



**VILLAGE FINANCIAL SERVICES
PRIVATE LIMITED**

AN ISO CERTIFIED MICROFINANCE INSTITUTION

**ANNUAL REPORT
2015-2016**





*There is no tool
for development of women
more effective than the
Empowerment of Women.*

– Kofi Annan



TABLE OF CONTENTS

Table of Contents	1
Message from the Chairman	2
Message from the Managing Director	4
Company Profile	6
Mission, Core Values and Objectives	8
Highlights from the Previous Financial Year	10
Report Card	14
Board of Directors & Senior Management Team	16
Grievance Redressal Mechanism	18
Corporate Governance	20
Client Selection Methodology	23
Awards and Accolades	24
List of Partner Organizations	26
Case Studies (1&2)	28
Independent Auditor's Report	30
Balance Sheet	34
Profit & Loss Statement	35



MESSAGE FROM THE CHAIRMAN

Mr. A.K. Maity



Dear All,

Last year, we joined hands in celebrating two decades of our existence. I like to think of every year's report as a benchmark for the following year. With each successive year, we take a few steps towards realizing my original goal to start this organisation. I cannot but be eternally grateful for everyone has contributed towards helping us work towards these goals, fulfill our vision and stand by our core values.

This past year, we were able to successfully spread the word of VFS to other parts of the country which had not witnessed our presence yet. Without the support, guidance and sacrifice of countless people, be it our customers, partners, or team members, we would not have been able to achieve whatever we have done till this day.

While the world has changed a lot in these past two decades, we remain true to our vision of strengthening the socio-economic fabric of the society by providing financial and other support services mainly to the poor and women on a sustainable manner.

The main objective was to improve the quality of life of the poor and underprivileged rural and urban people through social action by promoting, supporting and developing voluntary groups engaged in the social and economic development, by providing a complete range of financial and non-financial services, and institution building support so as to facilitate their growth and develop them into financially sustainable entities

Even though we continue to work with new customers, it is always a pleasure to see some of our first time borrowers reap the benefits of the seeds they had sown eight or even ten years ago, and families finally moving up the value chain, and rightfully claiming a place of their own in society.

Our core values and principles have always been our guiding force. We have focused more on the basic principle of creating income opportunity for

the economically disadvantaged households, paving the path towards the journey of achieving inclusive growth.

We continue to deliver the services that we had promised, and have always maintained a transparent environment delivering our services towards our customers.

Our focus has also been to expand and reach out to larger sections of the poor and underprivileged people and to help them gain benefits of financial inclusion. We have specifically set our plans to reach out to the untapped districts and locations which have almost completely been deprived of any form of banking services.

At VFS, we have always believed that our team members are our most valued assets. The total number of Credit Officers went up by almost 40% in 2015-16 due to the new territories we expanded into. Development of talent in the proper manner is of prime importance. We are continuously working on a simplified structure and opportunities to grow the organization at all levels, mostly done through internal training and skill building.


Village Financial Services today is an established name in facilitating and promoting financial inclusion

in the Eastern part of India. It has taken commendable passion, determination and commitment from our entire team towards achieving our mission and objectives, which along with the support and trust of our partners, stakeholders, well-wishers and customers, has helped us to overcome holders and sail through dark and difficult times. For now, the stage is set to take great leaps in the years ahead.

We have taken great strides at VFS this past year and I look forward to further advancing our goal of eradicating poverty by empowering every poor woman, who wants a better life for herself and her family. Equipped with learnings from the past and wiser with over two decades of experience, we are now ready to embrace the future with even greater vigour and optimism for a more prosperous, sustainable and profitable tomorrow.

I once again thank our team members for their commitment, wisdom, guidance and vision of all our Board Members and the constant undeterred support and trust of our investors, partners and stakeholders for helping us come this far.

**With best wishes,
Ajit Kumar Maity**



**Our core values
and principles have
always been our
guiding force.**



MESSAGE FROM THE MANAGING DIRECTOR

Dr. Kuldip Maity



Dear All,

The Financial Year 2015-16 was an excellent year for VFS, and started a new phase of growth for our organization, as we spread our wings to reach operations across eight states in India, compared to the three we were working in at the beginning of the year. At the outset, I would like to extend my deepest thanks for your continuous support to Village Financial Services private limited, as these successes would not have been possible without the support of all stakeholders and well-wishers of VFS.

The Microfinance sector in India, over the past couple of years, has broken its shackles of slow growth, and is moving a fast trajectory of capturing new uncharted waters in new parts of the country. India has always been a nation of entrepreneurs, and micro-entrepreneurs such as the ones who are our customers are a critical subset. In no way to be left behind the wave of economic growth and activity sweeping the country, all sections of society are involved in the process of nation building by generation of economic activity.

Recent emphasis by the Central Government on financial inclusion has enabled more of the unbanked and underserved section of the population to be part of the financial mainstream and reap its benefits.

It is a known and accepted fact that micro finance provides one of the most sustainable, scalable and effective ways towards financial inclusion for the poor, both in the rural and in the urban economies. It is an ideal medium that fills up the most vital gap in the form of financial markets by the primarily from real impoverished population was unable to unveil the benefits of the former banking sector and hence is forced to fall in the trap of unauthorized and dubious financial sources. Micro finance plays the pivotal role in breaking this vicious cycle and provides a safe, secure and a sustainable one by meeting the financial needs of the people, mainly in the rural areas. Village Financial Services has been playing an essential role

towards addressing this demand-supply mismatch and has made substantial contributions toward expanding the reach of financial inclusion.

This gap between the demand and proper supply gives rise to unscrupulous elements to take undue advantage and create both short-term and long term imbalances in the lives of the poor. By targeting several untapped districts, VFS aims to provide ethical and efficient microfinance services for income generating activities which will enable the underprivileged and backward sections of these districts to become economically self-sufficient, allowing them to escape the clutch of the informal economy and the shockingly high interest rates and harassment that go along with it.

It has been my passion and pleasure to lead VFS in the past few years, especially as it grows from strength to strength, and continues to firmly establish itself as one of the top MFIs in the Eastern part of the country.

The performance of an organization reflects in the performance of its people, and I am proud to say that our core values have been upheld by every single officer and member of the VFS team in the field.

At VFS we have always tried to adopt technological advancements which are cost effective and help in providing efficient services. All the branch operations are totally computerized. We have developed our own micro finance software "V Smart" for security and better MIS Reports. All the branch offices send their Daily Collection Report to the Head Office and the reports are then consolidated and summarized. Loan tracking and reporting is also done through this internally developed software. We anticipate technology to move with great leaps and bounds in the coming years, and we strongly hope to play along with the times, and adopt technology to the best possible use in the coming days.

Usage of mobile platform to offer our microfinance and other support services will be beneficial to our existing customers and will also help us to reach out to those who are currently deprived of such facilities. The

swift and hassle-free operational advantage offered by the mobile platform will not only make life easier for our existing customers, but would also help us to expand and offer more products and services in the future.


