

 **VFS**
**ANNUAL
REPORT**

2017-2018

پیش قدمی



**THE NEST SHOULD BE COMFORTABLE
AFTER A DAY OF HARD WORK
VFS INTRODUCES
LOANS FOR AFFORDABLE HOUSING**

The first step to prosperity is to have a safe and healthy environment for the family to live in.

Table of Contents

| | |
|--------------------------------------|----|
| From the Chairman's desk | 2 |
| From the MD's Desk | 4 |
| Year Of Innovative Application | 6 |
| VFS In The News | 9 |
| The VFS Journey | 10 |
| The VFS Story Of Empowerment | 12 |
| The VFS Product Offerings | 17 |
| Agriculture Is The Key Contributor | 20 |
| The VFS Corporate Governance | 22 |
| The VFS Training Helps Operations | 26 |
| The VFS Partners & Associates | 27 |
| VFS Directors' Report | 28 |
| VFS Management Discussion & Analysis | 51 |
| Independent Auditor's Report | 55 |



This bestows on us a greater responsibility to ensure that our commitment to compliance never gets a slack. In consonance with the performance last year VFS has therefore drawn up a strategy to realise the targets set for the year we are now in. To ensure the determination and vigilance needed to achieve the targets, care has been taken to make the strategy realistic and implementable. Needless to say that we must be very careful and very vigilant with the growth format because we have to follow the guidelines of RBI and also to ensure that our goodwill is not compromised even an iota. VFS has performed incredibly well, and continuing with this effort we are confident to meet our targets set for FY 2018-19.

We are also stepping into a new era organisationally. Digitisation has opened up new vistas of connectivity and communication. But while we cannot ignore the opportunities the new age technology is creating for us, we must not forget that it is a tool and we need to use it in a manner so that it serves our purpose. We must create a user friendly platform so that we can reach maximum number

of customers in the shortest possible time. While doing so, we need to translate it

into an effective reach. What I mean to say is that our solutions should be such as to allow the users to interface easily and even cater to the customers having a low level of literacy. A complicated interface may not be an effective communication tool.

In our field of operations the word “empowerment” is used often without really realising the meaning of it. During CGT we are creating awareness about education, health and other aspects, which no other MFIs are following as diligently as we, in that way we are truly empowering lives. We are continually trying to improve their standard of living, which we are proud for.

As you are aware we have reached the height of Rs738.83 crore, that too without equity infusion. Lest it should create a confusion, the equity infusion did happen in FY 2017-18 but it reached us end of the year. Its leveraging impact couldn't be felt during the year under review as a result. The Rs738.83 crore milestone needs to be seen as incredible within our context.

We started our journey as a welfare service. At that point of time the thought of a business never crossed our mind. As we went into operations we realised that there was a crying need for easy access to credit. We further realised that we could step into this void to help them out with a large scale operation. This prompted us to start VFS. We started by giving out a very small amount of loans. Though by today's standard that would be considered a pittance, I never tire of insisting that VFS is proudly doing a social business. It is not an only profit making, growth oriented organisation, it also is a benefit creating organisation in the social sector.

As a logical connect this takes us to our role in financial inclusion. Financial inclusion is not just a need but a necessity for now-a-days. A financially illiterate person will never be able to stand on her own feet. Hence it is very important to create an awareness amongst them to be financially independent and manage their own income with their own hands. To further the cause of financial inclusion we organise regular campaigns like CAT.

It needs to be reiterated that when someone borrows from us, we not only provide a loan, we also hold their hand to pull them out of the current situation towards a confident future. And that is how we are creating a difference. And this is why ours is not just a business but a business serving a social purpose called empowerment. I started out by saying that we need to be extra vigilant not merely because our regulatory compliance requirements are on the rise, but because of our commitments towards empowerment. And I assure that VFS will never tire of ensuring its commitment, even as it continues its journey of growth.

From the Chairman's desk



With warm wishes,
Ajit Kumar Maity



We are at a point of inflection. When in FY 16-17 we started thinking about the roadmap ahead, we had only one thought in mind. The economy had started changing direction and was searching for a greater depth towards a self-sustaining process of growth. People had started talking about a possible growth rate of even eight per cent in a short while from then. Despite there being some debacles at the national and global market in FY 16-17, India is expected to top seven per cent growth rate at present. In relation to the global market situation, this is considered astounding.

The swings in the economy notwithstanding, the upward trend has remained persistently stable. This signifies opening up a huge possibility across the entire spectrum of the market, particularly, the rural market that also happens to be our focus. And the thought was how to leverage the situation to the advantage of VFS and its customers.

Anticipating this movement therefore we decided to zero in on an aggressive spread and penetration strategy. The decision resulted in the resolution that by 2020 our footprint would be discernibly visible in 20 states of the country at the least. This thought found expression in

our Vision 2020 and you know of this.

I am happy to report that we are well on our way in realigning the organisation

towards achieving this goal. Along with this we are also sensitizing VFS to respond fast to the changing nature of the credit demand in step with the growth of the economy. In 1995-96, the average demand for credit per cycle was a measly Rs1,000. It has now shot up to Rs20,000. There has also been a qualitative change in the demand for credit even within the same group. While, all members of a group used to go for credit for the same line of business in the initial phase, now, the members would go for credit for funding different lines of business. While this is encouraging as it provides a spread in the local market, it's a challenge for us organisationally as we are now required to be ready to vet heterogeneous business lines even within the same group. Each challenge and meeting it successfully not only makes us stronger, it also provides us with new strategic direction.

One takes loan not to stay put but to grow. With growth the credit need shifts. We realized that as most of the beneficiaries operate from their home, it is their basic infrastructure. Unless this home based production centre is properly maintained the business will be affected. So realising their requirement we have ventured out to affordable housing loan including home improvement loan, which is essentially a loan for the maintenance of the beneficiaries' production environment.

As the business grows, a beneficiary graduates into bigger league and a group requirement may not satisfy her specific business need. It would also be unfair to starve her while her credit appetite has grown bigger. So the older clients with a credit track record ought not to be restricted to the group liability limit. But at the same time, if we had let the member go, there was every possibility that she might not have been able to satisfy her credit needs from other formal channels and her business would have been in dire trouble. We therefore decided to fill this vacuum by adopting them through our SME loan products. It has now proved to have been a wise move.

This also is indicative of a trend. Our experience tells us that the way things are moving, individual loans will have a significant weight on our loan book. Realising this, we are also in the process of developing new products that would enable us to stay a step ahead of the market and remain a pioneer that we have always been. For example, a fortnightly repayment schedule stresses the cash flow of a beneficiary as most of them are in the monthly payment receiving mode. So we plan to initiate a change in the repayment requirement by stretching the cycle to a month so that their cashflow is not strained.

All these moves have kept our traction on an even keel. That this is not just a claim has also been endorsed by the

From the MD's Desk

State Bank of India (SBI). Nationally, SBI has selected four partners in their financial inclusion model, VFS features as the single partner from the east in their market penetration through 'business correspondent' model. This must be seen as an endorsement of our efficient handling of the joint liability group or JLG model.

Let me end this message by saying that we have been able to close this year on an encouraging note with approximately Rs739 crore outstanding. At the inception we were a team of hundred. Now we are 1,200 member strong. It is encouraging that private equity players like Param Capital are evincing keen interest in our business, by already investing in the company. We have plans to infuse move capital through the market route.

Our Vision 2020 stays strong and we have already added Chhattisgarh and Madhya Pradesh to our state portfolio. In the coming year will see more additions to our map.



Regards,
Dr. Kuldip Maity

Year Of Innovative Application

The year 2017-18 will go down the history of VFS as the year of innovation. The year before last VFS decided to pursue an aggressive growth path and Vision 20-20 was framed. The plan involves an aggressive growth of customer base and territorial spread both horizontal and vertical. The decision was to spread out to 20 states by the year 2020. The target of territorial spread also requires of us not merely to gain a footprint but an entrenched presence.

Such a goal therefore doesn't just mean reaching out to the 20 states, it means catering to the needs of customers with as many, if not more, tastes and preferences. And it's therefore a strategic challenge to retain our efficiency while traversing such a big territory.



To rise upto the challenge we not only need to evolve new products but also modern technology based management solutions. For the year under review we focused on both management solutions and new products.

Driven by the current need and future requirements, we recognized that our technology solutions required upgrade to current innovations. After ensuring that 100% of our team were mobility enabled, we introduced an app which provided us a robust, reliable and paperless business solution for loan processing and MIS reporting at different levels in a much lesser Turn Around Time.

We also kept in mind our commitment spelt out in Vision 20-20. During the year under review we added two more states to our portfolio and the states are Chhattisgarh and Madhya Pradesh. We are already in 10 states.

Given our commitment to financial inclusion which involves



financial access and financial awareness, we have been able to achieve 100 per cent bank account ownership by our customers. All these efforts have been endorsed by awards like the Most Promising Micro Finance Company in India at the 7th Business Leaders' Summit & Awards 2017 by Worldwide Achievers.

As with any inclusive growth organization it was critical to translate and combine our vision with the team. This year, we paid special emphasis in building a line to mesh HR strategy with business and cultivating competencies to enable VFS to be future-ready.

Complementing the field solution was our implementation of Human Resource Management System (HRMS), through which we digitized our HR processes, including benefits, administration, payroll, recruitment, training, performance analysis and review. This will go a long way towards operating, standardising & managing the HR systems and processes in VFS, a crucial efficiency retention step.

The safety and security of employees is top priority. At the beginning of 2018, VFS introduced V-CARE for its employees. V-CARE stands for **VFS COVERING ACCIDENTAL RISK for EMPLOYEES**. V-CARE is an Employees' Group Personal Accidental Coverage Policy offering protection from several types of unforeseen events that can cause death and disability due to accidents. The policy can be availed in cases of death, permanent total disability, permanent partial disability, and temporary total disability.



It was a proud moment when VFS was bestowed with the Kolkata Best Employer Brand Awards 2017, selected through by intensely researched by a competent Team of World HRD Congress.

The disbursement per customer maintained a steady upward trend. The same is also observed at the JLG level. One of the key reasons we comprehend for the trend is that the enhanced maturity of business planning at the customer level coupled with handholding of VFS field team, which is helping in their success. As the businesses of our customers expand, the need for credit would also grow. With the introduction of SME loan products and those for affordable housing, we expect this trend to continue.

For any organization on a fast growth path, it is critical to get inorganic growth. The disbursement per employee of VFS, is a key metric that we track to understand the productivity levels of the team. Enablers like digital

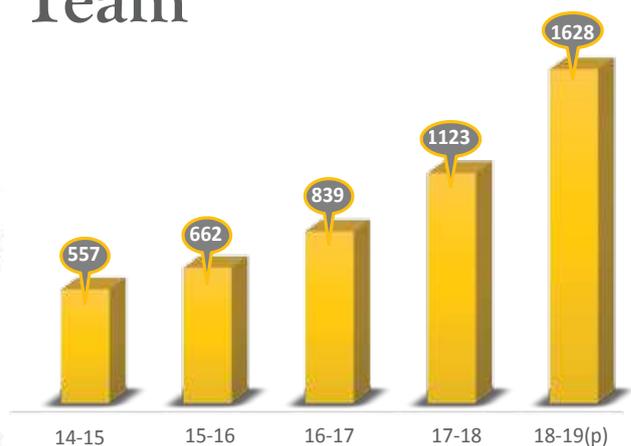
solutions, regular trainings and process improvements have helped us achieve more productivity from our team members.

Another feather got added to our achievements. Across India, SBI selected four partners in their financial inclusion model. VFS features as the single partner from the east in their market penetration through 'business correspondent' model.

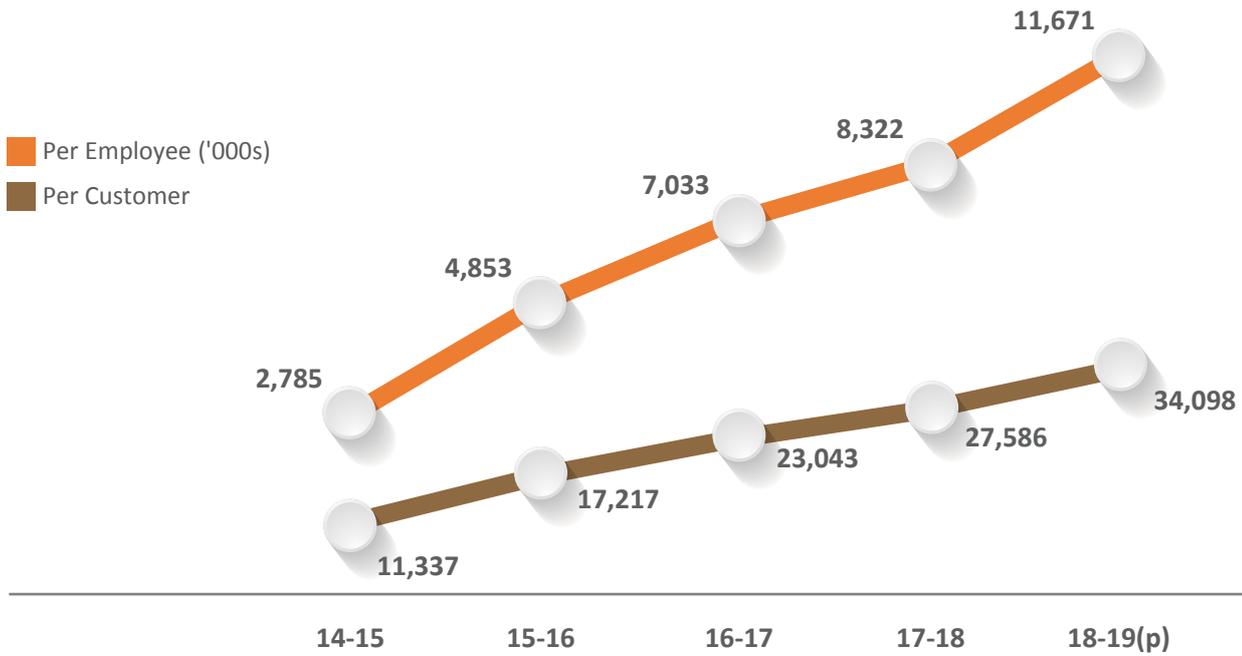
The drive of new innovations continued even in the financial planning of the organization. After having reached a major milestone of Rs700 crore loan outstanding on the accord of the private investors, this year saw the transformation from a private limited to a limited company and infusion of capital by a private equity entity in Param Capital Research Private Limited, for the first time in the history of VFS.



Team



Disbursement Analysis



(Figures are in ₹ unless otherwise stated)

VFS Team At Work



VFS In The News

VFS opens 200th Branch
The-Echo-of-India
 KOLKATA, APRIL 7/-/As a part of its mission to reach 20 States by 2020, Village Financial Services Pvt. Ltd. (VFS), announces the opening of their 200th branch in the Khowai district in Tripura.
 VFS now has 200 branch offices across the states of Uttarakhnad, Jharkhand, Odisha, Sikkim, Assam, West Bengal, Bihar and West Bengal. Total customer base of 2.56 lakhs. 146 crore outstanding. Speaking on the development of Micro Financial Services Pvt. Ltd. loans to improve the condition of rural areas is an important part of our strategy.

25 लाख खण
Aaj Kaal
 ग्रामीण ज्योत ओ माबानि शिल्ले 25 लाख टाका पर्यन्त खण देवे माइक्रोफिनांस संस्था बिनेज फिनांसियल सर्विसेस लिमिटेड। चाहिना एबं ज्योगानेर माथे पार्थका थाकार फलेई ग्रामाफलेर ज्योत ओ माबानि शिल्ले डाटा देखा दियेछे र संस्कार एमडि माइक्रो फिनांसियल सर्विसेस लिमिटेड।

महिला दिवस उदघापन करल बि.एफ.एस
Sambad-Prabaha
 निजसंघ संवधानमाता : आन्तरजातिक महिला दिवस उदघापन करल माइक्रो फिनांसियल सर्विसेस लिमिटेड। 8 मार्च राज्जेर 15 टि बिक्रि एलाकार एह कर्मसुचि पालित हय। ग्रामीण एलाकार 1500 जन महिला खण प्रहिन अंश नेय ओई कर्मसुचि। बि.एफ.एस-एर एमडि ओ सिह ओ कुलदीप महिति जानान महिलाराहि समाजेर प्रकृत खूपति। तासेर खणखण करते पारलेई समाज गडे ओठे। सेई लक्ष्यके सामने रेखे राज्य जुडे काज करे चलेछे बि.एफ.एस।

VFS raises ₹25-cr private equity from Param Capital
Financial-Express
 MICRO-FINANCE INSTITUTION Village Financial Services (VFS) has raised ₹25 crore from private equity firm Param Capital by offering around 12% equity. This has been the first investment by any PE firm in VFS. "We raised ₹25 crore PE from Param Capital yesterday (Wednesday) by offering around 12% equity," MD of VFS said. Next fiscal, VFS will be...

VFS raises ₹25 cr private equity
DNA
 Micro-finance Institution Village Financial Services (VFS) has raised Rs 25 crore from private equity firm Param Capital by offering 12% equity.

वीएफएस ने लांच किया एसएमई लोन
Jansatta
 कोलकाता, 26 अप्रैल (जनसत्ता)।
 भारतीय रिजर्व बैंक द्वारा पंजीकृत एनबीएफसी-एमएफआई वीएफएस ने एसएमई लोन की लांचिंग की है। इसके जरिए वीएफएस ने एसएमई सेक्टर को अधिकतम 25 लाख रुपए सीमा तक का लोन मुहैया कराने की पहल शुरू की है। वीएफएस को नाइक्रोफाइनेंसिंग में 20 वर्षों का अनुभव है और आगे भी इसने अपनी सेवा के जरिए राष्ट्रीय जीडीपी में और भी योगदान करने का लक्ष्य निर्धारित किया है। इसके बारे में एक प्रेस बयान में वीएफएस के एमडी व सीईओ डॉ. कुलदीप माइती ने कहा कि एसएमई सेक्टर से मिली रिपोर्ट के मुताबिक इस सेक्टर में मांग व आपूर्ति के बीच काफी अंतर है। हमारा एक दायर प्लेटफार्म है और 10 राज्यों में नेटवर्क है। उन्होंने कहा-अगले पांच वर्षों की अवधि में हम एक लाख एमएसएमई तक पहुंचना चाहते हैं। इसके माध्यम से एक हजार करोड़ रुपए से ज्यादा की जीएलपी होगी।



बि.एफ.एस-एर शाखा
Ei-Samaj
 एह समय: क्रमेई निजेदेर व्यवसार संप्रसारण करे चलेछे कुञ्जखण प्रदानकारी संस्था बिनेज फिनांसियल सर्विसेस (बि.एफ.एस)। सोमवार त्रिपुरार खोवाईरे तासेर 200तम शाखा खुलेछे संस्था। 2020 सालेर मध्ये संप्रसारणेर ये लक्ष्यमात्रा संस्था बिनेज फिनांसियल सर्विसेस लिमिटेड।

EXCELLENCE AWARDS-2017
Prayag
 ग्रामाफलेर ज्योत ओ माबानि शिल्ले 2017 अर्जन करेछे बिनेज फिनांसियल सर्विसेस। बि.एफ.एस-एर एमडि व सीईओ डॉ. कुलदीप माइती ने कहा कि एसएमई सेक्टर से मिली रिपोर्ट के मुताबिक इस सेक्टर में मांग व आपूर्ति के बीच काफी अंतर है। हमारा एक दायर प्लेटफार्म है और 10 राज्यों में नेटवर्क है। उन्होंने कहा-अगले पांच वर्षों की अवधि में हम एक लाख एमएसएमई तक पहुंचना चाहते हैं। इसके माध्यम से एक हजार करोड़ रुपए से ज्यादा की जीएलपी होगी।

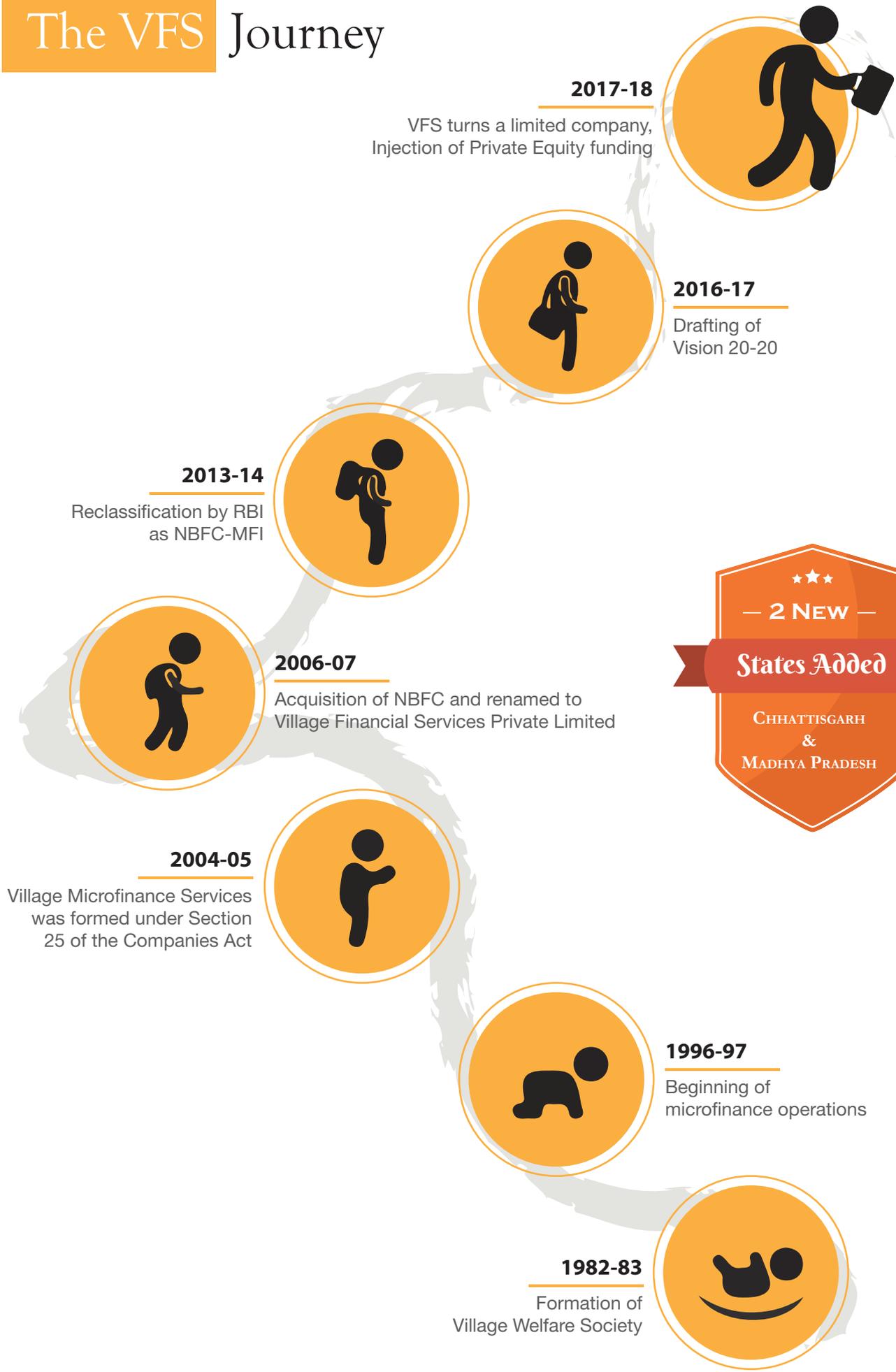
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Prayag
 सञ्चार लक्ष्यके बिनेज फिनांसियल सर्विसेस 200 तम ब्रांच उदघापन करे चलेछे। बि.एफ.एस-एर एमडि व सीईओ डॉ. कुलदीप माइती ने कहा कि एसएमई सेक्टर से मिली रिपोर्ट के मुताबिक इस सेक्टर में मांग व आपूर्ति के बीच काफी अंतर है। हमारा एक दायर प्लेटफार्म है और 10 राज्यों में नेटवर्क है। उन्होंने कहा-अगले पांच वर्षों की अवधि में हम एक लाख एमएसएमई तक पहुंचना चाहते हैं। इसके माध्यम से एक हजार करोड़ रुपए से ज्यादा की जीएलपी होगी।

