Types of fraud**		
Staff	Misappropriation of cash & Manipulation of Books of accounts	10	3.42

34. Capital Commitments

Estimated amounts of contracts remaining to be executed on capital account (net of capital advances) and not provided:

(₹ in lakhs)

Particulars	March 31, 2020	March 31, 2019
For office interiors	18.60	--
For development of computer software	10.00	

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35. Contingent liabilities

There has been a Supreme Court judgment dated February 28, 2019, relating to the composition of basic wages for the purposes of deduction and contribution to provident fund under the Employees Provident Fund Act. The Company awaits clarity on the complexities revolving around the application of the said order, the ambiguity reflected by the divergent views of legal experts and the response/direction from the authorities.

36. Impact of COVID-19 pandemic

The Novel Coronavirus (COVID-19) pandemic (declared as such by the World Health Organization on March 11, 2020), has contributed to a significant decline and volatility, and a significant decrease in economic activity, in global and Indian markets. Reserve Bank of India (RBI) has issued guidelines relating to COVID-19 Regulatory Package dated March 27, 2020, April 17, 2020, and May 23, 2020. In accordance therewith, the Company has proposed a moratorium on the payment of all instalments falling due till August 31, 2020, to all eligible and interested borrowers. For all such accounts where the moratorium is granted, the asset classification will remain standstill during the moratorium period (i.e. the number of days past due shall exclude the moratorium period for the purposes of asset classification as per the Company's policy).

The extent to which the COVID-19 pandemic will impact the Company's results, financial positions and business operations, will depend on future developments, which are highly uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government-mandated or elected by the Company. Given the uncertainty over the potential macro-economic condition, the impact of the global health pandemic may be different from that estimated as at the date of approval of these financial statements and the Company will continue to closely monitor any material changes to future economic conditions. The Company has provided an aggregate provision of 1.50% on the outstanding loan portfolio instead of the minimum provisioning of one per cent mandated by the applicable Guidelines. In addition, management has considered various stimulus packages announced by the Government of India which will directly or indirectly benefit NBFC-MFIs, current status/outcomes of discussions with the Company's lenders to seek/extend moratorium and various other financial support from other banks and agencies in determining the Company's liquidity position over the next 12 months. Based on the foregoing, management believes that the Company will be able to pay its obligation as and when these becomes due in the foreseeable future.

Additional disclosure as required by RBI Notification DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020, is as follows:

Particulars	Amount (₹ in cr.)
(i) Respective amounts in overdue category where moratorium was extended	6.35
(ii) Respective amount where asset classification benefits is extended	1.79
(iii) Provisions made during the Q4FY2020 as required by this notification	0.09
(iv) Provisions adjusted during the respective accounting periods against slippages and the residual provisions	-

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37. There is no pending litigation or claim against the company as on March 31, 2020.

38. There are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006, (the 'MSMED') pertaining to micro or small enterprises.

39. Previous year figures have been regrouped/reclassified, where necessary, to confirm to this year's classification.

40. Figures in the Notes have been rounded off to the nearest Rupee.

As per our report of even date annexed herewith

For Shankar Saraf & Associates
Chartered Accountants
ICAI Firm Registration No. 325896E

Shankar Saraf & Associates Kolkata Chartered Accountants

Subham Tulsian
Partner
Membership No: 313573
UDIN: 20313573AAAAAI7679

Place: Kolkata
Date : June 2, 2020

For Village Financial Services Limited

Ajit Kumar Maity
Chairman

Kuldip Maity
Managing Director & CEO

Manish Somani
Chief Financial Officer

Samta Agarwal
Company Secretary

Empowering women,
Promoting local.

Assam | Bihar | Chhattisgarh | Haryana | Jharkhand | Madhya Pradesh | Meghalaya
Odisha | Sikkim | Tripura | Uttar Pradesh | Uttarakhand | West Bengal

VFS®

VILLAGE FINANCIAL SERVICES LTD

CIN : U51109WB1994PLC063746

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