We are also planning to introduce new Microfinance Products in the near future to our portfolio that have been specifically shaped and created keeping in mind the exact needs, priorities and requirements of all customers. These new products we provided the ideal support needed for offering financial assistance to the poor and the marginalized people to attain financial self-reliance.

Looking back, when we had first started our journey over two decades ago, we had realized that to address the issue of equitable development of the unbanked sections of society, there was a need for providing financial assistance in a sustainable manner to the poor and underprivileged sections of the society through fair, ethical and efficient services.

It gives me immense pleasure and deep content that VFS has been able to grow and has touched the lives of so many in our society. While challenges, be it cyclical, regulatory or operational, will always have to be encountered, the incredible human experiences we all face as part of this fascinating journey has only strengthened our resolve and commitment towards expanding economic access and participation among low income women entrepreneurs.

We take a lot of pride in sharing our performance from the past year with all our stakeholders, and I would once again like to thank all our partners, team members, institutional supporters, and our valued customers for the enormous trust and generous support that they have continued to give us all these years and I can only hope this support will continue in the future.

**With best wishes,
Dr. Kuldip Maity**



*It has been my
passion and
pleasure to lead
VFS in the past
few years.*

COMPANY PROFILE

Starting its microfinance operations from 2006, Village Financial Services Pvt. Ltd. (or VFS) today is recognized as one of the most reputed microfinance institutions of eastern India, now having expanding its services and operations to eight states in India. VFS has the rare distinction of being the first microfinance company in eastern India to be registered as a NBFC under section 45-IA of the Reserve Bank of India. It is also the first ISO certified microfinance company in India.

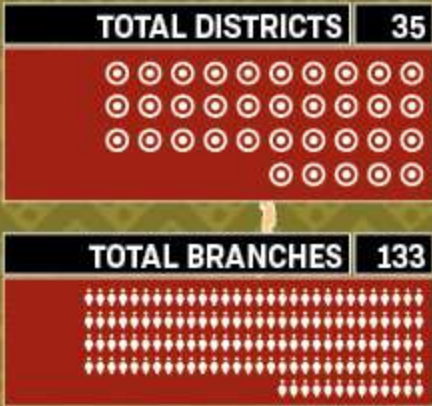
Over the years, VFS has grown and touched the lives of many underserved and backward sections of our society by providing them credit towards income generating activities and helping them to become economically self-sufficient, sensitizing women about empowerment issues and bringing about a qualitative change in the lives of their families, allowing them to gain a greater foothold and sense of respect in the society.

VFS has successfully managed and further improved a cost effective and efficient operating model to reach out to its customers and build relationships with them in a sustainable way. VFS's operating model includes the Joint Liability Group or JLG appraisal as well as collection of loan instalments in person at the customer's doorstep.

This model has allowed VFS to build relationships with its most important stakeholder, the customer, through weekly or fortnightly meetings.

VFS believes that all citizens of this nation deserve a fair and efficient access to financial services. Towards achieving this objective, the organization tries to provide these services to its clientele in the most convenient, transparent, participatory and timely manner as possible. It is committed to ensure that the services are not unethical and deceptive.

HOW WE GOT HERE



MISSION

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

CORE VALUES

VFS aspires to be able to set the benchmark for the microfinance industry for value creation and for responsible citizenship by providing effective, transparent and quality service to people.

Our value creation relates to the core values of:

Improving the lives of poor and those excluded from the formal financial access.

Widening the range of opportunities for communities.

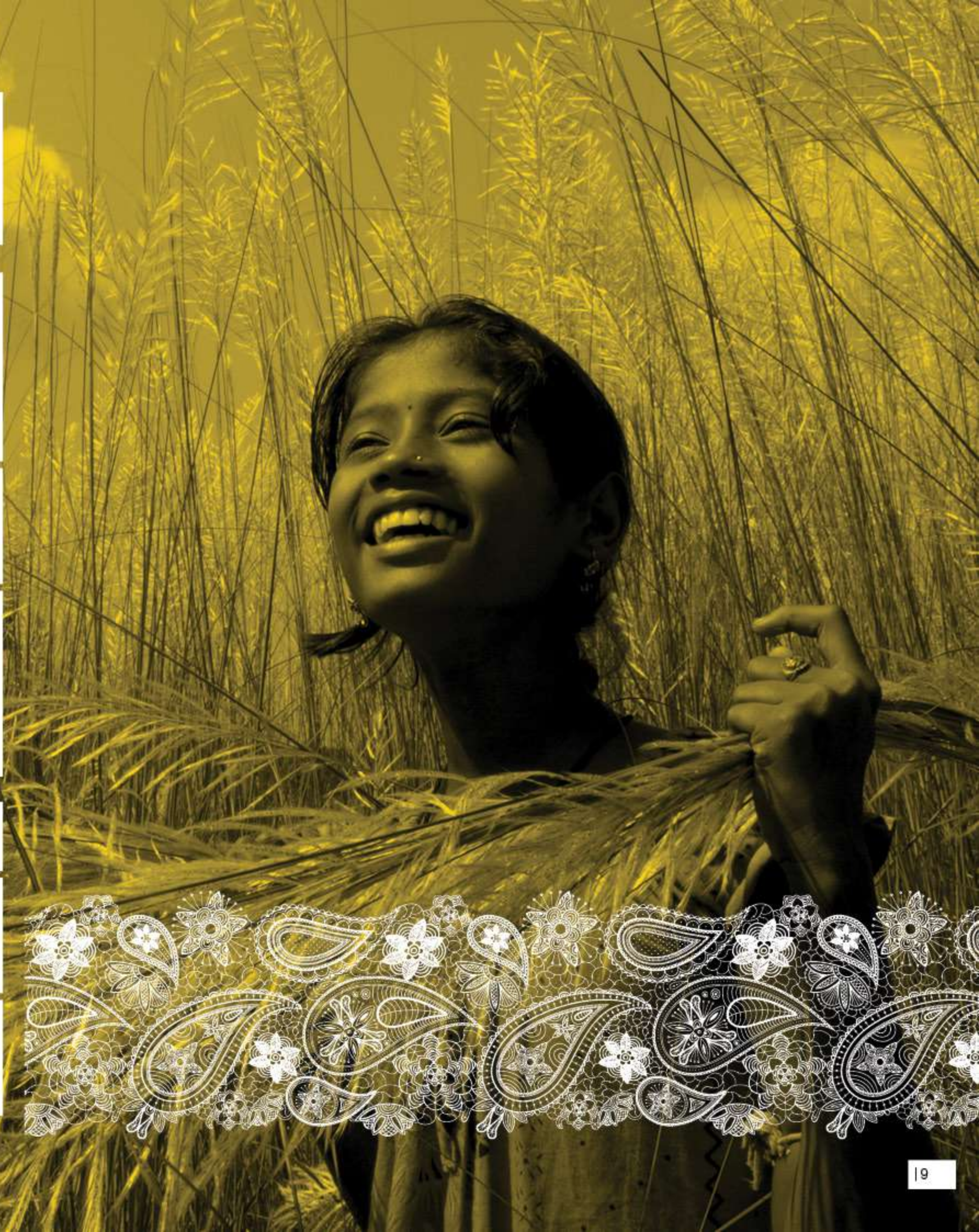
Build an institution which is best in class in all aspects— customer service, innovation, efficiency, workplace engagement, leadership, governance and reputation.