वीएफएस को मिला एवार्ड
Jansatta
 कोलकाता, 4 मई (जनसत्ता)।
 विलेज फाइनेंसियल सर्विसेज (वीएफएस) को एमएसएमई बैंकिंग एवार्ड्स-2016 से नवाजा गया है। इस एवार्ड की स्थापना चैंबर ऑफ माइक्रो, स्माल एंड मीडियम एंटरप्राइजेज (सीआईएमएसएमई) की ओर है। वीएफएस के सीईओ व प्रबंध निदेशक कुलदीप माइती ने एक केंद्रीय वित्त व कारपोरेट मामलों के राज्य मंत्री अर्जुन राम मेघवाल से प्राप्त किया। कुलदीप माइती ने एक प्रेस विज्ञापित में यह जानकारी दे कि कंपनी के लिए यह एक शानदार उपलब्धि है। हम ग्राहकों की हमेशा तत्पर रहते हैं। हमारी 20 साल की यात्रा में हमने कई पड़ा

एवार 1500 कोटि टाका खण
The-Statesman
 बिनेज फिनांसियल सर्विसेस लिमिटेड। 8 मार्च राज्जेर 15 टि बिक्रि एलाकार एह कर्मसुचि पालित हय। ग्रामीण एलाकार 1500 जन महिला खण प्रहिन अंश नेय ओई कर्मसुचि। बि.एफ.एस-एर एमडि ओ सिह ओ कुलदीप महिति जानान महिलाराहि समाजेर प्रकृत खूपति। तासेर खणखण करते पारलेई समाज गडे ओठे। सेई लक्ष्यके सामने रेखे राज्य जुडे काज करे चलेछे बि.एफ.एस।

हमारी इंडस्ट्री के लिए कोई खुराखवारी नहीं: माइती
Bharat Mitra
 बिजनेट पर वीएफएस के निदेशक व सीईओ ने कहा कि बिनेज फिनांसियल सर्विसेस लिमिटेड। 8 मार्च राज्जेर 15 टि बिक्रि एलाकार एह कर्मसुचि पालित हय। ग्रामीण एलाकार 1500 जन महिला खण प्रहिन अंश नेय ओई कर्मसुचि। बि.एफ.एस-एर एमडि ओ सिह ओ कुलदीप महिति जानान महिलाराहि समाजेर प्रकृत खूपति। तासेर खणखण करते पारलेई समाज गडे ओठे। सेई लक्ष्यके सामने रेखे राज्य जुडे काज करे चलेछे बि.एफ.एस।

The VFS Journey



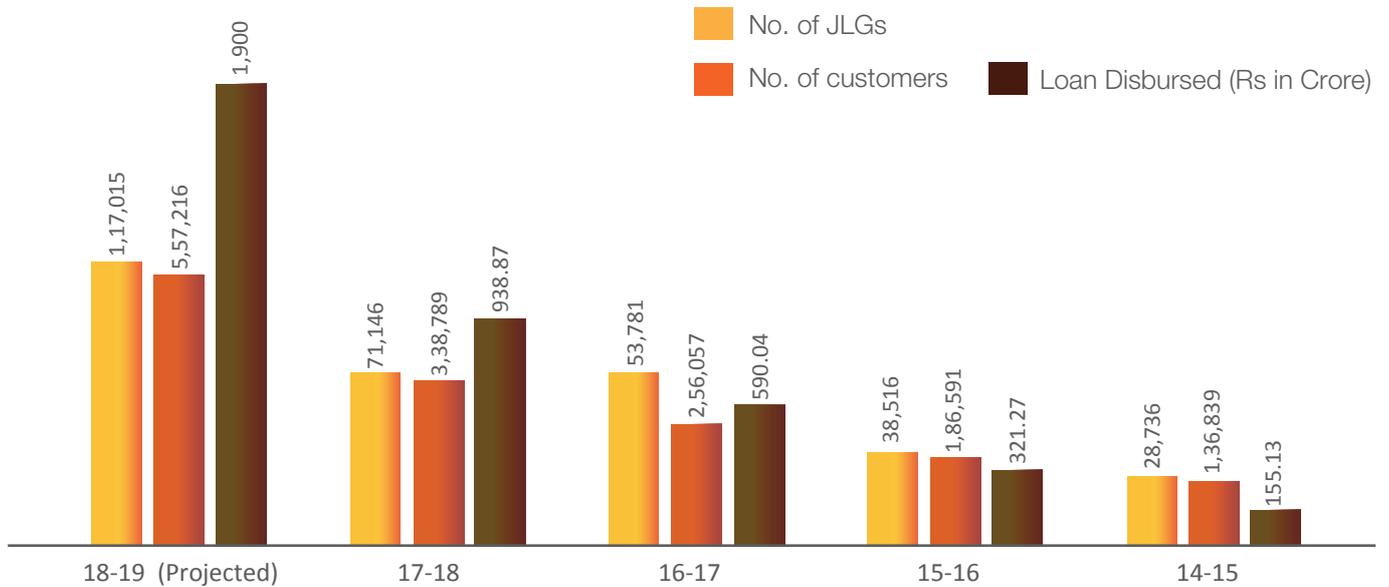
★★★
— 2 NEW —
States Added
CHHATTISGARH
&
MADHYA PRADESH

Purnima Day - Wick Making

One of the oldest and regular borrowers of VFS, who got into making wicks to supplement her husband's earnings for the family. Hard work translated into business growth and her husband joined her to take care of supplying the products to wholesalers. The business expanded into outsourcing production to 50+ women in her locality. She looks forward to VFS bridge the gaps of capital and facilitate the expansion plans.



Key Metrics



Aparna Das - Tailoring

As the children come of age, the economic expectations increase. But Aparna could not break the shell of a tiny tailoring business, as banks kept asking for collateral. With the first cycle of loan this year from VFS, she can now expand her business and also plan for diversification. Her dreams are big. She has already started plans to start a poultry as a secondary business.

Maybe VFS will also help give a boost to start?

The VFS Story Of Empowerment

VFS does not believe in just providing financial access to customers, it considers kindling their wholistic awareness as its mission. Because empowerment, which is the organisation's primary commitment to its customers can only take proper shape if it is accompanied by a knowledge of the surroundings and their commitment to it.

VFS believes that women earn for the family and work for the upliftment of the family. If a woman is properly sensitised that will go a long way towards all round improvement of the family in particular and society in general. VFS believes that only an empowered mother even if she lacks formal education can create a generation of educated empowered children.

Sustainability is another key concern that VFS keeps a keen eye on. No good can be done for the future generation if we leave back a polluted environment devoid of natural resources. Every initiative that VFS undertakes, takes the impact on nature into consideration.

Sishu Utsav and Milon Mela

VFS celebrates Sishu Utsav and Milon Mela every year. This year it was celebrated in Pancharul in Howrah District. In step with the organisation's tradition, the event was held over six days. Over these six days, various cultural programmes and competitions were held to engage the audience and help hone the skills of children. Besides, various rights and entitlement issues of the rural community were discussed and debated. Several social, economic, environmental and cultural challenges and solutions were deliberated upon in an informal and participatory manner.

Dr. Kuldip Maity, MD & CEO, drew the attention of the audience to the fact that, in its pursuit to become an organisation of repute and choice, VFS and its human resources department would concentrate on identifying customer needs, show value of its products and services, collect (and apply) customer feedback in its procedures and systems and provide answers to questions. He also stressed that an institution's progress towards bringing about the desired changes is dependent on good processes and structures.



Women's Day Celebration

VFS, like every year, celebrated the International Women's Day on 8th March to help translate the momentum of women's rights and its philosophy into action. In the then eight operational states, women came forward and celebrated their successes achieved through micro-finance services. The women highlighted the recognition they have received from their own households and society, their contribution to decision-making at home, and political participation. This would act as a testimony for others to learn. VFS noted their success stories in the right earnest so that the organisation further evolves and serves women better in terms of innovation, diversification, improvisation and digitization of products, processes and services.



Rina Jha

Cut piece Selling

"When I was in trouble, nobody helped me. Banks, friends, even close family turned me down. I was forced to borrow from private lenders at with very high-interest rate. They used to abuse me, hurled slangs at even a single instalment default. It was like hell. Whatever you see today - this house, fridge, TV, so much of stock, respect are all because of VFS."

Dedicated to Societal Cause

VFS has never shied away from responding to the calls of help whenever there was any from the nation. Its staff members have always gallantly extended their helping hands in rescuing or supporting people in times of natural calamities. The organisation in turn has always appreciated and encouraged such efforts from them. These acts not only go a long way in building team loyalty but also inspires others to excel. A recent example being the inundation in many parts of West Bengal due to heavy downpour causing enormous loss to the people in the affected areas, including our customers. Rivers were flowing well above the danger level. VFS employees dedicatedly worked at various affected areas, providing a beacon of light for the community by distributing bleaching powder, phenyl etc. and by organizing awareness campaign on health and hygiene. VFS salutes and acknowledges their contribution to the society.



Financial Inclusion

VFS sets a great store by financial inclusion that involves financial awareness and access to finance. Mere access to finance is not enough, the customers, specially those who are very poor and have a very low level of literacy, need to be taught the value of money and its use.

The organisation's functioning and its success crucially depends on the efficiency of the customers in the utilisation of the borrowed fund. It is on this learning that VFS has included training in both financial awareness and how to access our funds. The training also involves outcome evaluation so that there is a close monitoring of the training itself.



Sensitising Through Training

VFS believes that learning is a continuous process.

Structurally, therefore, VFS has developed a mandatory training process called Continuous Group

Training. The process is basically targeted at all customers, exposing them to the basic guidelines, benefits of microfinance, proper utilisation of loan, other financial services, and its proper valuation and how are these to be followed. This is a three-day training programme that is implemented under a skilled trainer



Sustainability Is The Key

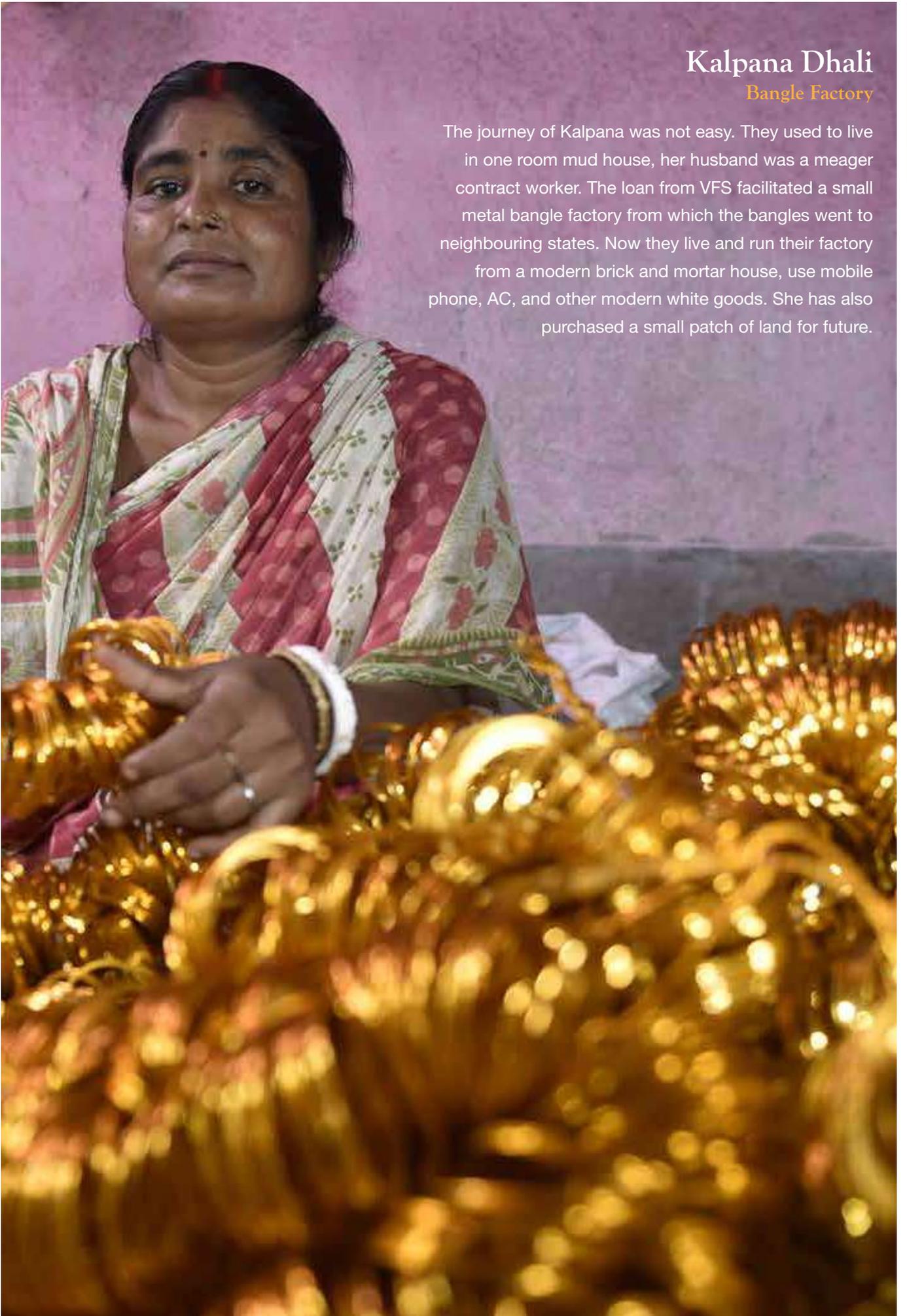
While economic development is the key business objective of VFS, the organisation never forgets that the goals can never be achieved at the expense of our environment. To showcase its commitment towards giving back to nature, it has been a long tradition of VFS to celebrate the Foundation Day of every branch office by planting at least one sapling of medicinal value. The plantation drive is normally done through VFS customers, so that the awareness reaches the grassroots.



Kalpana Dhali

Bangle Factory

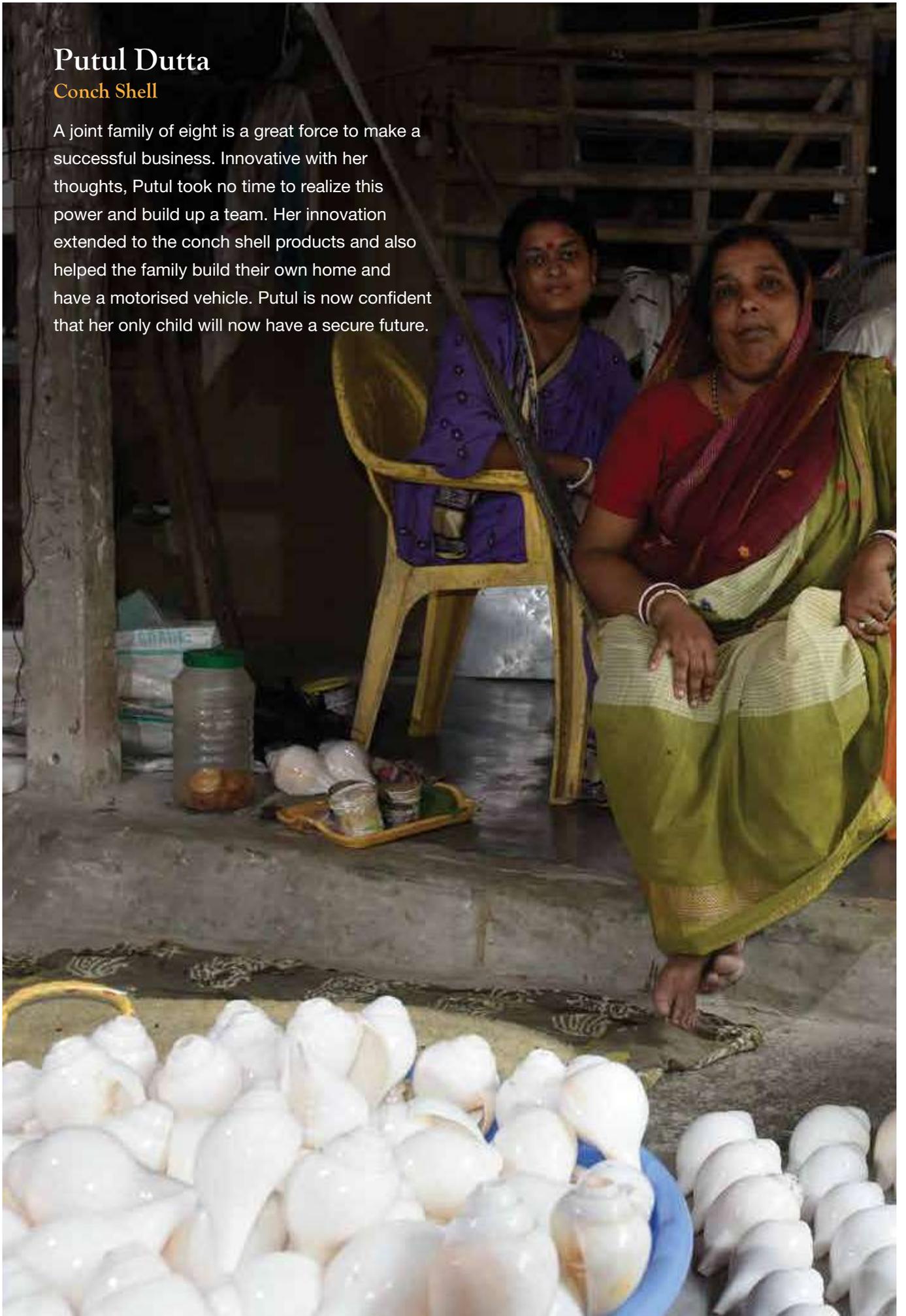
The journey of Kalpana was not easy. They used to live in one room mud house, her husband was a meager contract worker. The loan from VFS facilitated a small metal bangle factory from which the bangles went to neighbouring states. Now they live and run their factory from a modern brick and mortar house, use mobile phone, AC, and other modern white goods. She has also purchased a small patch of land for future.



Putul Dutta

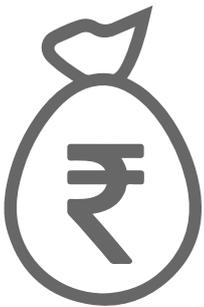
Conch Shell

A joint family of eight is a great force to make a successful business. Innovative with her thoughts, Putul took no time to realize this power and build up a team. Her innovation extended to the conch shell products and also helped the family build their own home and have a motorised vehicle. Putul is now confident that her only child will now have a secure future.



| Name of Product | Briddhi Loan | Sri Briddhi Loan | SME Loan | Affordable Housing Loan |
|-------------------------------|------------------------------|------------------------------|-----------------|--|
| Clientele (group, individual) | JLG member | JLG member | Individual Loan | Individual Loan |
| Purpose | Income generating activities | Income generating activities | MSME/SME | House repairing, construction & purchase |
| Age limit | 18-55 years | 18-55 years | 18-55 years | 18-55 years |
| Loan Size | Upto Rs30,000/- | Upto Rs1,00,000/- | 50,000-3,00,000 | 50,000-10,00,000 |
| Loan tenure | 12 months | 24 months | 24 months | 1 - 10 years |

The VFS Product Offerings



In the age of rapidly shifting technology and market requirements, we need also to evolve dynamically both in terms of technology and products. Failing to sense the changes in the structure of demand on the ground and responding to such a

change leaves our customers underserved. Realising this we looked at the growth cycle of individual members of joint liability groups. This search led us to interesting results.

We realised that our customers use their homes as their basic production centres. For any entrepreneur, keeping their production centres or office space upgraded is a necessary condition for maintaining efficiency and productivity. Therefore our customers who depend on finance from us as the primary access to fund would also require a source of loans for maintaining their workplace. This requirement cannot be served through Briddhi or Sri Briddhi as the products are for Joint Liability Groups (JLG). There was also another reason for not including in the JLG segment. There was every possibility of a group refusing the onus of a member's need for housing loan.

We therefore decided on the Affordable Housing Loan product in the band of Rs50,000 – Rs10,00,000 that is repayable between one and 10 years. This addition to our portfolio is also in recognition of the fact that the prosperity of our borrowers can only be fulfilled through a healthy living environment. That has been always our motto.

Similarly, we found that there are customers whose need for fund has outgrown the limits of Briddhi and Sri Briddhi products. However, given the other constraints, they would still find it difficult to get business loans from the formal banking channels. Given the fact that we are committed to foster growth and prosperity among our customers by encouraging spread of their business we decided to bring out another product specifically crafted to their investment needs. The SME loan thus fashioned straddles a need band of Rs50,000 to Rs3,00,000 repayable in 24 months.

We feel that the way the economy is moving, we need to focus on bringing out more innovative products to address the needs of our customers to help boost their activities.

Kamal Jahan Ansari

Tailoring

When Kamal took her first loan of Rs3,000 from VFS, around a decade back, to start a tiny business of stitching dresses, neither parties could foresee a long standing relationship lasting more than a decade, involving multiple cycles of loans. It has been a wonderful association where her team grew with business, along with prosperity of owning an apartment and a renovated workshop.



Sujata Mullick

Mat Making

One of the oldest and regular borrowers of VFS, Sujata had initially taken loan to start making mats and become financially independent. She works from home, and a decent isolated workshop on the premise might just be the boost she needs to beef up the production level. However her primary need for savings will always be for child education and care. The affordable housing loan products of VFS might just be the solution she would be looking for to renovate her work environment while not having to touch her savings

Anjali Mandal

Lathe Factory

Starting with a single manual lathe machine, which needed lots of physical strength, Anjali worked her way up to 2 electric machines. Her key to success has always been her ability to operate the machines on her own, bringing down the reliance on hired staff. As VFS keeps providing her with the financial support, she is eagerly waiting for her third electric machine



Anamika Panda

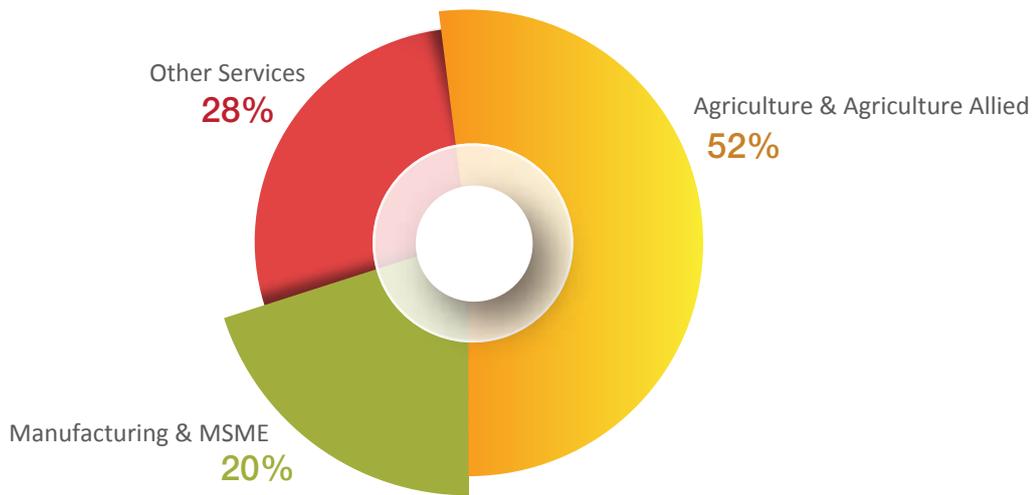
Happy Family

She started with three goats, and acknowledges that without a loan from VFS, the number would not have increased much. Anamika, along with her family, was living a life of extreme poverty, when VFS helped her turn around. Now, with 39 goats and 2 cows, she can dream to bring up her children and provide them with education. But, as far as housing goes, she is very clear on her priorities. "We shall first proper infrastructure for the goats and cows, before constructing a pucca house for ourselves. Till then we will live in our mud house." With this attitude, its not far, that she shall achieve both.



Agriculture Is The Key Contributor

Industry Analysis of VFS customer



Nationally the sectoral contribution to the Gross Domestic Product (GDP) has an overwhelming contribution from the services sector with agriculture & allied services jostling with the manufacturing for a second place, while with a share of 29 per cent manufacturing is just four percentage points ahead.

If we look at the story that the data throw up about the business profile of the VFS customers we find a reasonable rationale that derives from the GDP narrative.

In our study of the sectoral distribution of the VFS customers in terms of their activity engagement, we find an overwhelming bias towards agriculture. With the cohort being rural and semi urban, the manufacturing activity bears a measly weight. But agriculture and allied services add up to a substantial 52 per cent, which is in line with the GDP, a little over though because the figures for VFS largely emanate from rural sector. If we add services to it and factor out grouping errors in the calculation we find a very close weightage resemblance with the GDP profile.