Individually and collectively, the organisation embraces a profound sense of responsibility and reliability in providing the services.

IN ORDER TO CREATE SUCH VALUE, OUR OBJECTIVES ARE:

To improve the quality of the life of the underprivileged rural and urban people through social action by promoting, supporting and developing voluntary groups engaged in the social and economic development

Providing financial and non — financial services as loan funds, supports and institution building support so as to facilitate their growth and development into financially sustainable entities





HIGHLIGHTS FROM OUR ACTIVITIES AND PERFORMANCE IN FINANCIAL YEAR 2015-16

"Growth and Empowerment"

To celebrate the special occasion of completing two decades with the theme "Growth and Empowerment", we organized in a series of special events and initiatives during the course of the year. These events and initiatives included:

PROGRAMS/INITIATIVES CONDUCTED UNDER "GROWTH & EMPOWERMENT" THEME:

Customer Awareness Training

These training sessions are conducted to bring about awareness in customers on their rights as VFS customers, as well as best practices on product selection, utilization of loans, and financial literacy.

Community Volunteers' Training

VFS deploys Community Volunteers at various instances during the year. These training sessions are geared towards properly training volunteers at best serving the community

Leadership Development Training

Part of VFS's internal human resource development, Leadership Development Training is conducted to identify and further build skills for those staff who show potential in rising further up the ranks in the organization

Delinquency Management Training

Managing repayments is critical to VFS operations (as is to any microfinance institution in India). VFS spends a lot of time and resources training its credit and branch officers to managing these repayments as well as proper borrower selection.



Customer Relationship Management

Several training sessions during the course of the year are devoted to managing customer relationships. Sessions tend to focus on subjects such as distinguishing between the rural and urban borrower, as well as dealing with women entrepreneurs in a sensitive and respectful manner.

Risk Management Training

In addition to Delinquency Management training mentioned above, risk management training is given to branch and credit staff for teaching them to manage risks at the branch, regional and zonal levels



Positive Attitude Generation Training

A credit officer's job is quite often difficult and demotivating, given some of the extreme and depressing conditions they frequently have to deal with. These training sessions keep the motivation levels up, and bring in a sense of pride, along with a positive frame of mind.



Microfinance Best Practices and Training

There are many lessons to be learned in terms of best practices that borrowers may follow. It is VFS's sincere endeavor to train borrowers in following in best practices, which would only help them in the long run in becoming better entrepreneurs as well as managing debt

Microfinance Operation and Training

This training module is at the heart of VFS's operations, and is what binds together people across all levels at the organization. From new area and client selection to enforcing internal policies, managing



disbursements and repayments, these training sessions focus on maintaining efficient and focused operations

Code of Conduct

VFS has set stringent guidelines on what field and credit officers are allowed to do or not to do when interacting with existing or potential beneficiaries. These guidelines help create a benchmark for everyone to follow

Customer Satisfaction

Customers continue to remain the primary reason for our existence, so it is of primary importance that we are able to capture customer satisfaction. VFS strives



to continuous improve its products and services to ensure this.

Impact Assessment

Popular the world over in the past decade, impact assessments are complex yet effective means of assessing what can be simply termed as "what works". VFS has engaged top-level research institutes to address specific issues which will help improve not only its own products and services, but also improve industry standards

Celebrating Women's Day annually to encourage women empowerment and felicitating the successful borrowers.



OTHER DEVELOPMENTAL ACTIVITIES UNDERTAKEN DURING THE PREVIOUS YEAR INCLUDE:

Village Model School

Village Model School was founded in 1992 at Pancharul village of Udaynarayanpur Block in Howrah District of Southern West Bengal. The inception of Village Group is always to project an instrument of empowerment education and intellectual enlightenment for the society. We aim to preserve and enhance the highest standards of excellence and prepare generations for the 21st century not only that we also helped them to master the respiratory of a deep commitment to Indian ethos and Culture in a pristine form.



Day Care Centre

Based on the need of the local order people, Village Welfare Society (Group organization of VFS) set up a Day Care Centre at Pancharul village of Udaynarayanpur Block in Howrah District of West Bengal. It is for their recreation and pleasure at leisure time. They participate there in discussion of spiritual and religious topics in a gathering every afternoon. Averages of 65 persons participate daily with collective involvement and sharing in various activities.

Financial Literacy Program

A campaign towards women empowerment

With a view to building and developing positive attitude of common marginalized people by changing their mind set to make them habituated to practice management of finance at household level. Financial Literacy campaigns were organized at various places of West Bengal. As we see that the women in a family are the prime actors to manage day to day expenses, they should have thorough knowledge over every expenditure. The aim is to make the women aware about categorization of expenses and prioritization of needs, based on which they will spend money for family purpose. They are also encouraged to grow habit of savings in a family which will eventually supplement the family income. More than 3000 people both male & female were actively participating in those 30 campaigns organized so far.

We believe that Financial Literacy is a continuous process and creative process. By means of proper direction and explanation, good counsel, encouragement and recognition of efforts of a woman potential can be brought to the fore.

Blood Donation Camp

Village Welfare Society encouraged & supported local youth club for organizing blood donation camps in collaboration with West Bengal Voluntary Blood Donors Association. This year 1 blood donation camp was organized at Pancharul, Howrah where 102 youth, both men & women participated voluntarily.

Women Empowerment

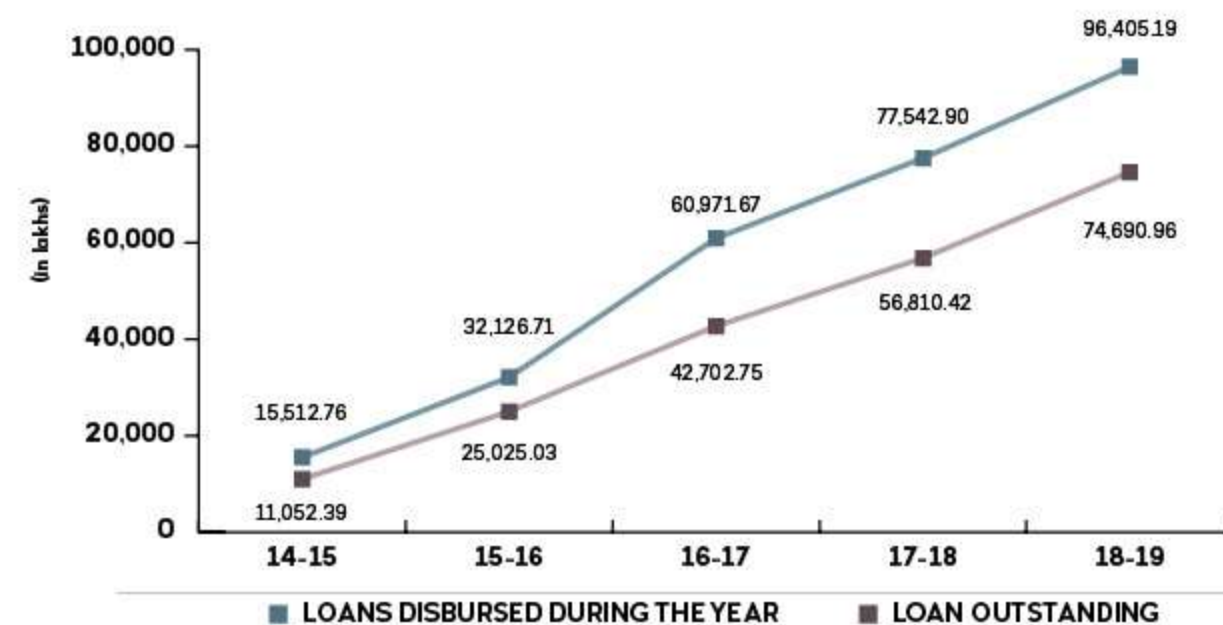
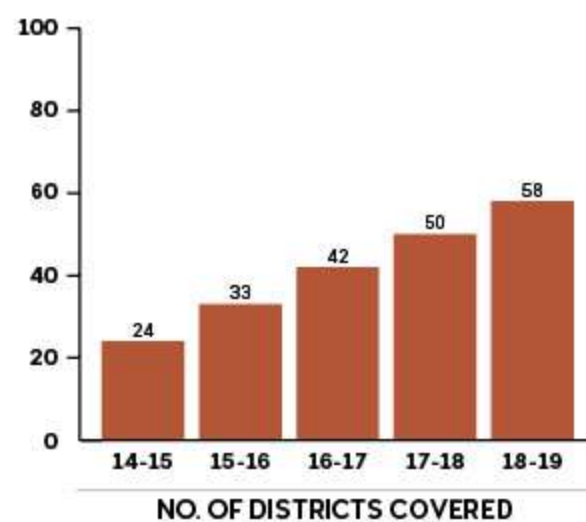
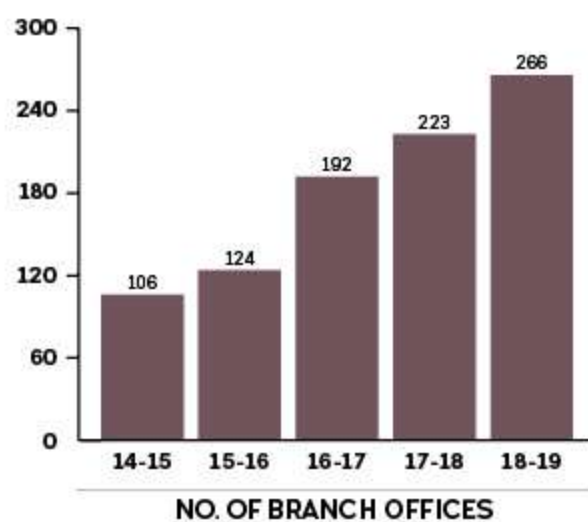
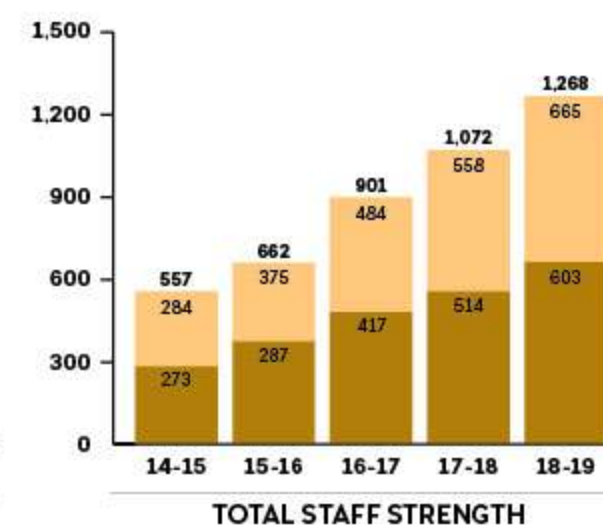
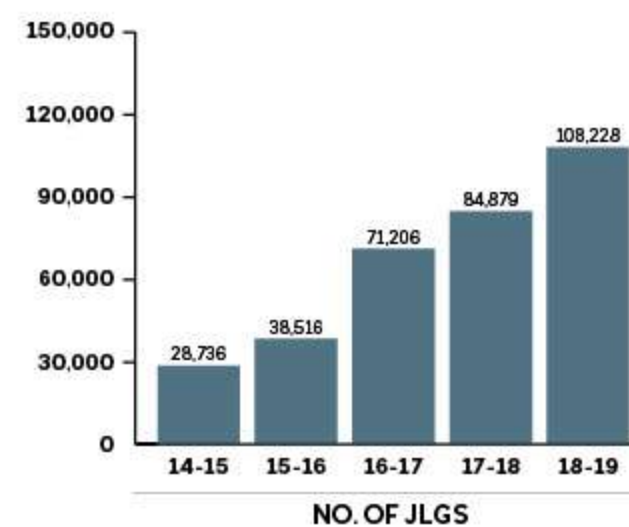
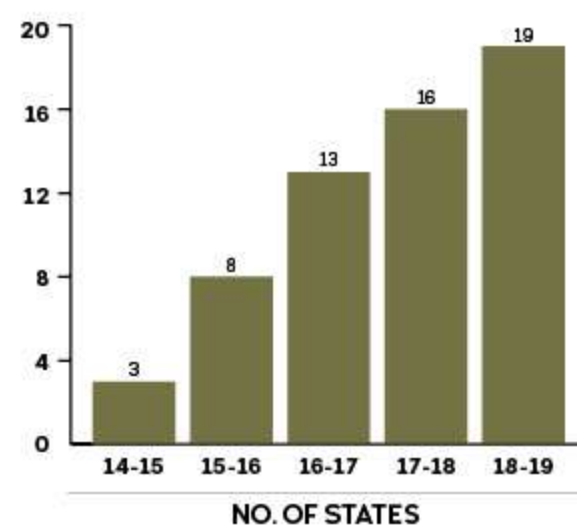
Woman Empowerment is to us is encouraging and empowering an entire society, who can confidently express themselves.