The more interesting fact that has emerged from the field level interviews is worth its mention here. We found every single rupee invested from the advances given out by VFS, has not only led to direct livelihood support, it has also led to indirect employment generation.

A customer who has taken loan to invest in goat rearing has had to employ helping hands in proportion to the

expansion of the herd. What was previously a family engagement at the subsistence level now starts engaging others. With a monthly wage register of around Rs15000, not only does the primary investor step out of the near poverty zone into the zone of 'surplus generator', but also set up a chain of employment creation.

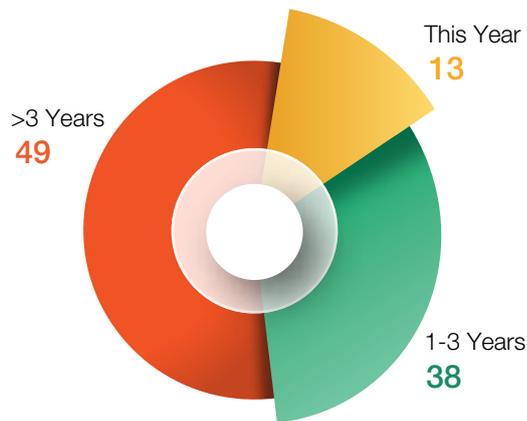
In other cases unable to keep up with the demand, VFS customers have started encouraging neighbours to start production of materials in the backward supply chain, so that their output can be bought and the demand met.

In short, our study shows the impact of a VFS loan goes beyond our direct customers by generating indirect livelihood opportunities.

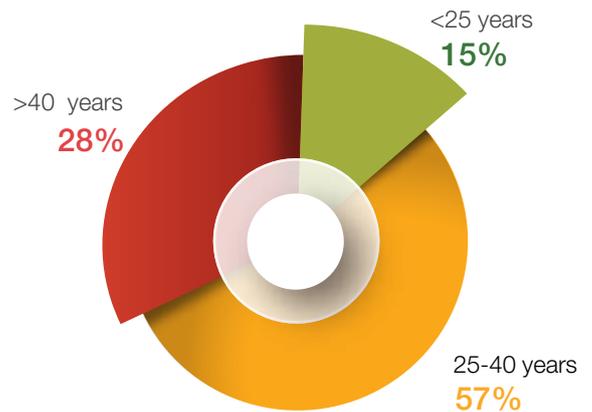
The analysis of customer data further shows that 49 per cent of our customers have stayed with us for more than three years. The stickiness is attributed to factors beyond advances. VFS has been successful in conducting regular customer training, monitoring the progress of customer business and whenever required holding the customers' hands to help them ride out the roughs.

The talk of demographic dividend is the toast of the country. With the youth population turning out to be the majority and the driving force we are talking about reaping a rich dividend. Even from the VFS customer profile we find a similar reflection with 25-40 year age group accounting for 57 per cent of our customers.

VFS Customer Retention



VFS Customer Age Analysis



All analyses are based on representative sample data of VFS customers collected from the field



Arati Roy Maity

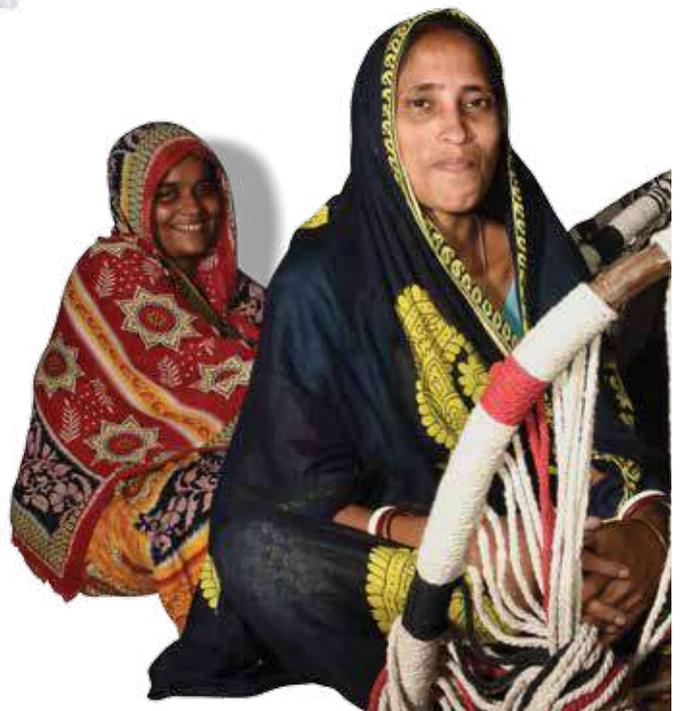
Peanut Business

Arati along with her husband and mother-in-law procures raw peanuts and sells them in packets locally. They add value proper processing of the peanuts by roasting and adding salt. The loan from VFS helped her procure more and making the business feasible in volume. From the daily struggle of supply basic necessities, she can now dream of having a secure future for her son, since she can spend more on education and a decent living environment

Jyotsna Mahuri

Making rope swings

Jyotsna lives in a village near the coastal area. When she started the business of making attractive swings from ropes, she did not realize that the major challenge would be the summers when the scorching heat drops production, but the demand soar owing to the season for tourism. The loan from VFS, helped her with the much required capital to build stocks much before the temperature rises in summer.



The VFS Corporate Governance

Mission: To strengthen the socio-economic condition of the society by providing financial and other support services mainly to the poor women on a sustainable manner.

Vision 2020: To reach every corner of the country and be present in more than 20 states of India by 2020.

For the success of any organization, leadership and guidance is the most important aspect. VFS has been fortunate to have the guidance of a highly regarded Board of Directors, who have rich experience in the industry.



Mr. Ajit Kumar Maity

Chairman

Instrumental in pioneering microfinance in West Bengal, Mr. Maity is a prolific visionary entrepreneur with over 3 decades of experience in microfinance and development. An Ex. Executive Board Member of Sa-Dhan and Ex. Member of the SIDBI Project Advisory Committee (Eastern region)

Dr. Kuldip Maity

Managing Director and Chief Executive Officer

Over 17 years of integrated experience in microfinance and social development, Dr. Maity steers the Village Group and helped VFS become the first MFI to gain NBFC status in West Bengal and obtain the honour of being certified as the first 9001:2008 ISO MFI in India.



Dr. Sankar Dutta

Independent Director

Holds the prestigious post of Vice President at BASIX and the Chief Operating Officer of Indian Grameen Services. Dr. Datta earlier, had worked in PRADAN for the livelihood enhancement of tribal people. He is accredited for teaching and research work in IRMA, IIM Ahmedabad and Dean of The Livelihood School.



Mr. A. Ramanathan

Independent Director

With over 37 years of experience in various important positions in research, training, consultation, and more, Mr. Ramanathan was an ex-Chief General Manager of NABARD. Mr. Ramanathan is engaged in managing linkage program – the largest microfinance program in the world. He is also the Joint Director of Banker's Institute of Rural development (BIRD).





Dr. T. K. Mukhopadhyay

Independent Director

Ex. Chief General Manager and Country Head, Administration & Premises at IDBI Bank, Dr. Mukhopadhyay also held significant Senior Executive Positions, including Head of Corporate Finance, Project Management and Project Monitoring Departments, and SME Department besides holding independent charges of different Branches and Zones across Retail & Corporate Finances, HR, Administration & Premises, Facilities, Customer Relations and Business Development.

Ms. Jayshree Vyas

Independent Director

A qualified Chartered Accountant, Mrs. Vyas is the Managing Director at Shree Mahila Sewa Sahakari Bank, Ahmedabad, since 1986 with over 5,00,000 women clients. She has been instrumental in devising and implementing housing finance schemes, benefiting over 20,000 poor women. Introduced, organized and managed savings groups for poor women in more than 5000 villages across 9 districts of Gujarat, benefiting more than 1,50,000. She is also credited with having introduced Micro Pension Scheme in 2006 for Sewa Bank Members (unorganised sector workers).



In order to create complete transparency and compliance three committees have been formed for oversight and monitoring of performance and recommendation of appropriate actions in their areas of engagement.



Audit, Risk & Asset-Liability Management Committee

The Audit, Risk & Asset-Liability Management Committee has been constituted pursuant to relevant RBI regulations for monitoring the asset-liability gap and to strategise action to mitigate risks associated with the company. Its primary responsibility is to provide oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible. The committee also holds the responsibility to review operational risk, information technology risk, integrity risk and specially, adherence to KYC guidelines. The committee regularly appraises the Board of Directors on the processes implemented to ensure a progressive risk management system and risk management policy and strategy.



Nomination and Remuneration Committee

The Nomination and Remuneration Committee has the overall responsibility of approving and evaluating the compensation plans, policies and all other HR-related issues of the company, to ensure employee retention and satisfaction across the organisation.



Borrowing Committee

In terms of the relevant provisions of the Companies Act, the Board of Directors, has delegated its powers to the Borrowing Committee to deal with the entire process of borrowing from different banks/financial institutions. The committee, primarily constituted with Executive Directors, deal with the tactical activities related to the borrowings.

Grievance Redressal

A grievance can be defined as any sort of dissatisfaction, which needs to be redressed in order to bring about the smooth functioning of the organization. Broadly, a grievance can be defined as any discontent of dissatisfaction with any aspect of the organization. It can be real or imaginary, legitimate or ridiculous, rated or unvoiced, written or oral; it must be however, find expression in some form of the other.

Discontent or dissatisfaction is not a grievance. They initially find expression in the form of a complaint. When a complaint remains unattended to and concerned feels a sense of lack of justice and fair play, the dissatisfaction grows and assumes the status of grievance.



FAIR PRACTICES CODE FOR CUSTOMERS

- All our dealings with customers will be open, fair and ethical.
- We will treat all our customers with respect and professionalism.
- We shall explain and disclose the features of our services in a transparent and understandable manner. Further, our applications and agreements shall clearly include:

- Interest rate on loans
- Processing Fee and Insurance Premium and
- All other terms and conditions

- We will make our best efforts to ensure that the loans we provide are within our customers' capacity to repay.
- We will not engage in any coercive methods to collect repayments.
- We will provide customers with a grievance redressal system to register their complaints and resolve it in a timely & fair manner.
- We respect our customers' privacy and will treat customer information as private and confidential.

There are three formal stages in which any grievance can

be redressed. At VFS, we want to make sure that you get only the very best of service from us – service which you, our valued member, deserves.

STEP 1 : VFS members may contact our branches or write to the Branch Manager explaining the details of their issues. Our Branch Manager will be glad to assist you.

STEP 2 : If you do not receive a response within 10 days from the channels under STEP 1, or, if you are not satisfied with the response received, you can escalate your complain to our Help Desk Executive at our Corporate Office No. 033-6655-1414 (from 10.00 AM to 05:00 PM except Saturday, Sunday and other Holidays)

STEP 3 : If you are not satisfied with the response that you receive at Branch level or channels under STEP 2, or if you do not hear from us in 10 days, you may contact the Office of the Chief Nodal Officer for a speedy investigation and fair resolution of your problem. Please quote the reference number provided to you in your earlier interaction, along with your account/loan number to help us understand and address your concern.





VFS CORE VALUES

The VFS Training Helps Operations

Indian microfinance industry is growing at a very fast pace topping an annualised rate of 45 per cent. With a low default rate, a low average operating cost ratio and an uninterrupted flow of funds from the commercial banking system, the sector has started attracting the interest of private equity funds as an investment destination. However, as is universal, a growth of this magnitude is also bringing in its wake a slew of new challenges for the industry.

Of all, the single biggest challenge lies in the area of training and capacity development. While, on the one hand, there is a lack of service providers with required skill sets exacerbated by a lack of comprehensive, integrated and relevant training modules; on the other, not enough attention is being paid to training the senior management.

Understanding the importance of sharpening skill sets on a continuing basis, VFS has been consistent in its approach and methodology for training and capacity building of its human resources across the hierarchy.

It has in place training centres in Kolkata and Siliguri and one is in the pipeline in Tripura. From this facility VFS will build capacity, and provide training and skill development support to the internal team our customers as well. The strategy adopted would definitely address the issue of capacity building both at the customers as well as at the level of internal resources.



While the senior management training has its own challenges in terms of structuring the modules, fashioning the same for the customers is no less challenging. As is being repeatedly harped on, underlying all that VFS does is the need to spread the financial inclusion mission wide and far. Inclusion subsumes two aspects, a) financial awareness and b) access to funds. Keeping these two in mind VFS already has put in place an elaborate training plan for our customers at the branch level.

The training module involves a three day engagement with the newly inducted customers. On the first day, they are introduced to the organisation, the concept of microfinance, the concept of joint liability group, their responsibilities, KYC and the relevant regulations. On day two, they are introduced to the products of VFS and the terms and conditions, importance of insurance, NEFT and financial literacy. Day three involves preparation of documents for loan, loan purpose checking, customer house visit, creation of awareness about financial inclusion and recommendation about the best way to utilise loans among others.

The focus of the entire training structure is on a) compliance from an 'aware position' that naturally and organically screens out inadvertent lapses leading to various violations, b) capacity creation. Not only that, VFS believes a financially enlightened ecology is that what is needed to lend support to the process of development. And as a microfinance institution VFS is tasked with lending its might to the creation of such an ecology within its ambit of operations.

The VFS Partners & Associates

We are thankful to all our partners and associates who have constantly supported us throughout our journey.



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, 2018.

A Summary of the financial results for the year 2017-18, as compared to the previous year, is given below:

FINANCIAL RESULTS

(In Crore)

| Particulars | FY 2017-18 | FY 2016-17 |
|---|------------|------------|
| Total Revenue | 115.88 | 77.97 |
| Less: Total Expenses | 100.70 | 68.56 |
| Profit before tax | 15.18 | 9.41 |
| Less: Provision for Tax | 5.82 | 3.54 |
| Profit for the year | 9.36 | 5.87 |
| Add: Surplus brought forward | 6.35 | 1.95 |
| | 15.71 | 7.82 |
| Less: Capitalization for issue of Bonus Share | = | = |
| Amount available for appropriation | - | - |
| Less: Appropriations: | - | - |
| Transfer to Statutory Reserve | *1.87 | *1.17 |
| Transfer to General Reserve | 0.47 | 0.29 |
| Closing Balance-Surplus | 13.37 | 6.35 |

*An amount of Rs1.83 crore (previous year Rs1.15 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 31st March, 2018:

| Year ended 31st March | 2018 | 2017 |
|--------------------------------|---------|----------|
| Number of working State | 10 | 8 |
| Number of working Districts | 56 | 43 |
| Number of Branches | 188 | 159 |
| Number of Borrowers | 334,369 | 2,56,100 |
| Amount Disbursed (in Rs crore) | 938.87 | 557.01 |
| Loan Outstanding (in Rs crore) | 738.83 | 413.28 |

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 substantial increase 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 48.62% y-o-y to Rs115.88 cr during the Financial Year under review driven by significant increase in loan portfolio (rising from Rs413 crore as on March 31, 2017 to Rs739 crore as on March 31, 2018). During the Financial Year under review, return on average assets increased to 1.57% from 1.55% in the previous Financial Year. Return on average equity also increased by 1.30% during the Financial Year year under review.

All this cumulative factor led to increase in Net Profit After Tax from Rs5.87 crore in the previous Financial Year to Rs9.36 crore during the current Financial Year under review, an increase by 59.56%.

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 authorised share capital

During the FY under review, Your Company had increased its equity part of the authorized share capital from Rs37 crore consisting of 3,70,00,000 Equity Shares of face value of Rs10/- each to Rs57 crore consisting of 5,70,00,000 Equity Shares of face value of Rs10/- each.

Allotment of shares

During the FY under review, Your Company had allotted 51,68,503 number of equity shares of Rs10/- each, at a premium of Rs38.37/- each, on preferential basis/private placement basis to M/s. Param Value Investments (Partnership Firm – shares held jointly by the Partners), Mr. Vijay Khetan, Mr. Monil Bhala, Mr. Bhavin Haresh

Thakkar, Mr. Sachit Naresh Motwani, Mr. Mangesh Anil Bhadang, Mr. Bhailal Umarshi Maru, Mr. Ajay Jayram Prabhudesai, M/s. Synthetic Fibers Trading (A Partnership Firm – shares held jointly by the Partners).

As on 31st March 2018, the paid-up share capital of the Company stood at Rs41,34,80,200/- consisting of 4,13,48,020 Equity Shares of face value of Rs10/- each fully paid-up.

CONVERSION OF THE COMPANY INTO A PUBLIC LIMITED COMPANY

In view of the fact that Your Company did exceedingly well in the past few years in the Micro Finance Sector which gave it the necessary impetus to set expansion plans in place, for taking the business of Your Company on a global scale, Your Company proposes to explore the capital market for infusion of additional working capital. Hence during the financial year under review, Your Company converted itself into a 'Public' Limited Company and consequently the name of Your Company was changed from 'Village Financial Services Private Limited' to 'Village Financial Services Limited' with effect from 7th day of November, 2017.

Fresh Certificate of Incorporation consequent upon conversion from Private Company to Public Company was issued by the Ministry of Corporate Affairs on Seventh day of November Two Thousand Seventeen.

RBI GUIDELINES

Reserve Bank of India (RBI) granted the Certificate of Registration to the Company on 27th day of September, 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 4th day of January, 2018 during the financial year under review.

With the Asset Size of Your Company exceeding Rs500 crore, during the financial year under review, your Company is now 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 the member of two SROs – MFIN and SADHAN, follows the Code of Conduct as prescribed by these SROs. Your Company also complies the 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 15.65% as at March 31, 2018 as against the minimum regulatory requirement of 15% for non-deposit accepting NBFCs.

Your Company has outstanding secured & unsecured borrowings of Rs628.56 crore at the end of financial year 2017-18.

RATINGS

The Credit Analysis & Research Limited (CARE) has as on September 25, 2017 assigned ratings for the facilities availed by the Company, details of which are given below

| Facility | Amount (in crore) | Rating |
|---------------------------|-------------------|--------------------------|
| Long Term Bank Facilities | 500 | BBB-; Outlook- Stable |

The Brickwork Ratings India Pvt. Ltd. (SEBI Registered, RBI accredited, NSIC empanelled) Rating Agency has on May 11, 2018, upgraded and assigned rating for the facilities availed by the Company, details of which are given below

| Facility | Limits (in cr) | Tenure | Rating |
|------------|----------------|-----------|---|
| Fund Based | 609.10 | Long Term | BWR BBB+; Pronounced as BWR Triple B plus; Outlook - Stable |

CORPORATE SOCIAL RESPONSIBILITY

Your Company's Corporate Social Responsibility ("CSR") 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 health care and making available safe drinking water; promoting education, including special education, employment enhancing vocational skill training for women, promoting gender equality, programs for empowering women and projects for environmental protection.

As part of its initiatives under CSR, your Company has utilized the services of Village Foundation for Social Services, established under Section 8 of the Companies Act, 2013, for undertaking activities in the areas of Social Services- Livelihood Enhancement and Education.

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 2/3rd 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 1/3rd shall retire at every Annual General Meeting & 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 now converted into a public limited company, Mr. Ajit Kumar Maity, director of the Company (DIN: 00250806) who has been longest in the office, 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 Nomination & Remuneration Committee, Your Company in the Annual General Meeting held on August 9, 2017, appointed Ms. Jayshree Ashwin Kumar Vyas, Additional Director of the Company as Director of the Company.

During the year under review, on the recommendations

of Nomination & Remuneration Committee, Your Company re-appointed Dr. Kuldip Maity (DIN: 00250869) as the Managing Director & CEO of the Company, for a term of five years, with effect from April 1, 2018.

During the year under review Ms. Alpana Bhaduri (DIN: 06588893) who was appointed as the Nominee Director in the Board resigned from the position of Nominee Director with effect from January 17, 2018. Your directors place on record their sincere appreciation for Ms. Alpana Bhaduri for her contribution to the Company as a Director.

Independent Directors

The Independent Directors hold office for a fixed period of five years from the date of their appointment at the Annual General Meeting of the Company held on September 28, 2014 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) 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).

Key Managerial Person

During the year under review, on the recommendations of Nomination & Remuneration Committee, your Company approved the appointment of Ms. Samta Agarwal as the Company Secretary & Compliance Officer of the Company with effect from March 16, 2018. Mr. Dinesh Mourya resigned as the Company Secretary with effect from March 6, 2018.

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 five times. The meetings were held on May 12, 2017, August 9, 2017, October 31, 2017, January 17, 2018 & March 16, 2018. 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 | Dr. Kuldip Maity | 5 of 5 |
| 3 | Dr. Tapan Kumar Mukhopadhyay | 5 of 5 |
| 4 | Dr. Sankar Datta | 5 of 5 |
| 5 | Ms. Jayshree Ashwinkumar Vyas | 1 of 5 |
| 6 | Mr. Ramanathan Annamalai | 5 of 5 |
| 7 | Mrs. Alpana Bhandari | *3 of 5 |

*Ms. Alpana Bhandari, resigned from the Board with effect from 17th January, 2018.

COMMITTEES OF THE BOARD

Currently, the Board has five Committees: Audit and Risk Management Committee, Nomination & Remuneration Committee, Borrowing Committee, Share Allotment Committee and Corporate Social Responsibility 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. Ramanathan Annamalai, Member Dr. Kuldip Maity, Member |
| Nomination & Remuneration Committee | Mr. Ramanathan Annamalai (Chairman) Dr. Kuldip Maity, Member Mr. Ajit Kumar Maity, Member |
| Borrowing Committee | Mr. Ajit Kumar Maity (Chairman) Dr. Kuldip Maity, Member Mr. Dipak Kumar Ray, Member |
| Share Allotment Committee | Dr. Kuldip Maity (Chairman) Dr. Sankar Datta, Member Mr. Ajit Kumar Maity, Member |
| Corporate Social Responsibility Committee | Dr. Sankar Datta (Chairman) Dr. Tapan Kumar Mukhopadhyay, Member Dr. Kuldip Maity, Member |

ATTENDANCE OF MEMBERS AT THE COMMITTEE MEETINGS

Audit Committee

| Facility | Name of Members | No. of Committee Meetings Attended |
|----------|--------------------------|------------------------------------|
| 1. | Dr. Sankar Datta | 4 of 4 |
| 2. | Dr. Kuldip Maity | 4 of 4 |
| 3. | Mr. Ramanathan Annamalai | 4 of 4 |

Nomination & Remuneration Committee

| Facility | Name of Members | No. of Committee Meetings Attended |
|----------|--------------------------|------------------------------------|
| 1. | *Ms. Alpana Bhandari | 1 of 2 |
| 2. | **Dr. Kuldip Maity | 1 of 2 |
| 3. | Mr. Ramanathan Annamalai | 2 of 2 |
| 4. | ***Mr. Ajit Maity | 1 of 2 |
| 5. | ****Dr. Sankar Datta | 1 of 2 |

*Ms. Alpana Bhandari resigned to be a member with effect from 31/10/2017

**Dr. Kuldip Maity resigned to be a member with effect from 31/10/2017

***Mr. Ajit Kumar Maity was appointed as a member with effect from 31/10/2017

****Dr. Sankar Datta was appointed as a member with effect from 31/10/2017

Borrowing Committee

| Facility | Name of Members | No. of Committee Meetings Attended |
|----------|------------------------|------------------------------------|
| 1. | Dr. Kuldip Maity | 34 of 34 |
| 2. | Mr. Ajit Kumar Maity | 34 of 34 |
| 3. | * Ms. Alpana Bhandari | 18 of 34 |
| 4. | ** Mr. Dipak Kumar Ray | 16 of 34 |

*Ms. Alpana Bhandari resigned from membership with effect from 31/10/2017

* *Mr. Dipak Kumar Ray was appointed as a member from 31/10/2017.