Every Year on 8th March we celebrate the day of female empowerment "International Women's Day". The genesis of this event has no matter of Question that it has given a diamond effect to our Society. We also bear the vision of inculcating in the under privileged women section of our society the moral values and sense of Independence so that they can come out from their houses and can spend their life with economic Independence.

REPORT CARD

AUDITS & PROJECTIONS

We anticipate the beginning of a new phase of growth in terms of disbursements and branches in the near future. Given below are our projections over the next 3 years



SENIOR MANAGEMENT

MR. D.K. RAY

Manager-Finance

Worked as Depty General Manager in a leading public sector Bank, with over 36 years of experience in various fields of banking & finance.

MR. SUBHASIS GHOSH

Manager-Accounts

18 years of experience in the fields of Finance and Accounts.

MR. JITENDRANATH MAHATO

Manager-Audit

18 years of experience in Accountancy and Audit in the microfinance sector

MR. ACHYUT KR. SAHA

Manager-Training

24 years of experience, including time spent in international microfinance institutions.

MR. DEBABRATA SUR

Manager-HR

Having 12 years of industry experience in the training & development of Human Resources

MRS. ARUPA KANRAR

Chief Zonal Manager-Operations

14 years of experience in the Microfinance Sector

MR. MANAS SARKAR

Chief Zonal Manager-Operations

11 years of experience in Rural Development and Microfinance.

MR. JYOTIRMOY DAS

Senior Executive- Insurance

Three decades of industry experience, including over 20 years of experience in the Microfinance Sector

MR. MOLLA MD. IMAMUDDIN

Senior Executive-IT

With over two decades of experience in the field of IT, he heads our technology initiatives

BOARD OF DIRECTORS

For maintaining the independence of the Board functions of governance and management, the Board of Directors of the company currently consists of six Directors, of whom three are Independent Directors and one is a Nominee Director. This indicates good governance practice at VFS. The details of the directors follow.

MR. AJIT KUMAR MAITY

Chairman

- + Visionary entrepreneur with 32 years of experience in the field of microfinance and development.
- + Ex-Executive Board Member of Sa-Dhan;
- + Ex-member of the SIDBI Project Advisory Committee (Eastern region)

DR. KULDIP MAITY

Managing Director & CEO

- + 17 years of experience in the microfinance and social development sectors
- + Steered the Village Group and helped VFS become the first MFI with NBFC status in West Bengal and obtain the honour of being certified as the first 9001:2008 ISO MFI in India

DR. SANKAR DATTA

Independent Director

- + Wealth of experience from senior level management positions at PRADAN, IGS, BASIX,
- + Involved in several consulting and advisory roles for global institutions such as FAO, IFC
- + Academic stints at IIM-A, IRMA-Anand, Azim Premji University

- + Member of several private, state and central government task forces such as Planning Commission; Livelihood Advisory Group (ACCESS), Standing Committee on Poverty Alleviation of Chhattisgarh Planning Commission

MR. A. RAMANATHAN

Independent Director

- + Ex. Chief General Manager of NABARD. Where he managed SHG-Bank linkage program, the largest microfinance program in the world.
- + Joint Director of Banker's Institute of Rural development (BIRD)
- + 37 years of experience in various important positions in research, training, consultation, etc.

DR.T.K.MUKHOPADHYAY

Independent Director

- + Ex. Chief General Manager and Country Head (Administration and premises) of IDBI Bank, where he held senior positions across Corporate Finance, Project Management and SME Departments, as well as holding zonal responsibilities

MRS. ALPANA BHANDARI

Nominee Director

- + Nominated by the Board of Trustees of the VFS Mutual Benefit Association-Howrah.

GRIEVANCE REDRESSAL MECHANISM

A grievance can be defined as any sort of dissatisfaction, which needs to be redressed in order to maintain the smooth functioning of the organization. Broadly, a grievance can be defined as any discontent or dissatisfaction with any aspect of the organization.

Customer's grievances initially find expression in the form of a complaint. When a complaint remains unattended to and the concerned person feels a sense of lack of justice and fair play, the dissatisfaction grows and assumes the status of grievance. A fair practice code ensures that no customer is given undue priority, and that all grievances raised are addressed in a timely manner.

FAIR PRACTICE CODE FOR CUSTOMERS

- + All the dealings with customers will be open, fair and ethical.
- + VFS will treat all its customers with respect and professionalism.
- + VFS shall explain and disclose the features of its services in a transparent and understandable manner. Further, its applications and agreements shall clearly include:
 - Interest rate on loans
 - Processing fee and insurance premium
 - All other terms and conditions
- + VFS will make its best efforts to ensure that the loans it provides are within its customers' capacity to repay.
- + VFS will not engage in any coercive methods to collect repayments.
- + VFS will provide customers with a grievance redressal system to register their complaints and resolve it in a timely and fair manner.
- + VFS respects its customers' privacy and will treat all information related to the customer as private and confidential.

There are three formal stages in which any grievance can be redressed. VFS is committed to make sure that all its customers get only the very best of the service from them

STEP: 1

VFS customer may contact her branch or write to the Branch Manager explaining the details of her issues. The Branch Manager will be glad to assist.

STEP: 2

If customer does not receive any response within 10 days from the channels under STEP: 1, or, if she is not satisfied with the response received, she can escalate her complaint to VFS's Help Desk Executive at our Corporate Office Toll Free No. 1800-345-3444 (from 10.00 AM to 05:00 PM except Saturday, Sunday and other Holidays)

STEP: 3

If she is still not satisfied with the response that she has received from the branch level or channels under Step 2, she may then contact the Office of the Nodal Officer for a speedy investigation and fair resolution of her problem.

If the complain/dispute is not redressed within a period of one month, she may appeal to the Reserve Bank of India.

If the complain/dispute is not redressed within a period of one month, she may appeal to the Reserve Bank of India.

VFS has taken the following additional initiatives to ensure transparency in the process of grievance redressal

- + Installation of complaints/ suggestion box at all our branches at prominent places to receive written complaints
- + VFS Head Office address with Telephone number printed in all passbooks
- + During the Group Training, discuss with our customers about the Grievance Redressal System and its benefits in order to make them aware of the redressal process.



CORPORATE GOVERNANCE

Village Financial Services Private Limited adopts the best corporate practices among Microfinance Institutions (MFIs). VFS is committed to conduct its business in accordance with applicable laws, rule and regulations and the highest standards of business ethics and transparent conduct.

VFS is registered with the Reserve Bank of India as NBFC MFI under Section 45-IA of the R81 Act, 1934 and adheres its operations in compliance with the Guidelines on Corporate Governance issued by the Reserve Bank of India from time-to-time.

The highest standards of integrity, transparency, fair practice, code of conduct and ethical behaviour are fundamental to the VFS's business model.

COMMITTEES OF THE BOARD

AUDIT, RISK & ASSET-LIABILITY MANAGEMENT COMMITTEE

With a view to comply with various requirements under the Companies Act, 1956, the Board has set up its Audit, Risk & Asset-Liability Management Committee. The committee has been constituted pursuant to relevant RBI regulations for monitoring the asset liability gap and to strategize action to mitigate risks associated with the company.

Scope of the Committee's Responsibilities:

- + 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
- + Recommending to the Board, the appointment, reappointment and if required, the replacement or removal of the statutory auditor and the fixation of audit fees
- + Approval of payment to statutory auditors for any other services rendered by the statutory auditors
- + Reviewing with the management the annual financial statements before submission to the Board for approval
- + Reviewing with the management, the quarterly audited/unaudited financial statements before submission to the Board for approval
- + Reviewing with the management, performance of the statutory and internal auditors and adequacy of the internal control systems
- + Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit

- + Discussion with internal auditors, any significant findings and follow up there-on
- + Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board
- + Discussion with statutory auditors before the audit commences about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern
- + To look into reasons for substantial defaults in the payment to the shareholders (in case of non-payment of declared dividends) and creditors
- + The scope of the Committee pertains to the review of operational risk, information technology risk, integrity risk, adherence to KYC guidelines
- + The role and functions of the Committee shall also include:

NOMINATION AND REMUNERATION COMMITTEE:

Like most other large organizations, The Nomination and Remuneration Committee has the overall responsibility of approving and evaluating the compensation plans, policies, including Human Resource Development

Scope of the Committee's Responsibilities:

- + To ensure fit and proper credentials of proposed/ existing Directors
- + Appointment and reappointment of Directors on the Board
- + Filling of a vacancy on the Board

- + Appointment of members to the Executive Committee of the Board

Other responsibilities are:

- + Determining on behalf of the Board and on behalf of the shareholders with agreed terms of reference, the company's policy on specific remuneration packages for Managing Director including pension rights and any compensation payment
- + Determining the revenue matrix, salary and bonus to be paid to whole time Director(s) or Managing Director of the company
- + Determining the sitting fee to be paid to the members of the Board
- + Determining the policy for salary, incentives and bonus/ex-gratia to be paid
- + To identify, appoint and review the performance of 'Key Management Personnel' of the company
- + Making recommendation to the Board of Directors with respect to the compensation to be paid to the whole time Directors and 'Key Management Personnel' of the company
- + Determining the criteria for the grant of options or shares under the Stock Option or Stock Purchase Scheme
- + Considering any other matter as may be required by under the Stock Option or Stock Purchase Scheme of the Company
- + Authority to do any matter in relation to the above functions/powers j. To delegate any of the powers mentioned above to the Company Executives

BORROWING COMMITTEE:

To avail the borrowings from different banks/financial institutions, the company needs the Board of Directors to meet frequently. The Board of Directors of the company now constitute a separate three members committee to borrow funds, which at any point of time shall not exceed Rs. 1,000.00 Crore (Rupees one thousand crore only) on behalf of the company. Such policies are reviewed on a timely basis, depending on context and circumstances.

CLIENT SELECTION METHODOLOGY

CLIENT SELECTION METHODOLOGY

The customers of VFS are exclusively poor women, who are engaged in some kind of small income generating activities (IGA) or willing to start IGA or up scaling their IGA but do not have any access to the main stream financial institution.

In our operation methodology we adopt a mechanism of forming JLG (Joint Liability Group) a joint group effort towards self-employment where person having similar socio-economic profile and living in the same neighborhood (one representing one family), form a group of 5 whereby they work for the development of all and after taking the loan, are bound to the organization individually and GroupWise for repayment of the loan.

The process includes-

- + Area Selection
- + Group Formations
- + Financial Transactions

Timeliness is maintained and given a high priority in VFS and it is to be maintained and upgraded continuously. All the services are provided to the customers at their doorstep such as preliminary training, documentation for loan sanction, collection of loan repayment installments, insurance claim settlement etc.

FAIR PRACTICE CODE

The Fair Practice Code is based on the guidelines issued by the Reserve Bank of India and MFIN, SA-DHAN.



AWARDS & ACCOLADES :

VFS and its Management has in the past been honoured with numerous awards and accolades:

+ VFS is the first **ISO 9001:2008 certified** Microfinance Company in India

+ VFS achieved the award of '**Commendation Certificate for Strong Commitment to Excel**' on the journey towards Business Excellence conducted by CII-EXIM Bank



+ VFS has been ranked **10th across India in Srijan Business Plan Competition**

+ VFS was adjudged the finalist in the Flame category of **Microfinance Process Excellence Award** conducted by ABN AMR() & MPEA

+ Dr. Kuldeep Maity has been honoured by the Economic Development Forum with the **Global Achiever's Award for Business Leadership, 2013**

+ Dr. Kuldeep Maity was awarded **Rashtra Pratibha Puraskar in 2011** by the Integrated Council for Socio-economic Progress in recognition of his outstanding achievements, excellence and experience in the chosen field of microfinance

+ Dr. Kuldeep Maity was honoured with the **Vijay Ratan Gold Medal Award and a Certificate of Excellence from the International Institute of Education &**

Management for his outstanding contribution in the development sector

+ The Indian Solidarity Council has **nominated** Dr. Kuldeep Maity's name to receive **Rajiv Gandhi Excellence Award** for his excellent achievements and contributions in his field of activities

+ Kuldeep Maity was awarded the **Doctor of Honours** which is a singular honour being conferred on the basis of his achievements in humanitarian services and merits of excellence. The felicitation was arranged by Senate of University during proceedings of the World Congress of Integrated Medicines held at Colombo, Sri Lanka.

+ Dr. Kuldeep Maity is a **Board Member at Sa-Dhan**, a national level association of Community Development & Finance Institutions in India and is also the **Board Member in AMFI West Bengal**, which is a state level association of microfinance institutions

+ Dr. Kuldeep Maity has been honoured by the Vision World Academy with the **Global Visionary Award** for his outstanding achievement in Microfinance industry.

Rural women entrepreneurs felicitated

More than 450 poor women from rural Bengal attended a programme organized by Village Welfare Society and VFS to celebrate International Women's day on March 8. The event was graced by Justice Asok Kumar Ganguly, former chairman, West Bengal Human Rights Commission and former Judge, Supreme Court of India, Dr. Reshmi Datta, consultant psychologist of UNICEF and Prof. Baisakshi Banerjee, well-known television personality along with A K Maity chairman, Village Financial Services Pvt. Ltd and Kuldeep Maity managing director and CEO, Village Financial Services Pvt. Ltd.



Maity facilitated eight women borrowers for their outstanding achievements in entrepreneurial pursuits against all odds in their lives. "Women are the real architects of society. We can make a far better world by mobilizing the untapped women force of the world. Women's Day is about giving girls and women the due respect and the guarantee for exercising their rights and making their choices," he said.