Share Allotment Committee

| Facility | Name of Members | No. of Committee Meetings Attended |
|----------|----------------------|------------------------------------|
| 1. | Dr. Sankar Datta | 1 of 1 |
| 2. | Dr. Kuldip Maity | 1 of 1 |
| 3. | Mr. Ajit Kumar Maity | 1 of 1 |

Corporate Social Responsibility Committee

| Facility | Name of Members | No. of Committee Meetings Attended |
|----------|------------------------------|------------------------------------|
| 1. | Dr. Sankar Datta | 2 of 2 |
| 2. | Dr. Tapan Kumar Mukhopadhyay | 2 of 2 |
| 3. | Dr. Kuldip Maity | 2 of 2 |

During the Financial Year under review, the Audit & Risk Management Committee met four times (May 12, 2017, August 9, 2017, October 31, 2017 and January 17, 2018), Nomination & Remuneration Committee met two times (May 12, 2017, March 16, 2018), Borrowing Committee met thirty four times (19/04/2017, 24/04/2017, 30/05/2017, 02/06/2017, 06/06/2017, 07/06/2017, 20/06/2017, 27/06/2017, 19/07/2017, 21/07/2017, 27/07/2017, 31/07/2017, 30/08/2017, 01/09/2017, 21/09/2017, 25/09/2017, 26/09/2017, 24/11/2017, 28/11/2017, 29/11/2017, 04/12/2017, 13/12/2017, 29/12/2017, 16/01/2018, 29/01/2018, 19/02/2018, 22/02/2018, 26/02/2018, 27/12/2018, 28/02/2018, 07/03/2018, 12/03/2018, 15/03/2018, 26/03/2018.), Corporate Social Responsibility Committee met two times (August 9, 2017 & January 17, 2018) and Share Allotment Committee met one time (March 28, 2018).

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, was present at the Company's Annual General Meeting (AGM) held on August 09, 2017 to answer shareholder queries. Your Company in the year under review held two Extra Ordinary General Meeting on October 31, 2017 & March 20, 2018.

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. The Company as part of the 'vigil mechanism' has in

place a 'Whistle Blower Policy' duly approved by the Board in its meeting held on October 31, 2017, 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 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 have not received any complaint.

None of the personnel of your Company were 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, 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) is annexed as '**Annexure B**'.

The Policy is also uploaded on the Company's website. Web link: <http://village.net.in/nomination-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, 2018, 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 judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2018 and of the Profit and loss 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; and

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 18, 2018 had reviewed the Risk Management Policy towards 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, 2018 stood at 0.55 % and 0 % respectively. The specific loan loss provisions that the Company has made for its non-performing assets continue to be more conservative than those prescribed by the regulator.

INTERNAL FINANCIAL CONTROLS

Your Company has in place adequate internal financial controls with reference to financial statements. During the year, 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 have 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, M/s 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, subject to the ratification by the members at every Annual General Meeting to be held during their term.

Pursuant to coming into effect of Section 40 of the Companies (Amendment) Act, 2017, with effect from May 7, 2018, first proviso to section 139(1) of the Companies Act, 2013, has been omitted, thereby the requirement of ratification of the appointment of the Statutory Auditor of your Company from the conclusion of ensuing Annual General Meeting till the conclusion of the next Annual General Meeting of the Company is no more required.

M/s 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 next 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-Mirco Finance Institutions 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 the section 186 is not applicable to the Company.

PARTICULARS OF EMPLOYEES

In terms of Rule 5(2) of the Companies (Appointment and Remuneration) Rules, 2014 and amendments thereon. The name of the ten employees in terms of the remuneration drawn is annexed herewith as Annexure 'C' 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 - **Nil**
- 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 percent of the equity shares of the company - **Nil**

ANNUAL RETURN

Pursuant to section 92(3) of the Companies Act, 2013, an extract of the Annual Return of your Company, in Form No. MGT 9, as prescribed under rule 12 of the Companies (Management and Administration) Rules, 2014, is annexed herewith as **Annexure 'D'**.

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.

DISCLOSURE UNDER THE SEXUAL HARASSEMENT OF WOMEN AT WORKPALCE (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 Prohibition & Redressal) Act, 2013. 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 women employees of the Company. The said policy is uploaded on the website of the Company as well.

DIVERSIFICATION INTO AFFORDABLE HOUSING AND SME SEGMENTS

Your Company in order to de-risk its portfolio, having a ready platform and network across ten states, proposed to diversify into SME loan to reach out to huge underserved and most neglected sectors of economy during the financial year under review. It aims at reaching out to 1 lakh MSME within 5 years span. In pursuance of the same it launched SME Loan across ten states.

DETAILS IN RESPECT OF FRAUDS REPORTED BY THE AUDITORS 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 by not depositing amount collected from customer;
- b. Approximate amount involved: Rs46,400/-;
- c. Parties Involved: Dhandaha Branch staff, Name Abhijit Mondal, Designation: CSR;
- d. Remedial action taken: service being terminated

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 Act 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. No 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.

ACKNOWLEDGEMENT

Your Directors express their sincere appreciation of the co-operation and assistance received from customers, Reserve Bank of India, MFIN, SADHAN Shareholders, Bankers, and other stakeholders during the 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: May 18, 2018



Ajit Kumar Maity
Chairman
DIN: 00250806

Disclosure on Corporate Social Responsibility (CSR) Policy and Activities

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

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

Web link: <http://village.net.in/policies/corporate-social-responsibility-policy/>

2. The Composition of the CSR Committee as on March 31, 2017

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

3. Average net profit of the company for last three financial years of the Company:

Rs. 5 crore

4. Prescribed CSR Expenditure (two percent (2%) of the amount as in item 3 above):

Rs. 10 lakh

5. Details of CSR spend for the financial year:

- a. Total amount spend for the financial year: Rs10.64 lakh
- b. Amount unspent, if any: NIL
- c. Manner in which the amounts spend during the financial year is detailed below:

(in ₹)

| 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 | Amount spent on the Project or programs Sub-Heads: (1) Direct expenditure on projects or programs | Cumulative Expenditure upto the Reporting Period | Amount Spent: Direct or through Implementing Agency* |
|-------|-----------------------------------|--|---|---|---|--|--|
| 1. | Donation of cloths | Livelihood | West Bengal | 6 lakh | 6.36 lakh | 6.36 lakh | Direct |
| 2. | Donation of books | Education | West Bengal | 4 lakh | 4.28 lakh | 10.64 lakh | 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

Sd/-

Dr. Sankar Datta
Chairperson, CSR Committee

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. Kuldip Maity
Managing Director & CEO

NOMINATION AND REMUNERATION POLICY

1. INTRODUCTION

The Company considers human resources as its invaluable assets. This policy on nomination and remuneration of Directors, Key Managerial Personnel (KMP) and other employees has been formulated in terms of the provisions of the Companies Act, 2013 in order to pay equitable remuneration to the Directors, KMPs and employees of the Company and to harmonize the aspirations of human resources consistent with the goals of the Company.

2. OBJECTIVE

The objective and purpose of this policy are

- To guide and recommend to the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.
- To evaluate the performance of the members on the Board and provide necessary report to the Board for further evaluation of the Board Members.
- To recommend to the Board on remuneration payable to the Directors, Key Managerial Personnel and Senior Management.
- 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.

3. DEFINITIONS

(a) **"Act"** means Companies Act, 2013 and rules framed there under as amended from time to time.

(b) **"Board of Directors"** or **Board**, in relation to the company, means the collective body of the Directors of the Company.

(c) **"Committee"** means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board.

(d) **"Company"** means "Village Financial Services Limited".

(e) **"Independent Director"** means a Director referred to in Section 149 (6) of the Companies Act, 2013.

(f) **"Key Managerial Personnel"** or **"KMP"** means (i) Managing Director, or Chief Executive Officer or Manager and in their absence, a Whole-Time Director; and (ii) Company Secretary, and (iii) Chief Financial Officer; and (v) such other officer as may be prescribed.

(g) **Senior Management** means personnel of the Company who are members of its core management team excluding the Board of Directors, and shall also include all members of management one level below the executive directors including all functional heads.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 as may be amended from time to time shall have the meaning respectively assigned to them therein.

4. ROLE OF COMMITTEE

The role of the Committee inter-alia will be the following

a) To formulate a criteria for determining qualifications, positive attributes and independence of a Director.

b) To identifying persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal.

c) To carry out evaluation of performance of the Directors and recommend to the Board appointment or removal based on their performance.

d) To recommend to the Board on (i) policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management and (ii) Executive Directors remuneration and incentive.

e) To ensure that level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully, relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

f) To carry out any other function as is mandated by the Board from time to time and/or enforced by the statutory notification, amendment or modification, as may be applicable.

5. MEMBERSHIP

The Committee shall consist of a minimum three (03) non-executive directors, majority of them shall be **Independent**.

Minimum two (02) members shall constitute a quorum for the Committee meeting.

Membership of the Committee shall be disclosed in the Annual Report.

Term of the Committee shall be continued unless otherwise terminated by the Board of Directors.

6. CHAIRPERSON

The Chairperson of the Committee shall be an **Independent Director**.

The Chairperson of the Company may be appointed as a member of the Committee but shall not be the Chairperson of the Committee.

In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.

The Chairperson of the Committee shall attend the general meetings of the Company or in his/her absence,

any other member of the Committee authorized by him/her in this behalf.

7. FREQUENCY OF MEETINGS

The Meetings of the Committee shall be held at such regular intervals as may be required & decided upon mutual discussion among the members.

8. COMMITTEE MEMBERS' INTERESTS

A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.

The Committee may invite such executives, officials or such other persons as it considers appropriate to be present at the meetings of the Committee.

The Committee may invite such executives, officials or such other persons as it considers appropriate to be present at the meetings of the Committee.

9. SECRETARY

The Company Secretary of the Company shall act as the **Secretary** of the Committee.

10. VOTING

Matters arising for determination at the Committee Meetings shall be decided by a majority of votes of the Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.

In the case of equality of votes, the Chairperson of the meeting shall have a casting vote.

11. NOMINATION DUTIES

The duties of the Committee in relation to nomination matters include

a) To ensure that there is an appropriate induction and training programme in place for new Directors and Members of the Senior Management and reviewing its effectiveness;

- b) To ensure that on appointment to the Board, Non-Executive Directors and Independent Directors receive a formal letter of appointment in accordance with the guidelines provided under the Companies Act, 2013;
- c) To identify and recommend Directors who are to be put forward for retirement by rotation.
- d) To determine the appropriate size, diversity and composition of the Board;
- e) To set a formal and transparent procedure for selecting new Directors for appointment to the Board;
- f) To evaluate the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective;
- g) To delegate any of its powers to one or more of its members or the Secretary of the Committee;
- h) To recommend any necessary changes to the Board.
- i) To consider any other matters as may be requested by the Board.

12. REMUNERATION DUTIES

The duties of the Committee in relation to remuneration matters include

- to consider and determine the Remuneration Policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract retain and motivate members of the Board and such other factors as the Committee shall deem appropriate all elements of the remuneration of the members of the Board.
- to approve the remuneration of the Senior Management including key managerial personnel of the Company maintaining a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company.
- to delegate any of its powers to one or more of its Members or the Secretary of the Committee
- to consider any other matters as may be requested by the Board;

13. MINUTES OF COMMITTEE MEETING

The proceedings of all meetings must be written in the form of Minutes and these Minutes must be signed by the Chairperson of the Committee at the subsequent Meeting or within one month from the date of the Meeting, whichever is earlier.

Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meetings.

14. NOTIFICATION

This Policy, including amendments thereof, shall be made available on the Company's website and in the Boards' Report of the Company.

Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meetings. would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law.

This policy shall be reviewed by the Nomination and Remuneration Committee as and when any changes are to be incorporated in the policy due to change in applicable law or as may be felt appropriate by the Committee. Any changes or modification in the policy as recommended by the Committee would be given for approval of the Board of Directors.

This Policy has been approved by the Board of Directors in its meeting held on May 18, 2018

15. POLICY REVIEW

This Policy is framed based on the provisions of the Companies Act, 2013 and rules there under.

In case of any subsequent changes in the provisions of the Companies Act, 2013 or any other regulations which makes any of the provisions in the policy inconsistent with the Act, then the provisions of the act or regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law.

This policy shall be reviewed by the Nomination and Remuneration Committee as and when any changes are to be incorporated in the policy due to change in

applicable law or as may be felt appropriate by the Committee. Any changes or modification in the policy as recommended by the Committee would be given for approval of the Board of Directors.

This Policy has been approved by the Board of Directors in its meeting held on May 18, 2018

A. Policy for appointment and removal of Director, Key Managerial Personnel and Senior Management

(Appointment criteria and qualifications)

I. Qualifications for appointment of Directors (including Independent Directors)

The incumbent Directors shall be persons of eminence, integrity, standing and knowledge with significant achievements and experience in business, professions and / or public service, deep expertise and insights in sectors/areas relevant to the Company, ability to contribute to the Company's growth, complementary skills in relation to the other Board members. Broadly, the following points need to be considered by the Committee:-

- Their financial or business literacy, skills, etc.
- Their industry experience.
- Other appropriate qualification / experience to meet the objectives of the Company.

As per the applicable provisions of Companies Act 2013, Rules made there under, as amended from time to time. The Nomination and Remuneration Committee shall have discretion to evaluate, consider and fix any other criteria or norms, from time to time, for selection of the most suitable candidate/s.

Appointment of Independent Directors is also subject to compliance of provisions of section 149 of the Companies Act, 2013, read with Schedule IV and rules there under.

II. Qualifications for appointment of KMP & Senior Management

- To possess the necessary qualifications, experience, skills and expertise to effectively discharge their duties and responsibilities.
- To practice and encourage professionalism and transparent working environment.
- To build teams and carry the team members

along for achieving the goals/objectives and corporate mission.

- To adhere strictly to the Company's Code of Conduct for the time being in force and as amended from time to time.
- Any other responsibility that may be given in the course of their association with the Company.

III. Term/Tenure of Directors (including Independent Directors) KMP and Senior Management

a. Managing Director/Whole Time Director:

The Company shall appoint or re-appoint any person as its Managerial Personnel for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

b. Independent Director:

An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for reappointment on passing of a special resolution by the Company and Disclosure of such appointment in the Board's report.

No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director.

Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

At the time of appointment of Independent Director, it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time Director of a listed company.

The maximum tenure of Independent Directors shall also be in accordance with the Companies Act, 2013 and clarifications/ circulars issued by the Ministry of Corporate Affairs, in this regard, from time to time.

c. KMP

A whole time KMP of the Company shall not hold office in

more than one company except in its subsidiary company at the same time. However, a whole time KMP can be appointed as a Director in any company with the permission of the Board of Directors of the Company.

IV. Removal of Directors (including Independent Directors) KMP and Senior Management

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made there under or under any other applicable Act, rules and regulations, the committee may recommend, to the Board with reasons recorded in writing, removal of a Director or KMP subject to the provisions and compliance of the said Act, rules and regulations.

V. Retirement of Directors (including Independent Directors) KMP and Senior Management

Any Director other than the Independent Director, KMP and Senior Management shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing policy of the Company.

The Board will have the discretion to retain the Director, KMP, Senior Management in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

VI. Positive attributes of Directors (including Independent Directors):

The following are some of the positive attributes of Directors (including Independent Directors) to be considered by the Committee:

- Directors are to demonstrate integrity, credibility, trustworthiness, ability to handle conflict constructively, and the willingness to address issues proactively.
- Actively update their knowledge and skills with the latest developments in the industry, market conditions and applicable legal provisions.
- Willingness to devote sufficient time and attention to the Company's business and discharge their responsibilities.
- To assist in bringing independent judgment to

bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct.

- Ability to develop a good working relationship with other Board members and contribute to the Board's working relationship with the senior management of the Company.
- To act within their authority, assist in protecting the legitimate interests of the Company, its shareholders and employees.
- Independent Directors to meet the requirements of the Companies Act, 2013 read with the Rules made there under, as amended from time to time.

B. Policy Relating to Remuneration of Directors, Key Managerial Personnel and Senior Management:

- a) To ensure that the level and components of remuneration is reasonable and sufficient to attract, retain and motivate Directors, KMP and other employees of the quality required to run the Company successfully.
- b) To ensure that no director / KMP/ other employee is involved in deciding his or her own remuneration.
- c) The trend prevalent in the similar industry, nature and size of business is kept in view and given due weight age to arrive at a competitive quantum of remuneration.
- d) To ensure that relationship of remuneration to the performance is clear and meets appropriate performance benchmarks which are unambiguously laid down and communicated.
- e) Improved performance should be rewarded by increase in remuneration and suitable authority for value addition in future.
- f) Remuneration packages should strike a balance between fixed and incentive pay, where applicable, reflecting short and long term performance objectives appropriate to the Company's working and goals.
- g) The Remuneration / Compensation / Profit linked Incentive etc. to Managerial Personnel, KMP and

Senior Management shall be determined by the Committee and recommended to the Board for approval. The Remuneration / Compensation / Profit Linked Incentive etc. to be paid for Managerial Personnel shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.

h) The remuneration and commission to be paid to Managerial Personnel shall be as per the statutory provisions of the Companies Act, 2013, and the rules made there under for the time being in force.

i) Managerial Personnel, KMP and Senior Management shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee in accordance with the statutory provisions of the Companies Act, 2013, and the rules made there under for the time being in force. The break-up of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses etc. shall be decided and approved by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.

j) If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managerial Personnel in accordance with the provisions of Schedule V of the Companies Act, 2013 and if it is not able to comply with such provisions, with the prior approval of the Central Government.

k) If any Managerial Personnel draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Companies Act, 2013 or without the prior sanction of the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company.

l) Increments if declared to the existing remuneration / compensation structure shall be recommended by the Committee to the Board which

should be within the limits approved by the Shareholders in the case of Managerial Personnel.

m) Increments if declared will be effective from 1st April of each financial year in respect of Managerial Personnel, KMP, Senior Management subject to other necessary approvals from statutory authorities as may be required.

n) Where any insurance is taken by the Company on behalf of its Managerial Personnel, KMP and Senior Management for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel.

REMUNERATION TO NON-EXECUTIVE / INDEPENDENT DIRECTORS

a. Remuneration / Profit Linked Commission:

The remuneration / profit linked commission shall be in accordance with the statutory provisions of the Companies Act, 2013, and the rules made there under for the time being in force.

b Sitting Fees:

The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed the maximum amount as provided in the Companies Act, 2013, per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

c. Limit of Remuneration /Profit Linked Commission:

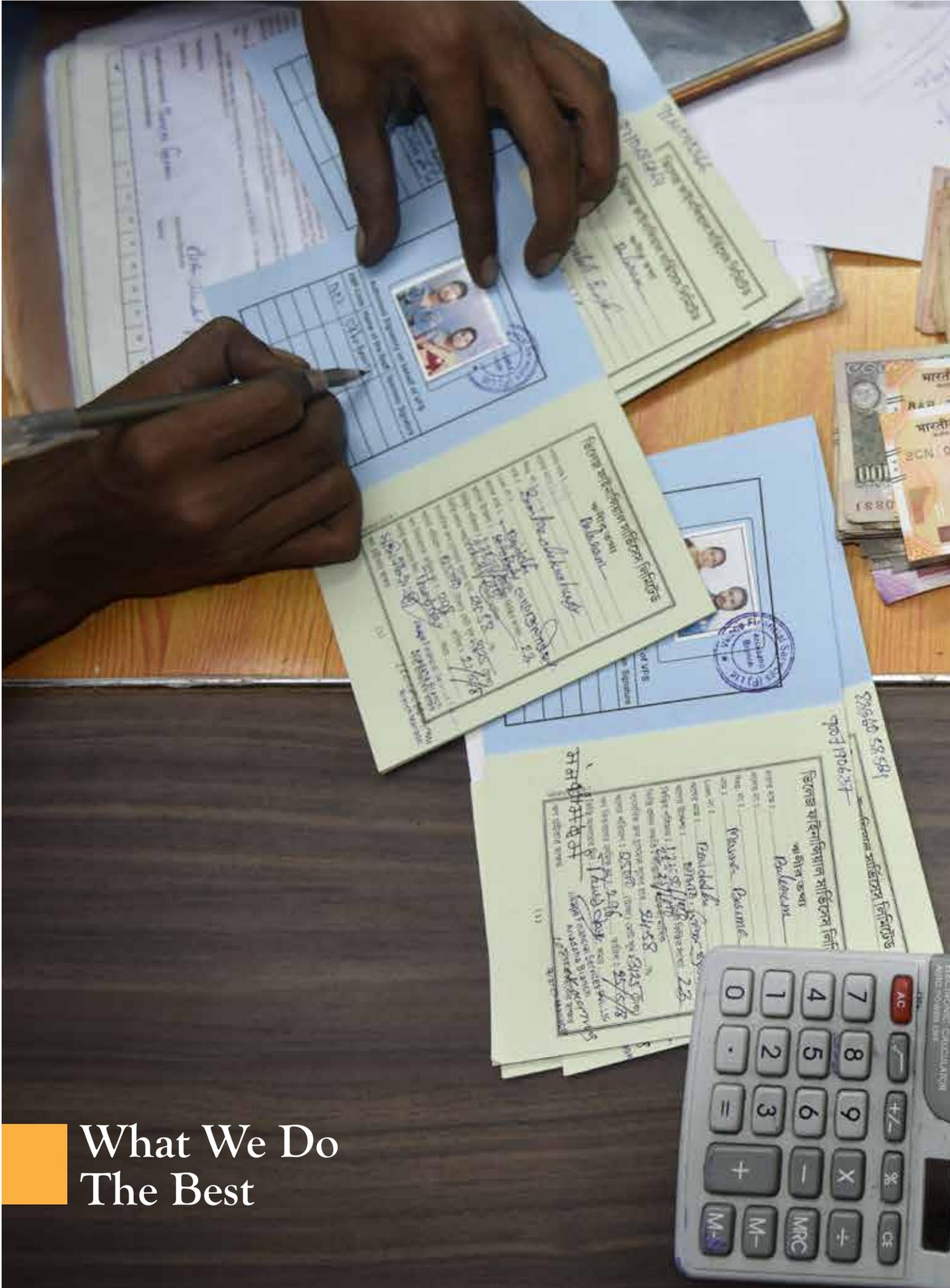
Remuneration /profit linked Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1%/3% of the net profits of the Company respectively.

Srabani Bera

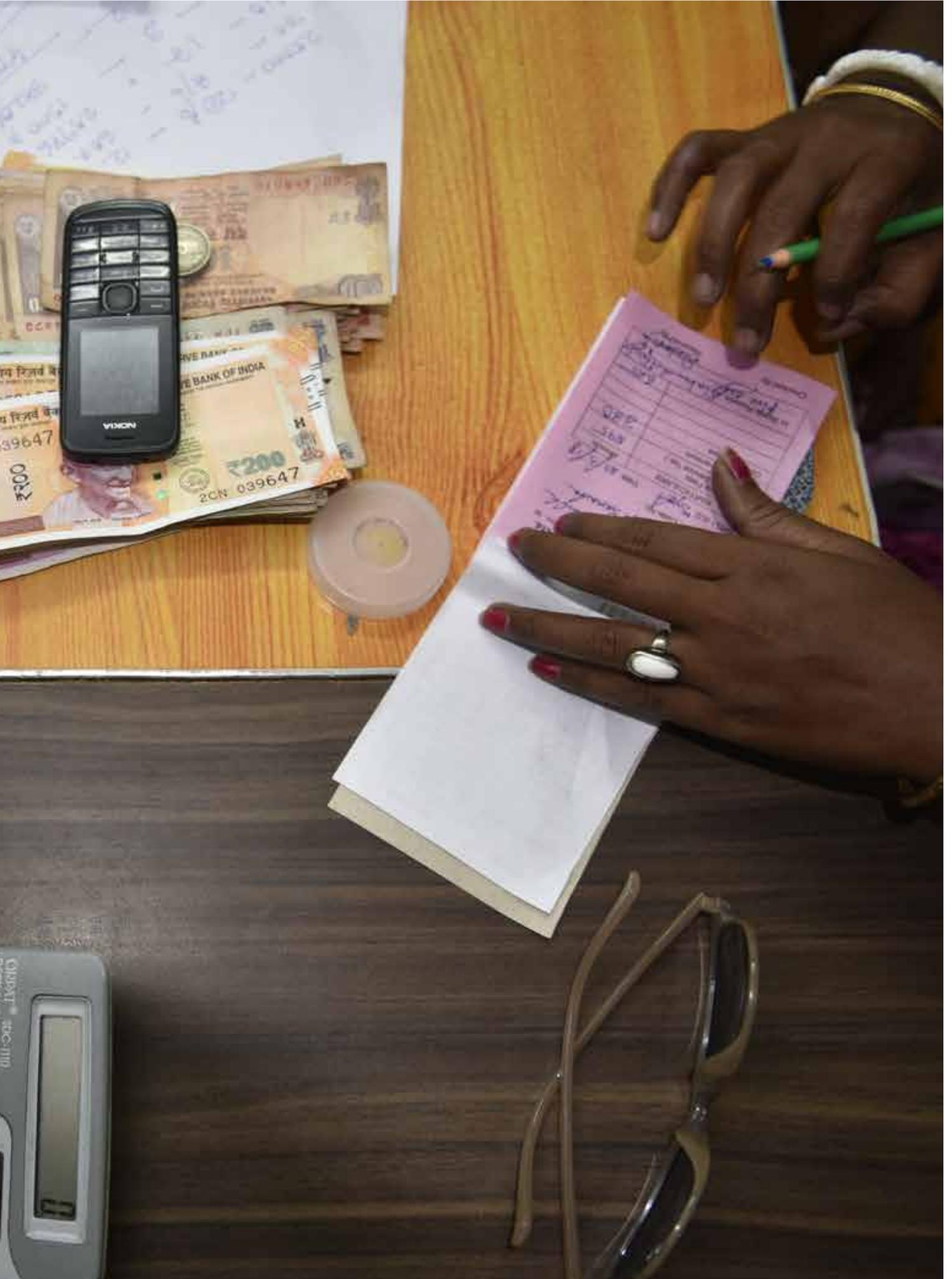
Creative Artefacts

Shrabani had the artistic skills but lacked access to capital. The ease of VFS loan approval this year helped her concentrate on what she does best, i.e., making beautiful artefacts for tourists. With the help from VFS, she hopes to scale up the business so that her husband would no longer need to work in Bangalore.