+ Dr. Kuldeep Maity has been honoured with the **Global Achievers Foundation Outstanding Achievement Award** for social/public services.

+ Dr. Kuldeep Maity has been felicitated with Europe's one of the most prestigious Awards- **Manager of the Year Award** and VFS has won Best Enterprise Award by Europe Business Assembly and Socrates Committee.

+ VFS is committed as a responsible microfinance institution to their customers, stake holders, partners and funders, etc. VFS participated in Transparent Pricing Initiative in India where it was awarded an updated **Official Seal of Transparency**. This seal is internationally recognized which signifies its commitment to Transparent Pricing.



LIST OF PARTNER ORGANIZATIONS

PUBLIC SECTOR BANKS



AXIS BANK LTD.



BANK OF BARODA



BANK OF MAHARASHTRA



CANARA BANK



CORPORATION BANK



DENA BANK



IDBI BANK LTD



INDIAN OVERSEAS BANK



STATE BANK OF INDIA



STATE BANK OF PATIALA



STATE BANK OF TRAVANCORE



UCO BANK



UNION BANK OF INDIA



VIJAYA BANK

PRIVATE SECTOR BANKS



BANDHAN BANK LTD



BHARATIYA MAHILA BANK



DCB BANK LTD.



KARNATAKA BANK LTD



SOUTH INDIAN BANK LTD.

NBFCs



ANANYA FINANCE FOR INCLUSIVE GROWTH PVT. LTD.



CAPITAL FIRST LIMITED



FAMILY CREDIT LIMITED



MAANAVEEYA DEVELOPMENT & FINANCE PVT. LTD.



MAS FINANCIAL SERVICES LTD.



RELIANCE CAPITAL LTD.



RELIGARE FINVEST LTD.



CASPIAN IMPACT INVESTMENTS PVT. LTD.

NEW ASSOCIATIONS DURING THE YEAR



IDFC BANK LTD



SBM BANK (MAURITIUS) LTD.



TATA CAPITAL FINANCIAL SERVICES LTD.



STATE BANK OF MYSORE



SYNDICATE BANK



BANK OF BARODA



Beneficiary Name

GOPI RANI PAL

Branch

BIDDHANNAGAR

Location

**DARJEELING DISTRICT,
WEST BENGAL**

Runita Roy, an inhabitant of Islampore of Uttar Dinajpur, West Bengal, married at a very early age due to her father's poor economic conditions. Her husband, a van puller was the only earning member in her family. After a few years, running the family, comprising her husband, father-in-law and two children, was becoming a difficult task for her with the limited monthly income. Runita was worried about the future of her children.

To ease the difficult situation, the thought of pursuing an income generating activity on her own crossed her mind. Through one of her neighbours, she heard of VFS's JLG model, and visited the Islampore branch, following which she joined a JLG named "Kajol", which was promoted by VFS and took a loan of Rs 30,000/- to start her own grocery selling business. Initially she faced space constraints, but with focus and dedication was able to kick-start her business smoothly. Over time, she started to draw designs on clay pots, which created strong local demand of her products in the market. With her experience of entrepreneurship, she has now started another business (photo binding). Off-late, Runita has built a small yet nice tin-covered showroom to showcase her products.

Both her Children are now enrolled in school, She has managed to repair her house, bought a colour television, refrigerator, and finally she also has an LPG connection for cooking. She has been able to teach herself the habit of regular saving (ultimately for her daughter's marriage and for the future of the family). She is very thankful to VFS for supporting her during her bad days. Her confidence and happiness is reflected in her eyes.



Beneficiary Name

RUNITA ROY

Branch

ISLAMPORE

Location

**UTTAR DINAJPUR,
WEST BENGAL**

Gopi Rani Pal, her husband and two of their children used to live in extreme poverty. The clay tiles of their house's roof had been broken for a while. Gopi's husband was a battery service technician of a automobile battery shop. The only earning members in the family, his income was also quite irregular. The situation was difficult for Gopi and her family, and making ends meet was an arduous task every month.

In 2010, Gopi Rani Pal decided to help her husband by starting a pineapple garden as she owned Six bighas land. Initially she faced fund constraints problem to start her business. She was aware of Self Help Groups, but could never gather the strength to take a loan out. She once interacted with a VFS field staff, who used to visit her neighbour to collect repayments. After discussing with him, she was now aware of the risks associated with borrowing a sum of money, and decided to take the plunge. At first, she borrowed Rs. 8000/- from VFSP to fund her pineapple garden. The amount was small, but ultimately her patience prevailed. After repayment of the first cycle, she then went to take another loan of Rs. 12000/- to expand her business further.

With time, she has grown to become a confident businesswoman and recently added one more new business of making clay flower vases with a 4th cycle loan Rs.18000/- from VFS.

She was finally able to repair her house, and her children have made their way to college. Her husband is now involved in her shop besides his original profession.

INDEPENDENT AUDITOR'S REPORT

To the Members of Village Financial Services
Private Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying standalone financial statements of Village Financial Services Private Limited ('the Company'), which comprise the Balance Sheet as on March 31, 2016 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 RESPONSIBILITY FOR 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 off the company in accordance with the accounting principle is generally accepted in India, including the accounting standards specified under section 133 of the act, that that was seven 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; the 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 for the preparation and presentation off 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 the stand alone financial statements based on our audit. We have taken into account the provisions of the act, the accounting and auditing standards and matters which it acquired 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 of auditing, issued by the institute of chartered accountants of India, as specified under section 143(10) of the Act. Those standards require that we complied with ethical requirements and plan and perform the audit to obtain a reasonable assurance about whether the standalone financial statements of three from a material misstatement.

And 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 the 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 as 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 principle is generally accepted in India, of the state of affairs of the Company as on March 31, 2016 and its profits and cash flows for the year ended on that date.

Report on other legal and regulatory requirements

As required by the company's (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 statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

As required by section 143 (3) of the act, we report that:

- + We have sought and obtained all the information and explanations which the best of knowledge and belief were necessary for the purpose of our audit;
- + In our opinion, books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;
- + The balance sheet, statement of profit and loss, and cash flow statement dealt with by this report are in agreement with the books of accounts;
- + In our opinion the aforesaid standalone financial statements comply with the Accounting Standards specified under section 133 of the Act, ready with Rule 7 of the Company's (Accounts) Rules, 2014;

+ On the basis of written representations received from directors as on March 31, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from been appointed as a director in terms of section 164 (2) of the Act; and

+ 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:

- The company has disclosed the impact of pending litigation on its financial position in its financial statements - Refer Note 32 and 33 to the financial statements;
- The company has made provision, as required under the applicable law or accounting methods, for material foreseeable losses, if any, on long-term contracts including derivatives contracts - Refer Note 35 to the financial statements;
- 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

Firm Membership Number: 325896E

Shankar Saraf

(Partner)

Membership No. 060878

Place: Kolkata

Date: April 28, 2016

ANNEXURE

REFERRED TO IN OUR INDEPENDENT AUDITOR'S REPORT OF EVENT DATE

RE: 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 sixth assets have been physically verified by the management of these minor, designed to cobble all the items over 2 to 3 years, which in our opinion, is reasonable and regards to the size of the company and major office 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 on the basis of our examination of the records of the Company, the title deeds of immovable properties are headed in the name of the company.
- ii. The company is a Non-Banking Financial Company - Micro Finance Institution engaged in the business of providing loans and hence not required to maintain any inventory. Accordingly, provisions of Clause 3(ii) of the order are not applicable to the company.
- iii. According to the information and explanations given to us, the company is 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 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 on March 31, 2016 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 sales 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 institutions and

banks. The company does not have any loans or borrowings from government or debenture holders joined the year.