**What We Do
The Best**





**Usual Bustle Of Work At
VFS Tower, Ariadaha**

VFS Management Discussion & Analysis

I. MICROFINANCE INDUSTRY: A BROAD PERSPECTIVE

Industry Overview:

The Micro Finance Industry continues to be an important component of the country's financial system. The industry has overcome the uncertainties of the past, and is now on a very firm wicket. Its CAGR is impressive and many of the players have since graduated to small finance banks. Considering the important role that they play, a few of these entities are now part of bigger banks and continues to cater to the credit needs of the micro sector. Overall, the industry now stands on the cusp of enormous potential and newer opportunities.

As of 31 March 2018, the Microfinance Industry has total loan portfolio (i.e. loan amount outstanding) of Rs1,36,633 Cr. This represents a growth of 27% over FY 16-17.

NBFC-MFI

As of 31 March 2018, Banks hold the largest share of portfolio in micro-credit with total loan outstanding of Rs51,920 Cr. This includes both direct lending as well as indirect lending through BC partnerships. Banks thus account for almost 38% of total micro-credit universe. NBFC-MFIs as a group remain the second largest provider of micro-credit with a loan amount outstanding of Rs38,257 Cr (excluding BC portfolio channeled through NBFC-MFIs), accounting for 28% to total industry portfolio (i.e. loan amount outstanding). Small Finance Banks (SFBs) have a total loan amount outstanding of Rs36,890 Cr with total share of 27%. NBFCs account for another 6% and Non-profit MFIs account for 1% of the universe.

Compared with FY 16-17, Banks portfolio has grown by 23%, SFBs by 3%, NBFC-MFIs (excluding BC) by 48%, NBFCs by 72% and Non-profit MFIs by 7%.

Some highlights of financial year (2017-18), are as under

- As of 31 March 2018, 2.53 Cr clients have loan

outstanding from NBFC-MFIs, which is an increase of 25% over FY 16-17.

- The aggregate gross loan portfolio (GLP) of MFIs stood at Rs48,094 Cr as on 31 March 2018. This represents a YoY growth of 50% as compared to 31 March 2017.
- Loan amount of Rs59,629 Cr was disbursed in FY 17-18, representing an increase of 49% as compared to FY 16-17.
- NBFC-MFIs disbursed 268 Lakh loans during FY 17-18, an increase of 25% over FY 16-17.
- Average loan amount disbursed per account during FY 17-18 was Rs22,273, an increase of 19% from FY 16-17.
- During FY 17-18, NBFC-MFIs received a total of Rs20,695 Cr in debt funding, growth of 20% compared to FY 16-17. In the corresponding period NBFC-MFIs raised a total of Rs9,631 Cr as equity, up by 40% from FY 16-17.
- Portfolio at Risk (PAR) > 30 as on 31 March 2018 is 4.44%. This does not include BFIL data. This is a significant improvement from 11.05% as on 31 March 2017.
- MFIs now cover 30 states/union territories.
- In terms of regional distribution of portfolio (GLP), East and North East accounts for 44% of the total NBFC MFI portfolio, South 20%, North 14%, West 11% and Central contributes 11%.
- NBFC-MFIs on aggregated basis have a network of 10,077 branches and employee base of 82,004, of which 64% are loan officers (52,559) who provide door-step credit to low-income clients served by the NBFC-MFIs.
- In terms of geographic spread, 66% of the portfolio is rural and 34% is urban.
- Overall spread of cost of funds ranges from 9.3% - 21.0%. For, Large MFIs, the range is between 9.3% - 15.3%. Medium MFIs, range is between 14.2% to 16.6%. Small MFIs, range is between 12.7% to 21.0%

NBFC-MFI segment is governed by two self-regulatory organizations (MFIN and Sa-Dhan). As per MFIN, NBFC MFI segment has 47 players.

As of 31 March 2018, amongst 47 MFIN member NBFC-MFIs, 13 are small (GLP < Rs100 Cr), 15 medium (GLP between Rs100-500 Cr) and 19 large (GLP > Rs500 Cr). During last financial year 4 MFIs have moved from medium category to large category and 2 MFIs have moved from small category to medium category. Market share within the NBFC-MFI industry is clearly concentrated in the group of large MFIs, which account for 90% of the industry GLP, 88% of the client base, 90% of loan amount disbursed (FY 17-18) and 82% of debt funding (FY 17-18).

[Source: Micrometer Report: 31st March, 2018]

II. OPPORTUNITIES AND THREATS

A majority of the large MFIs are being converted to differentiated banks, the Small Finance Bank (SFB). The SFBs, like all banks, are well funded and with the additional resources, technology and access to deposits they will be a challenge. Notwithstanding the same, the microfinance sector will remain relevant as the SFB model is un-tested with most of them still raising funds and leveraging on the microfinance borrowers. MFIs in turn can respond to them by building strong partnerships or becoming niche players.

FinTech, a global phenomenon, is re-writing the rules of engagement of financial services in India. Many new digital lending players are providing micro-credit loans to the under-served and un-served markets. The market segments they are addressing are adjacent to the MFI sector and could soon overlap. The microfinance sector can embrace such technology or partner with FinTech companies.

With 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% of the priority sector lending, MFIs are facing competition from them too. MFIs can partner with universal banks to help them with acquisition, credit assessment, disbursement and collections.

With no tax breaks, the MFI sector continues to remain vulnerable to competition from the SFBs, external shocks such as demonetization and natural disasters.

III. DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Non-Banking Financial Companies (NBFCs) are an integral part of the country's financial system because of their complementary as well as competitive role. They act as a critical link in the overall financial system catering to a large market of niche customers. In spite of strong competition faced by the NBFCs, the inner strength of NBFCs viz local knowledge, credit appraisal skill, well trained collection machinery, close monitoring of borrowers and personalized attention to each client, are catering to the needs of small and medium enterprises in the rural and semi urban area.

During the year under report VFS continues to be major player in the Micro Finance Sector. VFS witnessed a phenomenal growth in its Asset Size which crossed the Rs500 Crore milestone. With the Asset Size of VFS exceeding Rs500 crores, during the financial year, it is now a Systemically Important Non Deposit taking Non-Banking Financial Company (NBFC-ND-SI).

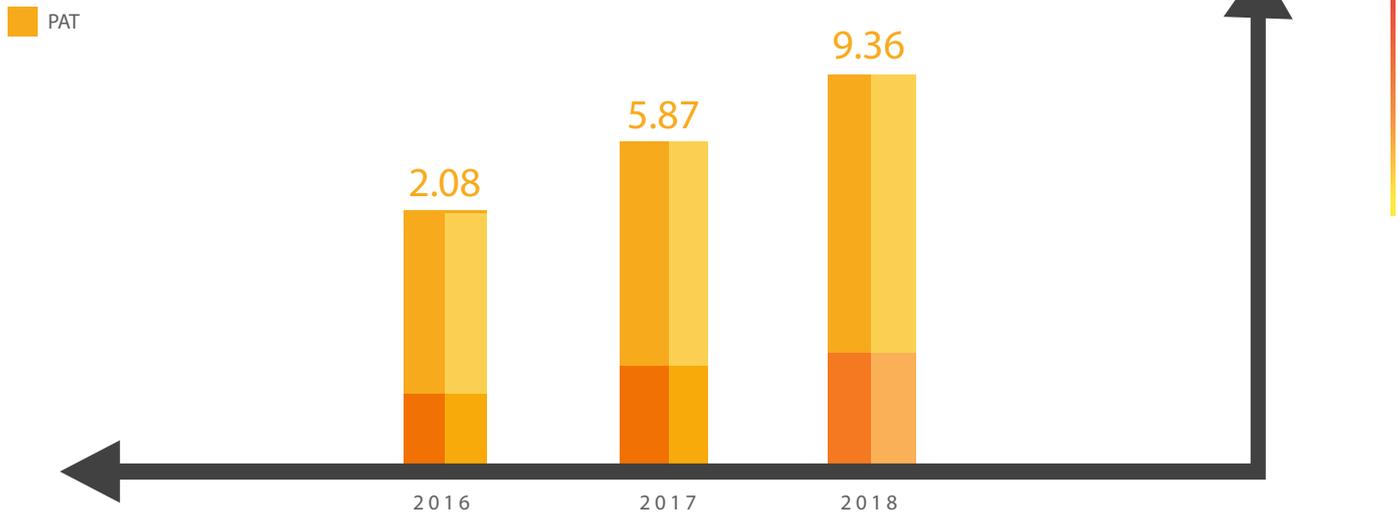
During the year under report VFS raised its first tranche of Private Equity Fund amounting to Rs25 crore from private equity investors Param Capital by offering 12.5% of its equity holding.

During the year under report VFS closed its first structured finance deal, raising Rs53 Crore by securitization of its Receivables to MUDRA & Hinduja Leyland Finance Limited.

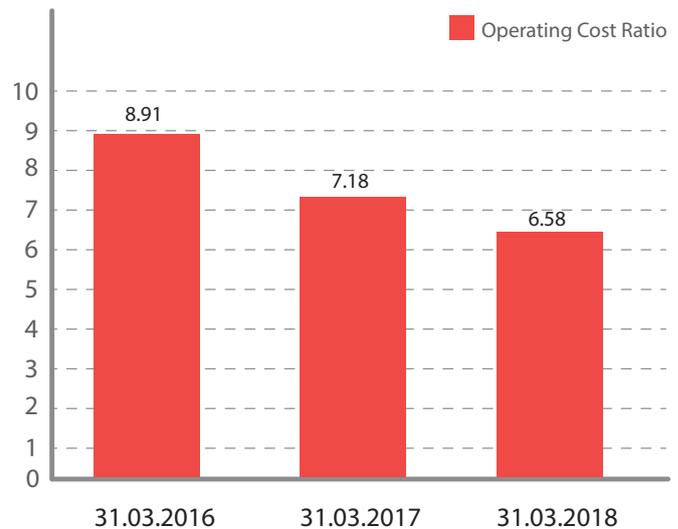
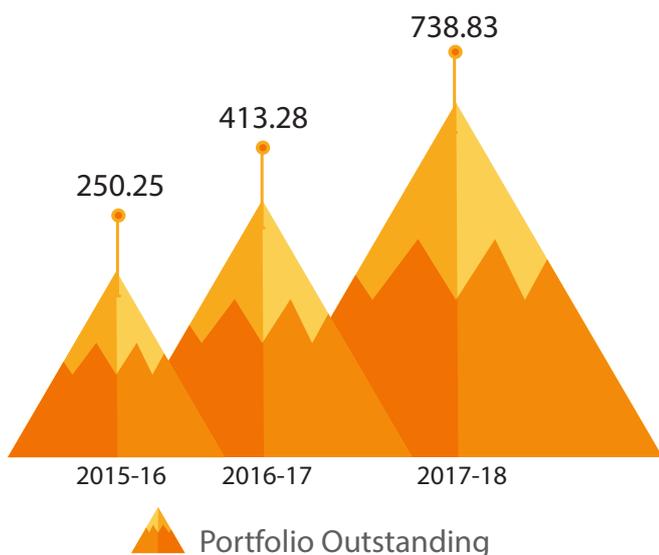
During the year under review the Portfolio Outstanding of the Company as on 31st March, 2018 was Rs.731 Crore as compared to Rs413 Crore as on 31st March, 2017 i.e. an increase of 77%. Further the company reported a net profit after tax amounting to Rs9.36 Crore as on 31st March, 2018 as compared to Rs5.87 Crore as on 31st March, 2017 i.e. an increase of 56%.

Further the operating cost ratio maintained its decreasing trend standing at around 6.58%. VFS has successfully maintained its Portfolio At Risk at 0.70%, reasonably below the Industry average.

Financial Performance



Operational Performance



IV. RISK AND CONCERN

VFS 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. As a financial intermediary VFS 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. Committees of the Board of Directors have been constituted to oversee the various risk management activities. The Audit & Risk Management Committee reviews the risk management policies in relation to various risks and regulatory compliance issues. The Committee reviews key risk indicators covering areas such as credit risk, operational

risk, market risk, portfolio risk, and 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 oversight and management of risk is primarily carried out by effective utilization and adherence to existing policy. VFS has board approved policies that address the risk concerns that are inherent in each functional area, corporate activity, and situation.

VFS is the first ISO 9001: 2008 certified Microfinance Company in India, certifying its ability to consistently provide products that meets customer and applicable statutory and regulatory requirements with ability to

enhance customer satisfaction through the effective application of the system, including processes for continual improvement and the assurance of conformity to customer and applicable statutory and regulatory requirements.

V. NEW INITIATIVES

The group lending model restricts the nature of loans that can be disbursed. These are primarily loans where the group can keep a check and also pay, in case of individual default. This does not leave room for disbursement of other kinds of loans.

In India, affordable housing is one the key focus areas of the present government. In the budget, the finance minister announced that the National Housing Bank will refinance individual housing loans of about INR 20,000 crore in 2017-18.

The strength of VFS lies in the network of loan officers having strong relationship with customers. VFS proposes to leverage its loan officers' network and provide SME loans, housing finance loans to the macrocosm members and expand to adjacent customer segments. A twin approach based on expansion of both products and consumers will pave way for VFS's success.

VI. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has in-built internal control systems with well-defined responsibilities at each level. During the FY 2017-18, VFS strengthened its internal control environment around pre-screening sanction compliance, through centralized monitoring.

It conducts internal audit through Internal Audit Department, which conducts periodic audit, preventive audit, special audit, transaction audit, surprise verification & need based inspection of branches based for verification of books, field visit and interaction with the branch staff as well as customers.

Each branch is audited minimum once in a quarter following a rotation policy. The audit report (observation report) is submitted to the Branches/ ADMs/CRM/Operation Head and Internal Audit Manager within 03 days' time.

Later, the residual issues have to be answered/complied with, within a time frame, say, 10 days, by the branch.

Major findings of the report are submitted to the management every week in the Senior Management Team Meeting. Quarterly Progress Report is submitted to the Management.

Each branch is graded according to its performance as (A/B/C/D) as per specified format. Gradation of quarterly branch audit and the progress made by the branch is discussed with the Operation Head at the end of each Quarter and major policy decisions are taken.

The Audit Committee of the Board exercises supervision and control over the functioning of such internal controls.

The audit system plays an important and critical role in identification, control and management of risks through the internal audit function, which is regarded as one of the most important components of Risk Management.

VII. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES

VFS derives its strength from the dedication of its highly motivated staff. Right from inception, the company has been keen to spot and nurture the best available talent. 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. The company has a full-fledged training establishment where in-house training are regularly conducted in a professional manner to upgrade skills and to enhance functional efficiency.

The awards for Best Employee of the Month and the Best Area Development Manager of quarter are keenly contested and deeply appreciated by the employees.

VIII. OUTLOOK

VFS has laid down an organizational structure, revamping manpower especially in the Key Positions.

Keeping pace with rapid digitalization, VFS has initiated technology driven intervention in processes undertaken to source, screen, sanction, collect & recovery of outstanding and moving towards complete automation of Company's operational processes.

INDEPENDENT AUDITORS' REPORT

To The Members of Village Financial Services Limited (Formerly known as 'Village Financial Services Private Limited')

Report on the Financial Statements

We have audited the accompanying standalone financial statements of Village Financial Services Limited (Formerly known as 'Village Financial Services Private Limited') ('the Company'), which comprise the Balance Sheet as at March 31, 2018 and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation and presentation of these standalone 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, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes 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 frauds and other irregularities; selection and application of appropriate accounting policies; making judgments 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 statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.

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



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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the 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, 2018 and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "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:

a. We have sought and obtained all the information and explanations and explanations which to the best of knowledge and belief were necessary for the purpose of our audit;

b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c. The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

d. In our opinion the aforesaid standalone financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

e. On the basis of written representations received from directors as on March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, from being appointed as a director in terms of section 164 (2) of the Act; and

f. 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" and

g. 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:

i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements- Refer Note 33 and 34 to the financial statements;

ii. The Company has made provision, as required under the applicable law or accounting standards, for



material foreseeable losses, if any, on long-term contracts including derivatives contracts- Refer Note 42 (c) to the financial statements;

iii. There were no amounts which were 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

Shankar Saraf

(Partner)

Membership No. 060678

Place: Kolkata

Date: May 18, 2018



Annexure A referred to in the Independent Auditors' Report of even date

Re: Village Financial Services Limited (Formerly known as 'Village Financial Services Private Limited') ('the Company')

(i) a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

b. The Fixed Assets have been physically verified by the management in a phased manner, designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and nature of its business. Pursuant to the program, a portion of the fixed asset has been physically verified by the management during the year and no material discrepancies between the books records and the physical fixed assets have been noticed.

c. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the company.

(ii) The company is a Non-Banking Financial Company-Micro Finance Institutions 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 the information and explanations given to us, the company has not granted any loans, secured or unsecured to companies, firms, LLPs or other parties covered in the register maintained under section 189 of Companies Act, 2013. Accordingly the provisions of clause 3 (iii) (a) to (c) of the Order are not applicable to the Company.

(iv) In our opinion and according to the information and explanations given to us, the company has not granted loans or provided any guarantee or security to parties covered under section 185 of the Companies Act, 2013.

Since the company is a Non-Banking Financial Company-Micro Finance Institutions 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) The company has not accepted any deposits from the public.

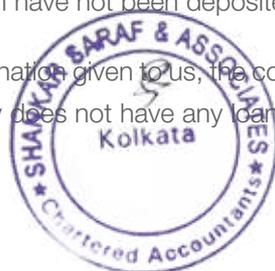
(vi) As informed to us, the maintenance of cost records has not been prescribed by the Central Government under Section 148(1) of the Companies Act, 2013, in respect of the activities carried on by the Company.

(vii) In respect of Statutory dues:

a. According to the records of the company, undisputed statutory dues including provident fund, income tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2018 for a period of more than six months from the date of becoming payable.

b. According to the information and explanation given to us, there are no dues of sale tax, income tax, wealth tax, service tax and cess which have not been deposited on account of any dispute.

(viii) According to the information and explanation 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 borrowings from government or debenture holders during the year.



(ix) Based upon the audit procedures performed and the information and explanations given by the management, the company has not raised moneys by way of initial public offer or further public offer including debt instruments; therefore the provisions of clause 3 (ix) of the Order are not applicable to the Company. The term loans were applied for the purposes for which they were raised.

(x) According to the information and explanations given to us, the fraud reported during the year was misappropriation of cash amounting to ₹46,400/- by the employee of the company. As informed, service of the employee has been terminated and the company has taken legal action against the concerned employee.

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

(xii) In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 3 (xii) of the Order are not applicable to the Company.

(xiii) In our opinion, all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.

(xiv) During the year, the Company has made private placement of shares. In respect of the same, in our opinion, the Company has complied with the requirement of Section 42 of the Companies Act and Rules framed there under. Further in our opinion, the amounts so raised have been used for the purposes of which the funds were raised. During the year, the company has not made preferential allotment of shares or fully or partly convertible debentures.

(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 him. Accordingly, clause 3(xv) of the Order is not applicable.

(xvi) The company is a Non-Banking Financial Company-Micro Finance Institutions 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

Shankar Saraf

(Partner)

Membership No. 060678

Place: Kolkata

Date: May 18, 2018



Annexure - B to in the Independent Auditors' Report of even date

Report on the Internal Financial Controls 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 (Formerly known as 'Village Financial Services Private Limited') ("the Company") as of March 31, 2018 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management 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 ('ICAI'). 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, including adherence to company's policies, 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

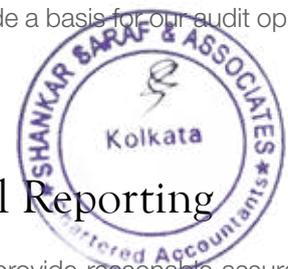
Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. 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 was established and maintained and if such controls operated effectively in all material respects.

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 material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud and 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 controls 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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

(2) 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 authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent 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 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, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March 2018, 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.

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, 2018 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

Shankar Saraf

(Partner)

Membership No. 060678

Place: Kolkata

Date: May 18, 2018

ANNUAL REPORT 2017 - 2018





VILLAGE FINANCIAL SERVICES LIMITED

CIN: U51109WB1994PLC063746

(Formerly known as Village Financial Services Private Limited)

(Amount in ₹ unless otherwise stated)

| BALANCE SHEET AS AT | Note | 31ST MARCH, 2018 | 31ST MARCH, 2017 |
|--------------------------------|------|----------------------|----------------------|
| EQUITY AND LIABILITIES | | | |
| SHAREHOLDERS' FUNDS | | | |
| Share Capital | 3 | 413,480,200 | 361,795,170 |
| Reserves & Surplus | 4 | 404,066,390 | 112,120,406 |
| | | 817,546,590 | 473,915,576 |
| NON-CURRENT LIABILITIES | | | |
| Long-term borrowings | 5 | 2,754,259,105 | 1,709,312,691 |
| Deferred Tax liabilities (Net) | 6 | 119,800 | 303,990 |
| Long-term provisions | 7 | 5,686,281 | 1,246,991 |
| | | 2,760,065,186 | 1,710,863,672 |
| CURRENT LIABILITIES | | | |
| Short-term borrowings | 8 | 15,646,658 | 9,751,370 |
| Other current liabilities | 9 | 3,696,253,797 | 2,334,699,109 |
| Short-term provisions | 10 | 83,408,020 | 54,772,598 |
| | | 3,795,308,475 | 2,399,223,077 |
| TOTAL | | 7,372,920,251 | 4,584,002,325 |
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Fixed Assets | 11 | | |
| Tangible Assets | | 22,202,060 | 22,616,082 |
| Intangible Assets | | 347,176 | 480,282 |
| Non-current Investments | 12 | 500,000 | 500,000 |
| Long-term loans and advances | 13 | 1,447,397,839 | 506,131,116 |
| Other non-current assets | 14 | 610,229,903 | 382,195,520 |
| | | 2,080,676,978 | 911,923,000 |
| CURRENT ASSETS | | | |
| Current Investments | 15 | 3,391,796 | 2,727,681 |
| Cash and Bank Balances | 16 | 354,910,782 | 215,596,222 |
| Short-term loans and advances | 17 | 4,861,434,365 | 3,371,790,183 |
| Other current assets | 18 | 72,506,330 | 81,965,239 |
| | | 5,292,243,273 | 3,672,079,325 |
| TOTAL | | 7,372,920,251 | 4,584,002,325 |

Significant Accounting Policies and Notes on Accounts

1 to 45

As per our report of even date annexed herewith

For Shankar Saraf & Associates

Chartered Accountants

ICAI Firm Registration No. 325896E

Shankar Saraf

(Partner)

Mem. No:060678

Place : Kolkata

Date : May 18, 2018



For Village Financial Services Limited

(Formerly known as Village Financial Services Private Limited)

Mr. Ajit Kumar Maity
Chairman

Dr. Kuldeep Maity
Managing Director & CEO

Ms. Samta Agarwal
Company Secretary

VFS VILLAGE FINANCIAL SERVICES LIMITED

CIN: U51109WB1994PLC063746

(Formerly known as Village Financial Services Private Limited)

(Amount in ₹ unless otherwise stated)

| STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED | Note | 31ST MARCH, 2018 | 31ST MARCH, 2017 |
|---|------|----------------------|--------------------|
| Revenue from Operations | 19 | 1,115,524,524 | 744,611,844 |
| Other Income | 20 | 43,250,466 | 35,082,724 |
| Total Revenue | | 1,158,774,990 | 779,694,568 |
| EXPENSES | | | |
| Employee Benefits Expense | 21 | 183,019,661 | 132,986,842 |
| Finance Costs | 22 | 628,734,158 | 438,505,716 |
| Depreciation and Amortisation Expense | 23 | 4,371,214 | 2,709,451 |
| Provisions and Write offs | 24 | 25,352,036 | 15,969,752 |
| Other Expenses | 25 | 165,477,989 | 95,424,044 |
| Total Expenses | | 1,006,955,058 | 685,595,805 |
| Profit before exceptional and extraordinary items and Tax | | 151,819,932 | 94,098,763 |
| Exceptional Items | | - | - |
| Profit before extraordinary items and Tax | | 151,819,932 | 94,098,763 |
| Extraordinary Items | | - | - |
| Profit before Tax | | 151,819,932 | 94,098,763 |
| Tax Expenses: | | | |
| Current Tax | | 58,373,602 | 35,386,129 |
| Deferred Tax | | (184,190) | 513,926 |
| Tax for earlier year | | - | (481,980) |
| Total Tax Expenses | | 58,189,412 | 35,418,075 |
| Profit for the year | | 93,630,520 | 58,680,688 |
| Earning Per Equity Share | | | |
| Basic | | 2.58 | 1.62 |
| Diluted | | 2.58 | 1.62 |

Significant Accounting Policies and Notes on Accounts

1 to 45

As per our report of even date annexed herewith

For Shankar Saraf & Associates

Chartered Accountants

ICAI Firm Registration No. 325896E

Shankar Saraf
(Partner)
Mem. No:060678
Place : Kolkata
Date : May 18, 2018



For Village Financial Services Limited
(Formerly known as Village Financial Services Private Limited)

Mr. Ajit Kumar Maity
Chairman

Dr. Kuldip Maity
Managing Director & CEO

Ms. Samta Agarwal
Company Secretary



VILLAGE FINANCIAL SERVICES LIMITED

CIN: U51109WB1994PLC063746

(Formerly known as Village Financial Services Private Limited)

(Amount in ₹ unless otherwise stated)

| CASH FLOW STATEMENT FOR THE YEAR ENDED | 31ST MARCH, 2018 | 31ST MARCH, 2017 |
|--|------------------------|------------------------|
| Cash Flow From Operating Activities : | | |
| Profit Before Tax and extraordinary items | 151,819,932 | 94,098,763 |
| Adjustments for : | | |
| Provision For Gratuity | 8,048,570 | 2,012,988 |
| Provision For Loan Loss | 25,352,036 | 15,969,752 |
| Depreciation | 4,371,214 | 2,709,451 |
| Operating Profit Before Working Capital Changes | 189,591,752 | 114,790,954 |
| Increase in Loans and Advances | (2,490,584,886) | (1,401,050,167) |
| Increase in Other Assets | (1,886,423) | (75,815,667) |
| Adjustment of Gratuity with provisions | (2,012,988) | (1,459,776) |
| Adjustment of Tax with provisions | - | 481,980 |
| Increase in Term Deposits | (214,054,507) | (175,813,865) |
| Increase in Current Liabilities | 128,349,905 | 16,426,402 |
| Net Cash Provided By/(Used In) Operating Activities (A) | (2,390,597,148) | (1,522,440,140) |
| Cash Flow From Investing Activities | | |
| Purchases of Fixed Assets | (3,849,757) | (18,457,965) |
| Invest in Mutual Funds | (664,116) | (2,262,868) |
| Sale of Fixed Assets | 25,673 | - |
| Net Cash Provided By/(Used In) Investing Activities (B) | (4,488,200) | (20,720,833) |
| Cash Flow From Financing Activities : | | |
| Increase in Borrowings | 2,287,033,958 | 1,525,027,929 |
| Proceeds from Issue of Share Capital | 250,000,494 | - |
| Net Cash Provided By/(Used In) Financing Activities (C) | 2,537,034,452 | 1,525,027,929 |
| Net Increase In Cash And Cash Equivalents (A+B+C) | 141,949,104 | (18,133,044) |
| Cash And Cash Equivalents At The Beginning of The Year | 98,908,722 | 117,041,766 |
| Cash And Cash Equivalents At The End of The Year | 240,857,826 | 98,908,722 |
| Cash And Cash Equivalents Comprises of : | | |
| Balance with banks: | | |
| - in Current Accounts | 165,941,781 | 58,129,243 |
| - Deposits with original maturity of less than three months | 69,439,623 | 38,750,000 |
| Cash on hand | 5,476,422 | 2,029,479 |
| | 240,857,826 | 98,908,722 |

As per our report of even date annexed herewith

For Shankar Saraf & Associates

Chartered Accountants

ICAI Firm Registration No. 325896E

Shankar Saraf
(Partner)

Mem. No:060678

Place : Kolkata

Date : May 18, 2018



For Village Financial Services Limited
(Formerly known as Village Financial Services Private Limited)

Mr. Ajit Kumar Maity
Chairman

Dr. Kuldip Maity
Managing Director & CEO

Ms. Samta Agarwal
Company Secretary

VILLAGE FINANCIAL SERVICES LIMITED

CIN: U51109WB1994PLC063746

(Formerly known as Village Financial Services Private Limited)

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1. NATURE OF OPERATION:

Village Financial Services Limited (here in after 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 (JLG's). The company provides small value collateral free loans for tenure upto 24 months for income generating activities to poor women.

The operations, in the initial stages of group formations, involves efforts on development training on financial discipline, and later constant monitoring through meetings and providing financial and support services at the doorstep of the borrowers to ensure high rate of recovery. During the Financial Year, the company also provided services as a Business Correspondent of IDBI Bank Ltd, Yes Bank Ltd and State Bank of India.

The Company has become a public limited company under the provisions of the Companies Act 2013, with effect from November 07, 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

A Basis of Preparation of Financial Statements

The Financial Statements have been prepared to comply with the Generally Accepted Accounting Principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material respects with the Accounting Standards notified under section 133 of the Companies Act, 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014 and the relevant provisions of the Reserve Bank of India as applicable to Non Banking Financial Company.

The Financial Statements are prepared under historical cost convention, on accrual basis except interest on a loan which have been classified as Non Performing Assets and is accounted for on cash basis.

C Fixed Assets

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 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 assumptions are made as per the management's best knowledge of current events and actions, actual result may differ from these estimates.

B Use of Estimates

Tangible Assets

All Tangible Assets have been stated at historical cost less accumulated depreciation and impairment loss, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

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.



VFS VILLAGE FINANCIAL SERVICES LIMITED

CIN: U51109WB1994PLC063746
(Formerly known as Village Financial Services Private Limited)

D Depreciation and Amortization

Depreciation on Tangible Fixed Assets 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 Part 'C' of Schedule II of Companies Act 2013. Intangible assets are amortised over their estimated useful lives on a straight-line basis. The management estimates the useful lives of the Fixed assets as follows.

Software cost related to computers are amortized at the rate of 40% p.a., which is in accordance with management assessment of useful life as prescribed under Schedule II of the Companies Act, 2013.

D Depreciation and Amortization

Depreciation on Tangible Fixed Assets 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 Part 'C' of Schedule II of Companies Act 2013. Intangible assets are amortised over their estimated useful lives on a straight-line basis. The management estimates the useful lives of the Fixed assets as follows.

Software cost related to computers are amortized at the rate of 40% p.a., which is in accordance with management assessment of useful life as prescribed under Schedule II of the Companies Act, 2013.

E Impairments

The carrying amount of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal as well as external factors. An impairment loss is recognised when the carrying amount of the asset is more than its recoverable value.

F Borrowing Cost

Interest and other costs incurred in connection with the borrowings of the funds are charged to revenue on accrual basis unless otherwise stated.

G Revenue Recognition

Revenue is recognised 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 loans is recognised on accrual basis. Interest on Non-Performing Assets is recognised only when realized.
- (ii) Interest income on deposit with Banks is recognised on a time proportion accrual basis taking into account the amount outstanding and the rate applicable.
- (iii) Revenue from other financial services is recognised on up front basis.
- (iv) Profit arising at the time of securitisation of loan portfolio is amortised over the life of underlying loan portfolio and any loss arising therefrom is accounted for immediately. Income from interest strip (excess interest spread) is recognised in the statement of profit and loss, net off any losses when redeemed in cash.
- (v) Income from services rendered as Business Correspondent of banks are accounted on accrual basis as and when such services are rendered.



VILLAGE FINANCIAL SERVICES LIMITED

CIN: U51109WB1994PLC063746
(Formerly known as Village Financial Services Private Limited)

H Investments

Investment that is 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.

I Term Loan

All the Term Loans usually secured by first charge by hypothecation on the book debts of the company created out of the respective loan and lien marked on bank deposits.

J Security

The company has not taken any security money from the borrowers.

K Retirement and other Employee Benefits

(i) The monthly contribution towards Provident Fund and Employee's State Insurance Scheme are charged to Profit and Loss Statement for the year when the contribution to the respective fund are due. There are no other obligations other than the contribution payable to the respective funds.

(ii) The company estimates its liability towards employees Gratuity based on an actuarial valuation done by M/s K A Pandit Consultants & Actuaries using the Projected Unit Credit Method done at the end of accounting period.

L Credit Rating

The credit policy of the company requires all credit exposures to be measured, monitored and managed proactively. Exposure to credit risk is monitored on yearly basis by a respective external credit rating agency.

M Taxation

(i) Tax Expenses comprises of Current, 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.



VFS VILLAGE FINANCIAL SERVICES LIMITED

CIN: U51109WB1994PLC063746
(Formerly known as Village Financial Services Private Limited)

N Provision for loan losses

- (i) At the end of each financial year, the Management reviews all the Micro Credit on overdue basis and write off are being made as per past experience and present condition of the borrowers.
- (ii) Provision for loan losses are provided subject to the minimum provision required as per the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company (Reserve Bank) 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.

The loan loss provision of the company at any point of time shall not be less than the higher of :

- (a) 1% of the outstanding loan portfolio
(b) Sum of 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.

The Provision Norms followed by the company is as follows

| Asset Classification | Arrear period | Provision as per RBI Guidelines | Estimation Adopted by the company | |
|----------------------|------------------|---------------------------------|-----------------------------------|---------|
| | | | 2017-18 | 2016-17 |
| Standard Assets | Upto 90 days | 0.40% | 0.40% | 0.25% |
| Sub Standard Assets | 91 to 179 days | 50% | 50% | 50% |
| Doubtful Assets | 180 days & above | 100% | 100% | 100% |

O Loan write-off policy

The company as a policy matter has decided to write-off all loans which are overdue and not recoverable for more than two years. Moreover, the management can take a decision of loans write off as per the quality and expectation of realization of loans from borrowers.

Further all loss assets identified as per the extent RBI guidelines are provided.

P 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. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented.



VILLAGE FINANCIAL SERVICES LIMITED

CIN: U51109WB1994PLC063746
(Formerly known as Village Financial Services Private Limited)

The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

Q Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event, its 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 its 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.

R Foreign Currency Transaction

Transactions in the Foreign Currency are being converted into Indian currency by applying the rate prevailing on the date of occurrence.

Foreign currency monetary items are reported using the exchange rate prevailing at the close of the financial year and net gain or losses are recognized as income or expenses.

Exchange differences arising on the settlement of monetary items or on reporting 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.

S Cash and Cash Equivalents

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

T Contingent Liability and Contingent Asset

Contingent liability is disclosed for (i) possible obligations which will be confirmed only by future not wholly within the control of the company or (ii) present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent asset is not recognized in the financial statements since this may result in the recognition of income that may never be realized.

U Securitisation

The Company securitises out its loan portfolio, subject to the minimum holding period (MHP) criteria and the Minimum Retention Requirements (MRR) of RBI, to Special Purpose Vehicles (SPVs) in securitisation transactions. Such securitised portfolio are de-recognised in the Balance Sheet when they are sold (true sale criteria being fully met with) and consideration are received by the Company. At the time of the deal, the Company provides liquidity and credit enhancements on the securitised portfolio, as specified by the rating agencies, not exceeding 20% of the total securitised instruments, in line with the RBI guidelines.

V Corporate Social Responsibility

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



W Cash Flow Statements

Cashflows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cashflows. The cash flows from operating, investing and financing activities of the company are segregated.




VILLAGE FINANCIAL SERVICES LIMITED

CIN: U51109WB1994PLC063746
(Formerly known as Village Financial Services Private Limited)

NOTES TO ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2018 :

(Amount in ₹ unless otherwise stated)

NOTES FORMING PART OF THE BALANCE SHEET

| | 31ST MARCH, 2018 | 31ST MARCH, 2017 |
|--|---------------------|---------------------|
|--|---------------------|---------------------|

NOTE - 3 : SHARE CAPITAL
AUTHORISED:

| | | |
|---|--------------------|--------------------|
| 5,70,00,000 Equity shares (PY: 3,70,00,000) of ₹10/- each | 570,000,000 | 370,000,000 |
| 30,00,000 Preference shares of ₹10/- each | 30,000,000 | 30,000,000 |
| | 600,000,000 | 400,000,000 |

ISSUED, SUBSCRIBED AND PAID UP:

| | | |
|--|--------------------|--------------------|
| 4,13,48,020 Equity shares (PY:3,61,79,517) of ₹10/- each | 413,480,200 | 361,795,170 |
| | 413,480,200 | 361,795,170 |

Increase in Authorized Capital: At the Annual General Meeting held on 09th August, 2017, the members of the company passed the special resolution to increase the Authorized Share Capital from ₹40.00 crore to ₹60.00 crore by way of increasing Equity shares of ₹20.00 crore.

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 reconciliation of number of shares is set out below:

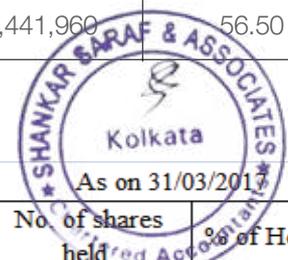
| Particulars | 31ST MARCH, 2018 | 31ST MARCH, 2017 |
|------------------------------------|---------------------|---------------------|
| Number of shares at the beginning | 36,179,517 | 36,179,517 |
| Issued during the period | 5,168,503 | - |
| Number of shares at the end | 41,348,020 | 36,179,517 |

Details of shares held by the holding Company

| Particulars | As at 31st March, 2018 | | As at 31st March, 2017 | |
|--|------------------------|--------------|------------------------|--------------|
| | Equity Shares | % of holding | Equity Shares | % of holding |
| Shivam Investment Advisory Private Limited | 29,820,000 | 72.12 | 20,441,960 | 56.50 |

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

| Name of the Shareholder | As on 31/03/2018 | | As on 31/03/2017 | |
|--------------------------------------|--------------------|--------------|--------------------|--------------|
| | No. of shares held | % of Holding | No. of shares held | % of Holding |
| Shivam Investment Advisory Pvt. Ltd. | 29,820,000 | 72.12 | 20,441,960 | 56.50 |
| Kuldip Maity | 5,506,528 | 13.32 | 5,506,568 | 15.22 |
| M/s. Param Value Investments | 3,617,945 | 8.75 | - | - |


For the period of five years immediately preceding the Balance Sheet date:

(i) On FY 2015-16, the company issued 90,44,879 Bonus Shares (in the ratio of 3:1) of ₹10/- each amounting to ₹9,04,48,790/- equity shares.

VFS VILLAGE FINANCIAL SERVICES LIMITED

CIN: U51109WB1994PLC063746
(Formerly known as Village Financial Services Private Limited)

(Amount in ₹ unless otherwise stated)

NOTES FORMING PART OF THE BALANCE SHEET

31ST MARCH, 2018 31ST MARCH, 2017

NOTE - 4 : RESERVES & SURPLUS

a. Securities Premium Account

| | | |
|-----------------------------|--------------------|---|
| Balance as per last account | - | - |
| Addition during the year | 198,315,464 | - |
| | 198,315,464 | - |

b. Statutory Reserve

| | | |
|---|-------------------|-------------------|
| Opening Balance | 44,650,222 | 32,914,084 |
| Add: Transfer from Surplus [see note below] | 18,726,104 | 11,736,138 |
| | 63,376,326 | 44,650,222 |

c. General Reserve

| | | |
|----------------------------|------------------|------------------|
| Opening Balance | 3,974,070 | 1,040,036 |
| Add: Transfer from Surplus | 4,681,526 | 2,934,034 |
| | 8,655,596 | 3,974,070 |

d. Surplus

| | | |
|--|------------|------------|
| Opening Balance | 63,496,114 | 19,485,598 |
| Add: Net Profit transferred from Profit & Loss Statement | 93,630,520 | 58,680,688 |

Amount available for appropriation

157,126,634 78,166,286

Appropriation :

| | | |
|-------------------------------|------------|------------|
| Transfer to Statutory Reserve | 18,726,104 | 11,736,138 |
| Transfer to General Reserve | 4,681,526 | 2,934,034 |

Surplus - Closing Balance

133,719,004 63,496,114

Total (a+b+c+d)

404,066,390 112,120,406

Note:

As per Section 45-IC of the Reserve Bank of India Act, 1934, the company transfers 20 percent of its net profit after tax to its Statutory Reserve Fund before declaring any dividend.

NOTE - 5 : LONG-TERM BORROWINGS

Term Loans

Secured:

| | | |
|-----------------------------------|----------------------|----------------------|
| -- from Banks/Small Finance Banks | 3,271,150,763 | 2,789,781,828 |
| -- from Financial Institutions | 2,797,800,465 | 1,031,364,062 |
| | 6,068,951,228 | 3,821,145,890 |

Un-Secured:

| | | |
|--------------------------------|--------------------|--------------------|
| -- from Financial Institutions | 216,666,664 | 183,333,332 |
| | 216,666,664 | 183,333,332 |

Total

6,285,617,892 4,004,479,222

Less: Current Maturity (maturing within one year)

3,531,358,787 2,295,166,531

Long-term borrowings

2,754,259,105 1,709,312,691




VILLAGE FINANCIAL SERVICES LIMITED

CIN: U51109WB1994PLC063746
(Formerly known as Village Financial Services Private Limited)

NOTES FORMING PART OF THE BALANCE SHEET
NOTE - 5 : LONG-TERM BORROWINGS (Contd...)
(Amount in ₹ unless otherwise stated)

| Sl. | Banks / Financial Institutions | Balance as on 01.04.2017 | Received during the year | Repaid during the year | Balance as on 31.03.2018 | Long Term Borrowings maturing after one year |
|---|--|--------------------------|--------------------------|------------------------|--------------------------|--|
| SECURED LOANS | | | | | | |
| - TERM LOAN FROM BANKS / SMALL FINANCE BANKS | | | | | | |
| 1 | AXIS Bank Ltd | 92,857,143 | 150,000,000 | 64,285,713 | 178,571,430 | 64,285,716 |
| 2 | Bank of Baroda | 193,538,000 | | 82,818,000 | 110,720,000 | 34,152,000 |
| 3 | Bank of India | 77,400,000 | | 27,600,000 | 49,800,000 | 22,200,000 |
| 4 | Bank of Maharashtra | 57,912,409 | | 44,999,266 | 12,913,143 | - |
| 5 | Bandhan Bank Limited | 113,299,206 | 400,000,000 | 66,666,660 | 446,632,546 | 250,000,003 |
| 6 | Canara Bank | 75,000,001 | 50,000,000 | 33,333,334 | 91,666,667 | 40,277,778 |
| 7 | Corporation Bank | 28,718,079 | | 21,544,799 | 7,173,280 | - |
| 8 | DCB Bank Ltd | 19,861,115 | 129,000,000 | 38,952,019 | 109,909,096 | 45,556,832 |
| 9 | Dena Bank | 120,666,673 | 120,000,000 | 97,080,466 | 143,586,207 | 57,931,035 |
| 10 | HDFC Bank Ltd | 37,500,002 | 170,000,000 | 122,499,998 | 85,000,004 | - |
| 11 | IDBI Bank Ltd | 366,629,420 | 200,000,000 | 286,605,850 | 280,023,570 | 55,555,668 |
| 12 | IDFC Bank Ltd | 30,952,384 | | 28,571,431 | 2,380,953 | - |
| 13 | Indian Bank | 100,000,000 | 100,000,000 | 41,666,670 | 158,333,330 | 91,666,658 |
| 14 | Indian Overseas Bank | 3,629,276 | | 3,629,276 | - | - |
| 15 | Karnataka Bank Ltd | 26,297,592 | | 13,259,711 | 13,037,881 | 1,517,881 |
| 16 | Punjab & Sind Bank | 90,900,000 | 150,000,000 | 50,026,247 | 190,873,753 | 86,291,938 |
| 17 | SBM Bank (Mauritius) Ltd | 30,952,381 | 80,000,000 | 32,380,953 | 78,571,428 | 30,473,522 |
| 18 | SBI (State Bank of India) | 332,933,374 | | 157,842,573 | 175,090,801 | 75,090,793 |
| | SBI (erstwhile Bharatiya Mahila Bank) | 19,287,908 | | 12,274,365 | 7,013,543 | - |
| | SBI (erstwhile State Bank of Mysore) | 78,083,182 | | 41,414,044 | 36,669,138 | 304,338 |
| | SBI (erstwhile State Bank of Travancore) | 108,072,458 | | 57,188,770 | 50,883,688 | - |
| 19 | South Indian Bank Ltd | 55,617,000 | 50,000,000 | 21,675,000 | 83,942,000 | 49,766,000 |
| 20 | Syndicate Bank | 81,817,999 | 50,000,000 | 40,909,364 | 90,908,635 | 36,362,815 |
| 21 | United Bank of India | 50,000,000 | | 18,181,818 | 31,818,182 | 13,636,364 |
| 22 | UCO Bank | 127,792,059 | | 43,990,762 | 83,801,297 | 36,305,297 |
| 23 | Union Bank of India | 171,212,128 | 100,000,000 | 72,727,260 | 198,484,868 | 102,272,742 |
| 24 | Vijaya Bank | 113,887,655 | 120,000,000 | 76,255,407 | 157,632,248 | 86,666,670 |
| 25 | Yes Bank Ltd | | 100,000,000 | 5,263,158 | 94,736,842 | 31,578,947 |
| 26 | AU Small Finance Bank | | 50,000,000 | - | 50,000,000 | 25,000,004 |
| 27 | Fincare Small Finance Bank | | 100,000,000 | 20,452,339 | 79,547,661 | 12,166,281 |
| 28 | Utkarsh Small Finance Bank | | 200,000,000 | 28,571,428 | 171,428,572 | 57,142,860 |
| | Total | 2,604,817,444 | 2,319,000,000 | 1,652,666,681 | 3,271,150,763 | 1,306,202,142 |



VFS VILLAGE FINANCIAL SERVICES LIMITED

CIN: U51109WB1994PLC063746

(Formerly known as Village Financial Services Private Limited)

NOTES FORMING PART OF THE BALANCE SHEET

NOTE - 5 : LONG-TERM BORROWINGS (Contd...)