- ix. Based upon the audit procedures performed and the information and explanations given by the management, the company has not raised money by way of initial public offer or further public offer including debt instruments and term Loans. Accordingly, the provisions of Clause 3 (ix) of the Order are not applicable to the company.
- x. According to the information and explanations given to us, no material fraud by the company or on the company by its officers or employees has been noticed or reported during the course of our audit.
- xi. The company is a private limited company which is exempt from the provisions of section 197 read with Schedule V to the Companies Act and hence the provisions of clause 3(xi) of the Order are not applicable to the company.
- 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, or fun sections with the related parties are in compliance with section 177 and 188 of the Companies Act, 2013, and the details have been disclosed in the financial statements as required by the applicable accounting standards
- xiv. Based upon the audit procedures performed and the information and explanations given by the management, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures joined the year under review. Further, the company has issued 90,44,879 bonus shares of

face value of Rs. 10/- each as per the provisions of section 23, 63 and other applicable provisions of the Companies Act, 2013.

- 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 of persons connected with him. Accordingly, clause 3 (xv) of the Order is not applicable.
- xvi. The company is in Non-banking Financial Company Micro Finance Institution which is duly registered under section 45-IA of the Reserve Bank of India Act, 1934.

For Shankar Saraf & Associates
Chartered Accountants
Firm Membership Number: 325896E

Shankar Saraf
(Partner)
Membership No. 060878

Place: Kolkata
Date: April 28, 2016

BALANCE SHEET

Balance Sheet As on	31st March, 2016	31st March, 2015
EQUITY & LIABILITIES		
Shareholder Funds		
Share Capital	36,17,95,170.00	27,13,46,380.00
Reserves & Surplus	5,34,39,718.00	12,30,87,797.00
	41,52,34,888.00	39,44,34,177.00
Non-Current Liabilities		
Long-Term Borrowings	1,13,55,65,902.00	28,99,05,092.00
Long-Term Provisions	8,03,563.00	1,64,681.00
	1,13,63,69,465.00	29,00,69,773.00
Current Liabilities		
Short-Term Borrowings	1,75,50,446.00	1,77,22,868.00
Other Current Liabilities	1,36,52,70,290.00	64,39,75,518.00
Short-Term Provisions	3,49,45,350.00	1,28,15,135.00
	1,41,77,66,086.00	67,45,13,521.00
Total	2,96,93,70,439.00	1,35,90,17,471.00

Balance Sheet As on	31st March, 2016	31st March, 2015
ASSETS		
Non-Current Assets		
Fixed Assets		
+ Tangible Assets	72,75,889.00	59,03,211.00
+ Intangible Assets	71,961.00	95,858.00
Non-Current Investments	5,00,000.00	5,00,000.00
Deferred Tax Assets (Net)	2,09,936.00	5,25,390.00
Long-term Loans & Advances	32,76,09,275.00	6,99,65,844.00
Other non-current assets	22,06,28,885.00	9,69,37,820.00
	55,62,95,946.00	17,39,28,123.00
Current Assets		
Current Investments	Rs. 4,64,813.00	-
Cash and Bank Balances	20,56,15,401.00	12,03,43,558.00
Short-term loans & advances	2,18,69,78,072.00	1,04,34,58,392.00
Other Current Assets	2,00,16,207.00	2,12,87,398.00
	2,41,30,74,493.00	1,18,50,89,348.00
Total	2,96,93,70,439.00	1,35,90,17,471.00

PROFIT & LOSS STATEMENT


Statement of Profit & Loss for the Year Ended	31st March, 2016	31st March, 2015
Revenue from Operations	42,31,99,500.00	25,39,26,989.00
Other Income	1,89,45,071.00	1,15,74,135.00
Total Revenue	44,21,44,571.00	26,55,01,124.00
Expenses		
Employee Benefit Expenses	9,41,89,062.00	8,30,95,717.00
Finance Costs	22,37,50,934.00	11,74,22,096.00
Depreciation & Amortisation Expenses	17,24,954.00	17,37,361.00
Provisions and Write-offs	1,77,03,673.00	-
Other Expenses	6,64,51,452.00	4,25,20,849.00
Total Expenses	40,38,20,075.00	24,47,76,023.00

Statement of Profit & Loss for the Year Ended	31st March, 2016	31st March, 2015
Profit before exceptional and extraordinary items and tax	3,83,24,496.00	2,07,25,101.00
Exceptional Items		-
Profit before extraordinary items and tax	3,83,24,496.00	2,07,25,101.00
Extraordinary Items	-	-
Profit Before Tax	3,83,24,496.00	2,07,25,101.00
Tax Expenses		
Current Tax	1,72,08,331.00	66,28,234.00
Deferred Tax	3,15,454.00	-51,126.00
Tax for Earlier Year		31,98,687.00
Total Tax Expenses	1,75,23,785.00	97,75,795.00
Profit for the year	2,08,00,711.00	1,09,49,306.00

EARNING PER EQUITY SHARE		
Basic	0.77	0.40
Diluted	0.77	0.40

For Shankar Saraf & Associates
Chartered Accountants
Firm Membership Number: 325896E

Shankar Saraf
(Partner)

A woman wearing a dark headscarf is looking at a large, draped piece of fabric. The fabric has a wide, intricate white lace border at the bottom. The background is a dark, textured surface.

*When learning is purposeful,
creativity blossoms.
When creativity blossoms,
thinking emanates.
When thinking emanates,
knowledge is fully lit.
When knowledge is lit,
economy flourishes.*

– A.P.J. Abdul Kalam, Indomitable Spirit



VILLAGE FINANCIAL SERVICES PVT. LTD.
AN ISO CERTIFIED MICROFINANCE INSTITUTION

"Village Tower", F-15 Geetanjali Park
18/3A Kumud Ghosal Road, Ariadaha,
Kolkata – 700057, West Bengal, India
P: +91 33 2564 6545/5786
F: + 91 33 2544 3240
W: www.village.net.in