(Amount in ₹ unless otherwise stated)

| Sl. | Banks / Financial Institutions | Balance as on 01.04.2017 | Received during the year | Repaid during the year | Balance as on 31.03.2018 | Long Term Borrowings maturing after one year |
|-----|---|--------------------------|--------------------------|------------------------|--------------------------|--|
| 1 | Ananya Finance For Inclusive Growth Pvt. Ltd. | 14,722,229 | | 14,722,229 | - | - |
| 2 | Avanse Financial Services Limited | | 100,000,000 | 31,419,900 | | - |
| 3 | Capital First Limited | 80,000,000 | 250,000,000 | 40,000,000 | 290,000,000 | 250,000,000 |
| 4 | Electronica Finance Limited | | 50,000,000 | 32,193,713 | 17,806,287 | - |
| 5 | Family Credit Limited | 27,777,774 | | 27,777,774 | - | - |
| 6 | Hero Fincorp Limited | 50,000,000 | | 33,340,000 | 16,660,000 | - |
| 7 | Jain Sons Finlease Limited | | 70,000,000 | 18,222,408 | 51,777,592 | 16,521,333 |
| 8 | Maanaveeya Development & Finance Pvt. Ltd. | 5,600,000 | 200,000,000 | 5,600,000 | 200,000,000 | 125,930,000 |
| 9 | Mahindra & Mahindra Financial Services Ltd. | | 100,000,000 | 3,654,576 | 96,345,424 | 49,160,826 |
| 10 | MAS Financial Services Limited | 399,305,544 | 680,000,000 | 383,472,212 | 695,833,332 | 212,083,332 |
| 11 | Moneywise Financial Services Pvt Ltd | | 50,000,000 | 24,130,418 | 25,869,582 | - |
| 12 | NABARD | 85,000,000 | 340,000,000 | 30,000,000 | 395,000,000 | 263,000,000 |
| 13 | NABARD Financial Services Limited | 99,964,384 | 37,500,000 | 45,833,337 | 91,631,047 | 22,881,043 |
| 14 | Nabsamruddhi Financial Limited | | 110,000,000 | - | 110,000,000 | 73,332,000 |
| 15 | Northern Arc Capital Ltd (erstwhile IFMR Capital) | | 500,000,000 | 50,869,563 | 449,130,437 | 120,148,429 |
| 16 | Reliance Commercial Finance Limited | 349,095,697 | 200,000,000 | 549,095,697 | - | - |
| 17 | Religare Finvest Limited. | 42,362,818 | | 42,362,818 | - | - |
| 18 | SIDBI | - | 150,000,000 | 10,000,000 | 140,000,000 | 80,000,000 |
| 19 | TATA Capital Financial Services Limited | 62,500,000 | 70,000,000 | 50,000,000 | 82,500,000 | 35,000,000 |
| 20 | Visu Leasing & Finance Pvt Ltd. | | 100,000,000 | 33,333,336 | 66,666,664 | - |
| | Total | 1,216,328,446 | 3,007,500,000 | 1,426,027,981 | 2,797,800,465 | 1,248,056,963 |

UNSECURED LOANS

- TERM LOAN FROM OTHER FINANCIAL INSTITUTIONS

| | | | | | | |
|---|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| 1 | Capital First Limited (Subordinated Debt) | 100,000,000 | 100,000,000 | - | 200,000,000 | 200,000,000 |
| 2 | Caspian Impact Investments Pvt. Ltd. | 33,333,332 | | 16,666,668 | 16,666,664 | - |
| 3 | SREI Equipment Finance Limited (Subordinated Debt) | 50,000,000 | - | 50,000,000 | - | - |
| | Total | 183,333,332 | 100,000,000 | 66,666,668 | 216,666,664 | 200,000,000 |
| | Grand Total | 4,004,479,222 | 5,426,500,000 | 3,145,361,330 | 6,285,617,892 | 2,754,259,105 |

NB: The accounts with all the above banks and financial institutions are in order and there is no delay in repayment of principal and interest due thereon.

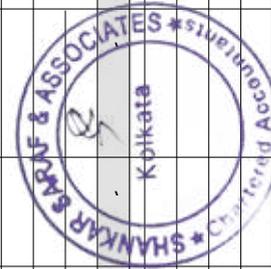


NOTES FORMING PART OF THE BALANCE SHEET

NOTE - 5 : LONG-TERM BORROWINGS (Contd...)

Terms of repayment of long term borrowings as on March 31, 2018

| 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 instalment | Amount (₹) | No. of instalment | Amount (₹) | No. of instalment | Amount (₹) | | |
| Term Loans: | | | | | | | | | | | | |
| Secured: | | | | | | | | | | | | |
| Monthly repayment schedule | | | | | | | | | | | | |
| From Banks/SFBs: | | | | | | | | | | | | |
| 1-3 Yrs | 331 | 1,195,010,773 | 176 | 526,415,214 | 61 | 128,067,228 | 5 | 15,000,011 | | | 11% - 15% | 1,849,493,215 |
| 3-5 Yrs | | | | | | | | | | | | 15,000,011 |
| From NBFCs/FIs: | | | | | | | | | | | | |
| 1-3 Yrs | 240 | 1,276,915,502 | 123 | 569,678,963 | 21 | 182,046,004 | 12 | 124,999,996 | | | 13.50% - 14.50% | 2,028,640,469 |
| 3-5 Yrs | | | | | | | | | | | | 124,999,996 |
| Total (a) | 571 | 2,471,926,275 | 299 | 1,096,094,177 | 82 | 310,113,232 | 17 | 140,000,007 | | | | 4,018,133,691 |
| Quarterly repayment schedule | | | | | | | | | | | | |
| From Banks/SFBs: | | | | | | | | | | | | |
| 1-3 Yrs | 58 | 769,937,848 | 39 | 588,992,419 | 6 | 47,727,270 | | | | | 12% - 13.25% | 1,406,657,537 |
| From NBFCs/FIs: | | | | | | | | | | | | |
| 1-3 Yrs | 15 | 140,828,000 | 8 | 71,668,000 | 4 | 36,664,000 | | | | | 13% - 14.80% | 249,160,000 |
| Total (b) | 73 | 910,765,848 | 47 | 660,660,419 | 10 | 84,391,270 | | | | | | 1,655,817,537 |
| Half-yearly repayment schedule | | | | | | | | | | | | |
| From Banks/SFBs: | | | | | | | | | | | | |
| 1-3 Yrs | | | | | | | | | | | | |
| 3-5 Yrs | | | | | | | | | | | | |
| From NBFCs/FIs: | | | | | | | | | | | | |
| 1-3 Yrs | 4 | 132,000,000 | 4 | 119,500,000 | 4 | 107,000,000 | 5 | 36,500,000 | | | 10.85% - 11.50% | 358,500,000 |
| 3-5 Yrs | | | | | | | | | | | | 36,500,000 |
| Total (c) | 4 | 132,000,000 | 4 | 119,500,000 | 4 | 107,000,000 | 5 | 36,500,000 | | | | 395,000,000 |
| Unsecured: | | | | | | | | | | | | |
| Monthly repayment schedule | | | | | | | | | | | | |
| From NBFCs/FIs: | | | | | | | | | | | | |
| 1-3 Yrs | 12 | 16,666,664 | | | | | | | | | 16.50% | 16,666,664 |
| One time repayment schedule | | | | | | | | | | | | |
| From NBFCs/FIs: | | | | | | | | | | | | |
| 3-5 Yrs | | | | | | | 1 | 100,000,000 | | | 17.00% | 100,000,000 |
| More than 5 Years | | | | | | | | | 1 | 100,000,000 | 16.50% | 100,000,000 |
| Total (d) | 12 | 16,666,664 | | | | | 1 | 100,000,000 | 1 | 100,000,000 | | 216,666,664 |
| Grand Total (a+b+c+d) | 660 | 3,531,358,787 | 350 | 1,876,254,596 | 96 | 501,504,502 | 23 | 276,500,007 | 1 | 100,000,000 | | 6,285,617,892 |




VILLAGE FINANCIAL SERVICES LIMITED

CIN: U51109WB1994PLC063746
(Formerly known as Village Financial Services Private Limited)

(Amount in ₹ unless otherwise stated)

NOTES FORMING PART OF THE BALANCE SHEET

31ST MARCH,
2018

31ST MARCH,
2017

NOTE - 6 : DEFERRED TAX LIABILITIES (Net)

Deferred Tax Liabilities on account of :

| | | |
|------------------------------|----------------|----------------|
| Depreciation of Fixed Assets | 119,800 | 303,990 |
| | 119,800 | 303,990 |

NOTE - 7 : LONG TERM PROVISIONS

Provision for Loan Loss:

| | | |
|--|------------------|------------------|
| -- Contingent provisions against Standard Assets | 5,686,281 | 1,246,991 |
| | 5,686,281 | 1,246,991 |

NOTE - 8 : SHORT-TERM BORROWINGS

| | | |
|----------------------------------|-------------------|------------------|
| Cash Credit from banks (Secured) | 15,646,658 | 9,751,370 |
| | 15,646,658 | 9,751,370 |

[Cash Credit from Bank of India are secured by the hypothecation of book debts and collateral of fixed deposits. The Cash Credit is repayable on demand and carries interest @ 0.5% over BPLR, minimum 13.35% p.a. The Cash Credit is guaranteed by the promoter directors of the company.]

NOTE - 9 : OTHER CURRENT LIABILITIES

| | | |
|---|----------------------|----------------------|
| Current maturities of long-term debt (Refer Note 5) | 3,531,358,787 | 2,295,166,531 |
| Interest accrued but not due on borrowings | 31,242,960 | 11,779,769 |
| Expenses Payables | 33,441,957 | 18,566,714 |
| Other payables | 33,671,859 | 5,433,782 |
| Payable towards Securitisation transactions | 56,881,250 | - |
| Statutory dues | 9,656,985 | 3,752,313 |
| | 3,696,253,797 | 2,334,699,109 |

NOTE - 10 : SHORT TERM PROVISIONS

Provision for Employee benefits:

| | | |
|--|-------------------|-------------------|
| Gratuity | 8,048,570 | 2,012,988 |
| Provision for taxation (net of advance taxes) | 18,373,602 | 15,386,129 |
| Provision for Loan Loss: | | |
| -- Contingent provisions against Standard Assets | 19,262,346 | 8,379,131 |
| -- against non performing assets | 37,723,502 | 28,994,350 |
| | 83,408,020 | 54,772,598 |



NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2018

NOTE - 11 : FIXED ASSETS

| (Amount in ₹ unless otherwise stated) | | | | | | | | | | | | |
|---------------------------------------|--------------------|----------------------|------------------|-------------------|------------|------------|---------|-----------|-------------|---------|-----------------|------------|
| <i>Tangible Assets</i> | | | | | | | | | | | | |
| Cost or Valuation | Building | Furniture & Fixtures | Submersible Pump | Office Equipments | Computers | Television | Camera | Motor Car | Motor Cycle | Cycle | Air Conditioner | Total |
| Gross Block: | | | | | | | | | | | | |
| At 1st April 2016 | 1,105,000 | 6,163,519 | 137,658 | 1,830,673 | 9,240,782 | - | - | 1,033,465 | 50,944 | 386,405 | 105,934 | 20,053,969 |
| Additions | | 13,787,526 | | 780,522 | 3,193,778 | 73,300 | 165,400 | - | - | - | - | 18,000,526 |
| Disposals | | | | | | | | | | | | |
| As at 31st March 2017 | 1,105,000 | 19,951,045 | 137,658 | 2,611,195 | 12,434,560 | 73,300 | 165,400 | 1,033,465 | 50,944 | 386,405 | 105,934 | 38,054,495 |
| Additions | | 1,411,338 | | 170,820 | 2,249,210 | - | - | - | - | - | - | 3,831,368 |
| Disposals | | | | | | | | | | | | |
| As at 31st March 2018 | 1,105,000 | 21,362,383 | 137,658 | 2,782,015 | 14,683,770 | 73,300 | 165,400 | 1,033,465 | 50,944 | 386,405 | 105,934 | 41,885,864 |
| Depreciation: | | | | | | | | | | | | |
| At 1st April 2016 | 52,248 | 3,763,947 | 4,544 | 1,008,147 | 6,650,713 | - | - | 935,136 | 43,330 | 251,267 | 68,747 | 12,778,079 |
| Charge For the Year | 17,294 | 845,317 | 8,718 | 173,338 | 1,539,331 | 2,266 | 9,394 | 31,189 | 1,750 | 23,727 | 8,009 | 2,660,333 |
| Disposals | | | | | | | | | | | | |
| Adjustment during the year | | | | | | | | | | | | |
| As at 31st March 2017 | 69,542 | 4,609,264 | 13,262 | 1,181,485 | 8,190,044 | 2,266 | 9,394 | 966,325 | 45,080 | 274,994 | 76,756 | 15,438,412 |
| Charge For the Year | 17,294 | 1,740,307 | 8,717 | 215,887 | 2,173,844 | 4,643 | 10,475 | 15,467 | 1,751 | 23,723 | 7,611 | 4,219,719 |
| Disposals | | | | | | | | 25,673 | | | | 25,673 |
| Adjustment during the year | | | | | | | | | | | | |
| As at 31st March 2018 | 86,836 | 6,349,571 | 21,979 | 1,397,372 | 10,363,888 | 6,909 | 19,869 | 1,007,465 | 46,831 | 298,717 | 84,367 | 19,683,804 |
| As at 31st March 2018 | 1,018,164 | 15,012,812 | 115,679 | 1,384,643 | 4,319,882 | 66,391 | 145,531 | 26,000 | 4,113 | 87,688 | 21,567 | 22,202,060 |
| As on 31st March 2017 | 1,035,458 | 15,341,781 | 124,396 | 1,429,710 | 4,244,516 | 71,034 | 156,006 | 67,140 | 5,864 | 111,411 | 29,178 | 22,616,083 |
| Intangible Assets | | | | | | | | | | | | |
| Particulars | Computer Softwares | Total | | | | | | | | | | |
| Gross Block: | | | | | | | | | | | | |
| At 1st April 2016 | 1,145,523 | 1,145,523 | | | | | | | | | | |
| Additions | 457,439 | 457,439 | | | | | | | | | | |
| Disposals | - | - | | | | | | | | | | |
| As at 31st March 2017 | 1,602,962 | 1,602,962 | | | | | | | | | | |
| Additions For the Year | 18,389 | 18,389 | | | | | | | | | | |
| Disposals | - | - | | | | | | | | | | |
| As at 31st March 2018 | 1,621,351 | 1,621,351 | | | | | | | | | | |
| Amortization: | | | | | | | | | | | | |
| At 1st April 2016 | 1,073,562 | 1,073,562 | | | | | | | | | | |
| Charge For the Year | 49,118 | 49,118 | | | | | | | | | | |
| Disposals | - | - | | | | | | | | | | |
| As at 31st March 2017 | 1,122,680 | 1,122,680 | | | | | | | | | | |
| Charge For the Year | 151,495 | 151,495 | | | | | | | | | | |
| Disposals | - | - | | | | | | | | | | |
| As at 31st March 2018 | 1,274,175 | 1,274,175 | | | | | | | | | | |
| Net Block: | | | | | | | | | | | | |
| As at 31st March 2018 | 347,176 | 347,176 | | | | | | | | | | |
| As on 31st March 2017 | 480,282 | 480,282 | | | | | | | | | | |



VFS VILLAGE FINANCIAL SERVICES LIMITED

CIN: U51109WB1994PLC063746
(Formerly known as Village Financial Services Private Limited)

(Amount in ₹ unless otherwise stated)

NOTES FORMING PART OF THE BALANCE SHEET

31ST MARCH,
2018

31ST MARCH,
2017

NOTE - 12 : NON CURRENT INVESTMENTS

Investment in Equity Instruments:

| | | |
|---|----------------|----------------|
| Unquoted Shares: Trade | 500,000 | 500,000 |
| Alpha Micro Finance Consultants Pvt. Ltd. (50,000 equity shares of ₹10/- each) | 500,000 | 500,000 |

NOTE - 13 : LONG TERM LOANS AND ADVANCES

Micro finance Loans:

| | | |
|---|----------------------|--------------------|
| Unsecured, considered good | 1,421,570,142 | 498,796,541 |
| SME Loans | 15,000,000 | - |
| Security Deposit for term loan, rent & others: | | |
| Unsecured, considered good | 10,517,697 | 7,024,575 |
| Advances | 310,000 | 310,000 |
| | 1,447,397,839 | 506,131,116 |

NOTE - 14 : OTHER NON-CURRENT ASSETS

| | | |
|--|--------------------|--------------------|
| Interest accrued but not due on Term Deposits (maturing after 12 months) | 37,708,259 | 26,362,927 |
| Other Bank Deposit: * | | |
| months | 572,521,644 | 355,832,593 |
| | 610,229,903 | 382,195,520 |

* [All Deposit accounts with Banks/FIs are being held as collateral security against borrowings, BC activities and portfolio securitisation]

NOTE - 15 : CURRENT INVESTMENTS

Investments in Mutual Funds:

| | | |
|---------------------------------|------------------|------------------|
| Investments in SBI Mutual Funds | 3,391,796 | 2,727,681 |
| | 3,391,796 | 2,727,681 |

NOTE - 16 : CASH AND BANK BALANCES

Cash and cash equivalents:

| | | |
|---|--------------------|-------------------|
| Balance with banks in | | |
| Current Accounts | 165,941,781 | 58,129,243 |
| * Deposits with original maturity of less than three months | 69,439,623 | 38,750,000 |
| Cash on hand | 5,476,422 | 2,029,479 |
| | 240,857,826 | 98,908,722 |

Other bank balances:

| | | |
|---|--------------------|--------------------|
| * Other Bank Deposit (Term Deposit with original maturity period of more than three months but less than twelve months) | 114,052,956 | 116,687,500 |
| | 114,052,956 | 116,687,500 |
| | 354,910,782 | 215,596,222 |

* [All Deposit accounts with Banks/FIs are being held as collateral security against borrowings, BC activities]



VFS VILLAGE FINANCIAL SERVICES LIMITED

CIN: U51109WB1994PLC063746
(Formerly known as Village Financial Services Private Limited)

(Amount in ₹ unless otherwise stated)

| NOTES FORMING PART OF THE BALANCE SHEET | 31ST MARCH, 2018 | 31ST MARCH, 2017 |
|---|----------------------|----------------------|
| NOTE - 17 : SHORT TERM LOANS AND ADVANCES | | |
| Micro finance Loans: | | |
| Unsecured, considered good | 4,823,195,956 | 3,361,592,257 |
| Doubtful | 22,446,770 | 1,658,362 |
| Security Deposit for term loan | | |
| Unsecured, considered good | 5,000,000 | - |
| Staff & Other Loans: | | |
| Unsecured, considered good | 500 | 74,387 |
| Advances | 308,500 | 11,000 |
| <i>(Amounts recoverable in cash or kind or for value to be received)</i> | | |
| Tax Deducted at Source | 4,914,591 | 3,434,670 |
| Income Tax refundable for earlier years | 5,568,048 | 5,019,507 |
| | 4,861,434,365 | 3,371,790,183 |
| NOTE - 18 : OTHER CURRENT ASSETS | | |
| Accrued Interest on loans | 38,039,714 | 10,398,218 |
| Interest accrued but not due on Term Deposits (maturing within 12 months) | 19,714,060 | 14,611,160 |
| Receivable on securitisation transaction | 4,480,445 | - |
| Receivable from IDBI Bank Limited for Business Correspondent activities | - | 50,883,712 |
| Other Receivables | 10,272,111 | 6,072,149 |
| | 72,506,330 | 81,965,239 |
| NOTE - 19 : REVENUE FROM OPERATIONS | | |
| Interest on: | | |
| -- Micro finance loans | 991,898,854 | 682,758,169 |
| -- Staffs & other loans | 139,705 | 24,766 |
| Gain on Securitisation transactions | 4,480,445 | - |
| Other Financial services: | | |
| -- Processing Fees | 86,523,400 | 55,705,090 |
| -- Income from Business Correspondent activities | 32,260,107 | 5,771,724 |
| -- Bad Debt Recovery | 222,013 | 352,095 |
| | 1,115,524,524 | 744,611,844 |
| NOTE - 20 : OTHER INCOME | | |
| Interest on Term Deposits | 42,503,714 | 32,798,050 |
| Profit on sale of investment in Mutual Fund | 664,116 | 2,262,868 |
| Profit on Sale of Assets | 74,327 | - |
| Other non-operative Income | 8,309 | 21,806 |
| | 43,250,466 | 35,082,724 |



VFS VILLAGE FINANCIAL SERVICES LIMITED

CIN: U51109WB1994PLC063746
(Formerly known as Village Financial Services Private Limited)

(Amount in ₹ unless otherwise stated)

NOTES FORMING PART OF THE BALANCE SHEET

31ST MARCH,
2018

31ST MARCH,
2017

NOTE - 21 : EMPLOYEE BENEFITS EXPENSE

Salaries & Wages:

| | | |
|---|--------------------|--------------------|
| Payments to and provision for Employees | 145,165,168 | 109,134,295 |
| Directors Remuneration | 16,170,644 | 12,511,178 |
| | 161,335,812 | 121,645,473 |

Contribution to Provident & other Funds:

| | | |
|-------------------------------------|--------------------|--------------------|
| Contribution towards Provident Fund | 8,330,905 | 5,303,768 |
| Contribution towards E.S.I.C | 5,304,374 | 4,024,613 |
| Gratuity | 8,048,570 | 2,012,988 |
| | 21,683,849 | 11,341,369 |
| | 183,019,661 | 132,986,842 |

NOTE - 22 : FINANCE COSTS

| | | |
|-----------------------|--------------------|--------------------|
| Interest Expense | 585,705,199 | 408,394,603 |
| Other borrowing costs | 43,028,959 | 30,111,113 |
| | 628,734,158 | 438,505,716 |

NOTE - 23 : DEPRECIATION AND AMORTIZATION EXPENSE

| | | |
|-----------------------------------|------------------|------------------|
| Depreciation on Tangible Assets | 4,219,719 | 2,660,333 |
| Amortization on Intangible Assets | 151,495 | 49,118 |
| | 4,371,214 | 2,709,451 |

NOTE - 24 : PROVISIONS AND WRITE OFFS

| | | |
|----------------------------|-------------------|-------------------|
| Closing Balance | 62,672,129 | 38,620,472 |
| Less: Opening Balance | 38,620,472 | 25,025,028 |
| | 24,051,657 | 13,595,444 |
| Add: Bad Debts written off | 1,300,379 | 2,374,308 |
| Provision for the year | 25,352,036 | 15,969,752 |




VILLAGE FINANCIAL SERVICES LIMITED

CIN: U51109WB1994PLC063746
(Formerly known as Village Financial Services Private Limited)

(Amount in ₹ unless otherwise stated)

| NOTES FORMING PART OF THE BALANCE SHEET | 31ST MARCH, 2018 | 31ST MARCH, 2017 |
|---|---------------------|---------------------|
| NOTE - 25 : OTHER EXPENSES | | |
| Auditors' Remuneration | 1,000,000 | 880,500 |
| Rent for Office Accomodation | 16,635,012 | 13,313,353 |
| Consultancy & Professional charges | 85,438,454 | 42,182,316 |
| Software Customization charges | 897,500 | - |
| Printing & Stationery | 6,164,981 | 4,735,172 |
| Repair & Maintenance | 6,938,060 | 3,942,359 |
| Communication Expenses | 4,163,121 | 3,616,359 |
| Travelling and Conveyance | 9,351,304 | 6,831,441 |
| Expenses on Corporate Social Responsibility | 1,094,603 | - |
| Training Expenses | 439,398 | 1,178,592 |
| Electricity Charges | 1,779,353 | 1,379,729 |
| Business Promotion Expense | 186,832 | 874,021 |
| Advertisement & Publicity | 555,492 | 316,722 |
| Rating Expenses | 1,956,500 | 1,112,000 |
| Bank Charges | 8,922,030 | 4,383,547 |
| Rates & Taxes | 368,968 | 297,170 |
| GST & Service Taxes | 13,333,939 | 5,603,222 |
| Security Charges | 940,255 | 679,194 |
| Miscellaneous Expenses | 1,758,885 | 955,158 |
| Filing Fees | 1,572,915 | 829,886 |
| Donation | - | 100,000 |
| Subscription | 1,741,234 | 1,197,357 |
| Sundry Balances written off | 53,215 | 115,946 |
| Loss of cash on Theft | 185,938 | 900,000 |
| | 165,477,989 | 95,424,044 |
| Auditors' Remuneration | | |
| <i>This Includes</i> | | |
| a) Audit Fees | 1,000,000 | 800,000 |
| b) Taxation matters | - | - |
| c) Company law matters | - | - |
| b) Other services | - | 80,500 |
| e) Reimbursement of expenses | - | - |
| Total | 1,000,000 | 880,500 |



VFS VILLAGE FINANCIAL SERVICES LIMITED

CIN: U51109WB1994PLC063746
(Formerly known as Village Financial Services Private Limited)

NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

26. Loan Loss Provision:

During the year ended March 31, 2018; Loan Loss Provisions of the company as per the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016 are as follows:

| Assets Classification | Overdue Balance (₹) | Principal Outstanding (₹) | Provisions | Amount (₹) |
|-----------------------|------------------------|------------------------------|------------|------------|
| Current | | 6,223,103,308 | 0.40% | 24,892,413 |
| 1 - 90 days late | 3,346,747 | 14,053,597 | 0.40% | 56,214 |
| 91 - 179 days late | 5,299,595 | 7,609,193 | 50% | 2,649,797 |
| 180 days and more | 21,605,898 | 22,446,770 | 100% | 21,605,898 |
| Total | 30,252,240 | 6,267,212,868 | | 49,204,322 |

As per the RBI guidelines, total loan loss provision to be made for the current year is higher of 1% of loan outstanding or ₹492,04,322/-. So 1% of Loan outstanding i.e. ₹6,26,72,129/- is the provision for loan loss of the company as on 31/03/2018.

During the year ended March 31, 2017; Loan Loss Provisions of the company was as follows:

| Assets Classification | Overdue Balance (₹) | Principal Outstanding (₹) | Provisions | Amount (₹) |
|-----------------------|------------------------|------------------------------|------------|------------|
| Current | | 3,805,620,782 | 0.25% | 9,514,052 |
| 1 - 90 days late | 12,252,111 | 44,828,039 | 0.25% | 112,070 |
| 91 - 179 days late | 6,059,770 | 9,939,977 | 50% | 3,029,885 |
| 180 days and more | 1,519,575 | 1,658,362 | 100% | 1,519,575 |
| Total | 19,831,456 | 3,862,047,160 | | 14,175,582 |

As per the RBI guidelines, total loan loss provision to be made for the current year is higher of 1% of loan outstanding or ₹141,75,582/-. So 1% of Loan outstanding i.e. ₹3,86,20,472/- is the provision for loan loss of the company as on 31/03/2017.



VFS VILLAGE FINANCIAL SERVICES LIMITED

CIN: U51109WB1994PLC063746
(Formerly known as Village Financial Services Private Limited)

NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

27. Classification of Loan Portfolio:

Management classifies its loan portfolio as Standard, Sub-Standard and Doubtful asset as per the norms stipulated by the Reserve Bank of India (RBI).

Quality of Portfolio (Principal) on age basis

| Ageing of Loans | March 31, 2018 | | March 31, 2017 | |
|-------------------|----------------------|----------------|----------------------|----------------|
| | Amount (₹) | Share (%) | Amount (₹) | Share (%) |
| Current | 6,223,103,308 | 99.30% | 3,805,620,782 | 98.54% |
| 1-90 days late | 14,053,597 | 0.22% | 44,828,039 | 1.16% |
| 91-179 days late | 7,609,193 | 0.12% | 9,939,977 | 0.26% |
| 180 days and more | 22,446,770 | 0.36% | 1,658,362 | 0.04% |
| Total | 6,267,212,868 | 100.00% | 3,862,047,160 | 100.00% |

There has been no rescheduling and ever-greening of loan portfolio.

| Quality of Portfolio on overdue basis | 31/03/2018 | 31/03/2017 |
|---|---------------|---------------|
| Outstanding (principal) of overdue loan (₹) | 44,109,560 | 56,426,378 |
| Total gross outstanding (principal) (₹) | 6,267,212,868 | 3,862,047,160 |
| Overdues in percentage (%) | 0.70% | 1.46% |

"Overdue" refers to interest and/or installment remaining unpaid from the day it becomes receivable. All other Loans & Advances are classified as Standard, Sub-Standard and Doubtful Assets in accordance with the Master Direction-Non-Banking Financial Company-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016

28. Segment Reporting

The company operates in a single reportable segment (Micro Finance Activities i.e. lending to members, which have similar risk and returns for the purpose of AS-17 on 'Segment Reporting' issued by ICAI). The company does not have any reportable Geographical Segment.

29. Employee Benefits

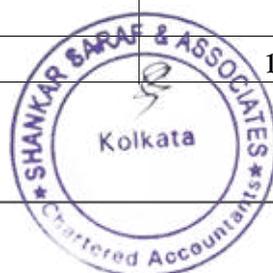
During the year ₹80,48,570/- amount of gratuity has been provided as per actuarial valuation.

30. Earnings and outgo on Foreign Currency

| Particulars | For the Year ended 31st March 2018 | For the Year ended 31st March 2017 |
|--|------------------------------------|------------------------------------|
| On Accrual Basis, Gross of Taxes and TDS, if any | Nil | 514,121 |

31. Remuneration to Directors

| Account Head | For the Year ended 31st March 2018 | For the Year ended 31st March 2017 |
|-------------------------------------|------------------------------------|------------------------------------|
| Salaries and Allowances | 15,397,195 | 11,866,634 |
| Contribution towards Provident Fund | 773,449 | 644,544 |
| Total | 16,170,644 | 12,511,178 |




VFS VILLAGE FINANCIAL SERVICES LIMITED

CIN: U51109WB1994PLC063746
(Formerly known as Village Financial Services Private Limited)

NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS
32. 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 | Associates and Joint Ventures | Nil |
| c | Shareholders having control or significant influence over the enterprise | Shivam Investment Advisory Pvt Ltd Mr. Kuldip Maity |
| d | Key Management Personnel | Mr. Ajit Kumar Maity Mr. Kuldip Maity Ms. Samta Agarwal |
| e | Relatives of (c) or (d) who may be expected to influence or be influenced by (c) or (d) in his/her dealings with the reporting | Nil |
| f | Enterprises over which (c), (d) or (e) above are able to exercise significant influence/control. | Trishakti Projects Private Limited K D Vinimay Private Limited Trishakti Nirman Private Limited Bengal Seeds & Agro Industries Pvt Ltd Trishakti Himghar Private Limited |

B : Transactions with the related parties during the year ended March 31, 2018

| Particulars | Transactions | |
|----------------------------------|------------------|------------|
| | Transaction with | Amount (₹) |
| Remuneration and other allowance | Kuldip Maity | 11,816,084 |
| Remuneration and other allowance | Ajit Kumar Maity | 4,354,560 |
| Remuneration and other allowance | Samta Agarwal | 163,579 |

33. Contingent Liabilities and Commitments to the extent not provided for

| | March 31,2018 | March 31,2017 |
|--|---------------|---------------|
| (a) Contingent Liabilities | | |
| - Outstanding guarantees and counter guarantees to various Banks, in respect of the guarantees given by those banks in favor of various government authorities and others. | Nil | Nil |
| Claims against the Company, not acknowledged as debts | Nil | Nil |
| (b) Commitments | Nil | Nil |

34. Litigations

There is no legal proceedings, litigation and claims against the company as on date. The management does not reasonably expect that these legal actions, if any, when ultimately concluded and determined, will have a material and adverse effect on the Company's results of the operations or financial condition.



VFS VILLAGE FINANCIAL SERVICES LIMITED

CIN: U51109WB1994PLC063746

(Formerly known as Village Financial Services Private Limited)

NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

35. Current Assets

In the opinion of the Board of Directors, the current assets have value on realization in the ordinary course of business at least equal to the amount at which they are stated in the Balance Sheet.

36. Details of Borrowing Cost Capitalized during the period

| | March 31, 2018 | March 31, 2017 |
|---|----------------|----------------|
| As Fixed Assets/ Intangible Assets/Capital Work in Progress | Nil | Nil |
| As inventory | Nil | Nil |

37. Earnings Per Share

| Period Ended | March 31, 2018 | March 31, 2017 |
|---|----------------|----------------|
| Net Profit as per Profit and Loss Statement (₹) | 93,630,520 | 58,680,688 |
| Weighted average number of shares used in Computing Basic | 36,250,318 | 36,179,517 |
| Weighted average number of shares used in Computing Diluted | 36,250,318 | 36,179,517 |
| Basic Earning per Share (₹) | 2.58 | 1.62 |
| Diluted Earning per Share (₹) | 2.58 | 1.62 |
| [Nominal Value of shares of ₹10/- each (P Y: ₹10/-)] | | |
| Earning per Share for discontinuing operations (₹) | Nil | Nil |

38. Deferred Tax Assets/(Liability)

(₹)

| Period Ended | March 31, 2018 | March 31, 2017 |
|--|------------------|--------------------|
| Opening Balance | (303,990) | 209,936 |
| <i>Deferred Tax Assets on account of Depreciation of Fixed Assets:</i> | | |
| - As per Companies Act | 4,371,214 | 2,709,451 |
| - As per Income Tax Act | 3,838,997 | 4,263,834 |
| Net Timing Difference | 532,217 | (1,554,383) |
| Rate of Tax | 34.608% | 33.063% |
| Deferred Tax Assets/(Liability) | 184,190 | (513,926) |
| Closing Balance | (119,800) | (303,990) |

39. Disclosure of frauds

Disclosure of frauds reported during the year ended March 31, 2018 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 (₹) |
|------------------|--------------------------|-----------------|-----------|
| Persons involved | Types of fraud | | |
| Staff | Misappropriation of cash | 1 | 46,400 |



VFS VILLAGE FINANCIAL SERVICES LIMITED

CIN: U51109WB1994PLC063746
(Formerly known as Village Financial Services Private Limited)

NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

40. Details of Business Correspondent (BC) activity

During the period, the company has provided services as Business Correspondent to IDBI Bank Ltd, Yes Bank Ltd and State Bank of India as per the guidelines of the Reserve Bank of India.

The information regarding to Business Correspondent activity is shown below:

| Year Ended | (₹ in crore) | |
|---------------------------------|----------------|----------------|
| | March 31, 2018 | March 31, 2017 |
| Number of Accounts (in numbers) | 41,866 | 14,800 |
| BC loan outstanding as on | 58.43 | 27.08 |
| Income from BC activities | 3.23 | 0.58 |
| Cash collateral | 3.15 | 1.30 |

41. Disclosure in respect of Corporate Social Responsibility under section 135 of the Companies Act, 2013 and rules thereon:

| Year Ended | March 31, 2018 | March 31, 2017 |
|---|----------------|----------------|
| Gross amount required to be spent during the year | 1,002,603 | ~ |
| Amount spent during the year on: | ~ | ~ |
| i) Construction/acquisition of any asset | ~ | ~ |
| ii) On purposes other than (i) above | 1,094,603 | ~ |

42. Additional disclosures required by the Reserve Bank of India

| (a) Capital to Risk Asset Ratio ("CRAR") | March 31, 2018 | March 31, 2017 |
|---|----------------|----------------|
| | (₹ in crore) | |
| i) CRAR (%) | 15.65% | 15.61% |
| ii) CRAR - Tier I Capital (%) | 12.76% | 11.99% |
| iii) CRAR - Tier II Capital (%) | 2.89% | 3.62% |
| iv) Amount of subordinated debt raised as Tier-II capital | 10.00 | 5.00 |
| v) Amount raised by issue of Perpetual Debt Instruments | ~ | ~ |



VFS VILLAGE FINANCIAL SERVICES LIMITED

CIN: U51109WB1994PLC063746
(Formerly known as Village Financial Services Private Limited)

NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

| (b) Investments | | <u>March 31, 2018</u> | <u>March 31, 2017</u> |
|-----------------|---|-----------------------|-----------------------|
| | | (₹ in crore) | |
| 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 | --- | --- |

(c) 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, 2018 (March 31, 2017 -- Nil)

(d) Disclosures relating to Securitisation

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

| | | (₹ in crore) | |
|------|--|----------------------------------|----------------------------------|
| Sl | Particulars | For the Year ended 31/03/2018 | For the Year ended 31/03/2017 |
| i) | Total number of loans securitised | 29,406 | --- |
| ii) | Total book value of loans securitised | 59.64 | --- |
| iii) | Total book value of loans securitised including loans placed as collateral | 59.64 | --- |
| iv) | Sale consideration received for loans securitised | 53.68 | --- |




VILLAGE FINANCIAL SERVICES LIMITED

CIN: U51109WB1994PLC063746

(Formerly known as Village Financial Services Private Limited)

NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

| Sl. | Particulars | March 31, 2018 | March 31, 2017 |
|-----|---|----------------|----------------|
| 1 | No. of SPVs sponsored by the NBFC for securitisations during the year | 2 | --- |
| 2 | Total amount of securitised assets as per the books of SPVs sponsored by the NBFC as on the date of balance sheet | 59.64 | --- |
| 3 | minimum retention requirement (MRR) as on the date of balance sheet | --- | --- |
| | a) Off-balance sheet exposures | | --- |
| | ~ First loss | --- | --- |
| | ~ Others | --- | --- |
| | a) On-balance sheet exposures | | --- |
| | ~ First loss (In the form of Fixed Deposits) | 3.23 | --- |
| | ~ Pool Principal | 4.75 | --- |
| 4 | Amount of exposures retained to securitisation transactions other than MRR | | --- |
| | a) Off-balance sheet exposures | | --- |
| | (i) Exposure to own securitisations | --- | --- |
| | ~ First loss | --- | --- |
| | ~ Others | --- | --- |
| | (ii) Exposure to third party securitisations | | --- |
| | ~ First loss | --- | --- |
| | ~ Others | --- | --- |
| | b) On-balance sheet exposures | | --- |
| | (i) Exposure to own securitisations | | --- |
| | ~ First loss | --- | --- |
| | ~ Others* | 4.10 | --- |
| | (ii) Exposure to third party securitisations | | --- |
| | ~ First loss | --- | --- |
| | ~ Others | --- | --- |

* EIS

(e) Details of Financial Assets sold to Securitisation/Reconstruction Company for Asset Reconstruction

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

(f) Details of Assignment transactions undertaken

There are no Assignment transactions undertaken by the Company in the current and previous year.



VFS VILLAGE FINANCIAL SERVICES LIMITED

CIN: U51109WB1994PLC063746
(Formerly known as Village Financial Services Private Limited)

NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

(g) Details of non-performing financial assets purchased / sold

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

(h) Asset Liability Management

Maturity pattern of certain items of Assets and Liabilities as on March 31, 2018

(₹ in crore)

| Particulars | Up to 30/31 days | Over 1 month upto 2 months | Over 2 months upto 3 months | Over 3 months upto 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 |
|------------------------------|------------------|----------------------------|-----------------------------|-----------------------------|---------------------------|--------------------------|------------------------|--------------|--------|
| Deposits | - | - | - | - | - | - | - | - | - |
| Advances | 58.81 | 57.37 | 55.93 | 167.73 | 144.72 | 142.16 | - | - | 626.72 |
| Investments | 0.34 | - | - | - | - | - | - | 0.05 | 0.39 |
| Borrowings | 29.11 | 30.39 | 31.50 | 96.64 | 165.49 | 237.78 | 27.65 | 10.00 | 628.56 |
| Foreign currency assets | - | - | - | - | - | - | - | - | - |
| Foreign currency liabilities | - | - | - | - | - | - | - | - | - |

Maturity pattern of certain items of Assets and Liabilities as on March 31, 2017

(₹ in crore)

| Particulars | Up to 30/31 days | Over 1 month upto 2 months | Over 2 months upto 3 months | Over 3 months upto 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 |
|------------------------------|------------------|----------------------------|-----------------------------|-----------------------------|---------------------------|--------------------------|------------------------|--------------|--------|
| Deposits | - | - | - | - | - | - | - | - | - |
| Advances | 40.56 | 39.61 | 38.97 | 113.87 | 103.31 | 49.88 | - | - | 386.20 |
| Investments | 0.27 | - | - | - | - | - | - | 0.05 | 0.32 |
| Borrowings | 15.83 | 24.64 | 26.58 | 67.94 | 94.53 | 154.38 | 1.55 | 15.00 | 400.45 |
| Foreign currency assets | - | - | - | - | - | - | - | - | - |
| Foreign currency liabilities | - | - | - | - | - | - | - | - | - |

(i) Exposures

The Company has no exposure to Real Estate Sector and Capital Market directly or indirectly during the current and previous year.

(j) Details of financing of parent company products

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

(k) Unsecured Advances - Refer Note 13 and 17



VFS VILLAGE FINANCIAL SERVICES LIMITED

CIN: U51109WB1994PLC063746

(Formerly known as Village Financial Services Private Limited)

NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

(l) 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)

(m) Disclosure of Penalties imposed by RBI and other regulators:

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

(n) 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 | Borrowing limit or conditions imposed by rating agency |
|---------------------------|------------------------------|----------------|-----------------|-------------|--|
| Long term Bank facilities | CARE Ratings | 25-Sep-2017 | BBB (-) | 24-Sep-2018 | Rs500 Crore |
| MFI Grading | SMERA Ratings Limited | 18-Aug-2017 | M 2 | 17-Sep-2018 | N.A |
| Securitization | CARE Ratings | 20-Mar-2018 | A (-) SO | 19-Sep-2019 | Rs30 Crore |
| | | | BBB (-) SO | | Rs1.76 Crore |
| Securitization | India Ratings & Research Ltd | 18-Mar-2018 | A (-) SO | 17-Dec-2019 | Rs20.70 Crore |
| | | | BB (+) SO | | Rs1.22 Crore |



VFS VILLAGE FINANCIAL SERVICES LIMITED

CIN: U51109WB1994PLC063746
(Formerly known as Village Financial Services Private Limited)

NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

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

(₹ in crore)

| Particulars | March 31, 2018 | March 31, 2017 |
|---|----------------|----------------|
| Provisions for depreciation on investment | Nil | Nil |
| Provision made towards Income Tax | 5.82 | 3.54 |
| Provision towards NPA | 3.77 | 2.90 |
| Provision for standard assets | 2.49 | 0.96 |
| Provision for securitised/managed portfolio | ~ | ~ |
| Provision for leave benefits | 0.02 | 0.02 |
| Provision for gratuity | 0.80 | 0.20 |
| Provision for long term contracts including derivatives contracts | Nil | Nil |
| Provision for Proposed Dividend | Nil | Nil |
| Provision for tax on dividend | Nil | Nil |

(p) Draw down from Reserves:

There has been no draw down from reserves during the year ended 31/03/2018 (31/03/2017 - Nil).

(q) Concentration of Advances, Exposures and NPAs:

(₹ in crore)

| Particulars | March 31, 2018 | March 31, 2017 |
|--|----------------|----------------|
| Concentration of Advances | | |
| Total advances to twenty largest borrowers | 1.58 | 0.09 |
| % of advances to twenty largest borrowers to total advances | 0.25% | 0.02% |
| Concentration of Exposures | | |
| Total exposure to twenty largest borrowers / customers | 1.58 | 0.07 |
| % of exposures to twenty largest borrowers / customers to total exposure | 0.18% | 0.01% |
| Concentration of NPAs | | |
| Total exposure to top four NPA accounts | 0.01 | 0.01 |




VFS VILLAGE FINANCIAL SERVICES LIMITED

CIN: U51109WB1994PLC063746
(Formerly known as Village Financial Services Private Limited)

NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS
(r) Sector-wise NPAs:

(₹ in crore)

| Sector | % of NPAs to total advances in that sector as on 31/03/2018 | % of NPAs to total advances in that sector as on 31/03/2017 |
|---------------------------------|---|---|
| Agriculture & allied activities | 0.61% | 1.22% |
| MSME | -- | -- |
| Corporate borrowers | -- | -- |
| Services | -- | -- |
| Unsecured personal loans | -- | -- |
| Auto loans | -- | -- |
| Other personal loans | -- | -- |

(s) Movement of NPAs:

(₹ in crore)

| Sl. | Particulars | March 31, 2018 | March 31, 2017 |
|------|---|----------------|----------------|
| i) | Net NPAs to Net Advances (%) | | 0% |
| ii) | Movement of NPAs (Gross) | | |
| | a) Opening balance | 1.16 | 0.34 |
| | b) Addition during the year | 2.39 | 1.93 |
| | c) Reductions during the year | (0.54) | (1.11) |
| | d) Closing balance | 3.01 | 1.16 |
| iii) | Movement of Net NPAs | | |
| | a) Opening balance | -- | -- |
| | b) Addition during the year | -- | -- |
| | c) Reductions during the year | -- | -- |
| | d) Closing balance | -- | -- |
| iv) | Movement of provisions for NPAs | | |
| | a) Opening balance | 3.86 | 2.50 |
| | b) Provision made during the year | 2.54 | 1.60 |
| | c) Write-off/ write back of excess provisions | (0.13) | (0.24) |
| | d) Closing balance | 6.26 | 3.86 |



VFS VILLAGE FINANCIAL SERVICES LIMITED

CIN: U51109WB1994PLC063746
(Formerly known as Village Financial Services Private Limited)

NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

(t) Disclosure of Customer Complaints:

| Sl | Particulars | For the Year ended 31/03/2018 | For the Year ended 31/03/2017 |
|------|--|----------------------------------|----------------------------------|
| i) | No. of complaints pending at the beginning of the year | ~ | ~ |
| ii) | No. of complaints received during the year | 26 | 34 |
| iii) | No. of complaints redressed during the year | 26 | 34 |
| iv) | No. of complaints pending at the end of the year | ~ | ~ |

(u) Information of aggregate margin cap

| | Particulars | March 31, 2018 | March 31, 2017 |
|---|---|----------------|----------------|
| a | Average Interest charged by the company | 51.37% | 21.46% |
| b | Average Cost of Borrowings | 11.37% | 13.49% |
| | Margin Cap | 39.99% | 7.97% |

(v) Outstanding of loans against security of gold as a percentage to total assets is Nil. (March 31, 2018 ~ Nil)

43. There is no amount due to Micro, Small and Medium Enterprises as per the MSMED Act, 2006 as at 31st March 2018.

44. Previous Year's figures are regrouped or rearranged wherever necessary to conform to this year's classification / disclosure.

45. 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

(Partner)

Mem. No:060678

Place: Kolkata

Date : May 18, 2018



For Village Financial Services Limited

(Formerly known as Village Financial Services Private Limited)

Mr. Ajit Kumar Maity
Chairman

Dr. Kuldip Maity
Managing Director & CEO

Ms. Samta Agarwal
Company Secretary

| | | |
|---|---|-----|
| 2 | Unquoted | NIL |
| | I Shares : (a) Equity (b) Preference | |
| | II Debentures and Bonds | |
| | III Units of mutual funds | |
| | IV Government Securities | |
| | V Others (Please Specify) | |

Long Term Investments :

| | | |
|---|---|-----|
| 1 | Quoted | NIL |
| | I Shares : (a) Equity (b) Preference | |
| | II Debentures and Bonds | |
| | III Units of mutual funds | |
| | IV Government Securities | |
| | V Others (Please Specify) | |

31st March, 2018
(₹ in lakh)

| | | |
|---|---|------|
| 2 | Unquoted | |
| | I Shares : (a) Equity (b) Preference | 5.00 |
| | II Debentures and Bonds | |
| | III Units of mutual funds | |
| | IV Government Securities | |
| | V Others (Please Specify) | |

6 Borrower group-wise classification of all assets financed as in (3) and (4) above : (Please see Note 2 below)

| Category | Amount net of provisions | | Total |
|--------------------------------|--------------------------|------------------|------------------|
| | Secured | Unsecured | |
| 1 Related Parties ** | NIL | NIL | NIL |
| a. Subsidiaries | | | |
| b. Companies in the same group | | | |
| c. Other related parties | | | |
| 2 Other than related parties | | 62,711.09 | 62,711.09 |
| Total | | 62,711.09 | 62,711.09 |

7 Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted) (Please see Note 3 below)

| Category | Market value/Break up or fair value or NAV | Book Value (Net of provisions) |
|--------------------------------|---|-----------------------------------|
| 1 Related Parties ** | | |
| a. Subsidiaries | | NIL |
| b. Companies in the same group | | NIL |
| c. Other related parties | | NIL |
| 2 Other than related parties | | 38.92 |
| Total | | 38.92 |

**As per Accounting Standard of ICAI (Please see Note 3)



8 Other Information:

| Particulars | Amount |
|---|--------|
| I. Gross Non-performing Assets | |
| a. Related parties | |
| b. Other than related parties | 300.56 |
| II Net Non-performing Assets | |
| a. Related parties | |
| b. Other than related parties | 0.00 |
| III Assets acquired in satisfaction of debt | NIL |

NOTES :

- 1 As defined in point (xix) of paragraph 3 of Chapter-2 of the Master Direction-Non-Banking Financial Company-Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016
- 2 Provisioning Norms shall be applicable as prescribed in these Directions.
- 3 All accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets, as also assets acquired in satisfaction of debt. However market value in respect of quoted investment and break up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in (5) above.

For Shankar Saraf & Associates

Chartered Accountants

ICAI Firm Registration No. 325896E

Shankar Saraf
(Partner)

Mem. No:060678

Place : Kolkata

Date : May 18, 2018



BUSINESS LOANS



VFS PROVIDES BUSINESS
LOANS FOR SME

We would like to stay with you on your entire journey of business growth



VILLAGE FINANCIAL SERVICES LTD

CIN : U51109WB1994PLC063746.

Corporate Office

Eco Space Business Park, Tower - 4B, 4th Floor, Room No - 403, New Town, Rajarhat, Kolkata - 700 160

Phone: +91-33-6655-1414 , Fax: +91-33-6655-1499, Website - www.village.net.in

Registered Office

Village Tower, Geetanjali Park, 18/ 3A Kumud Ghoshal Road, Ariadaha, Kolkata - 700057

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