VFS®

ANNUAL REPORT

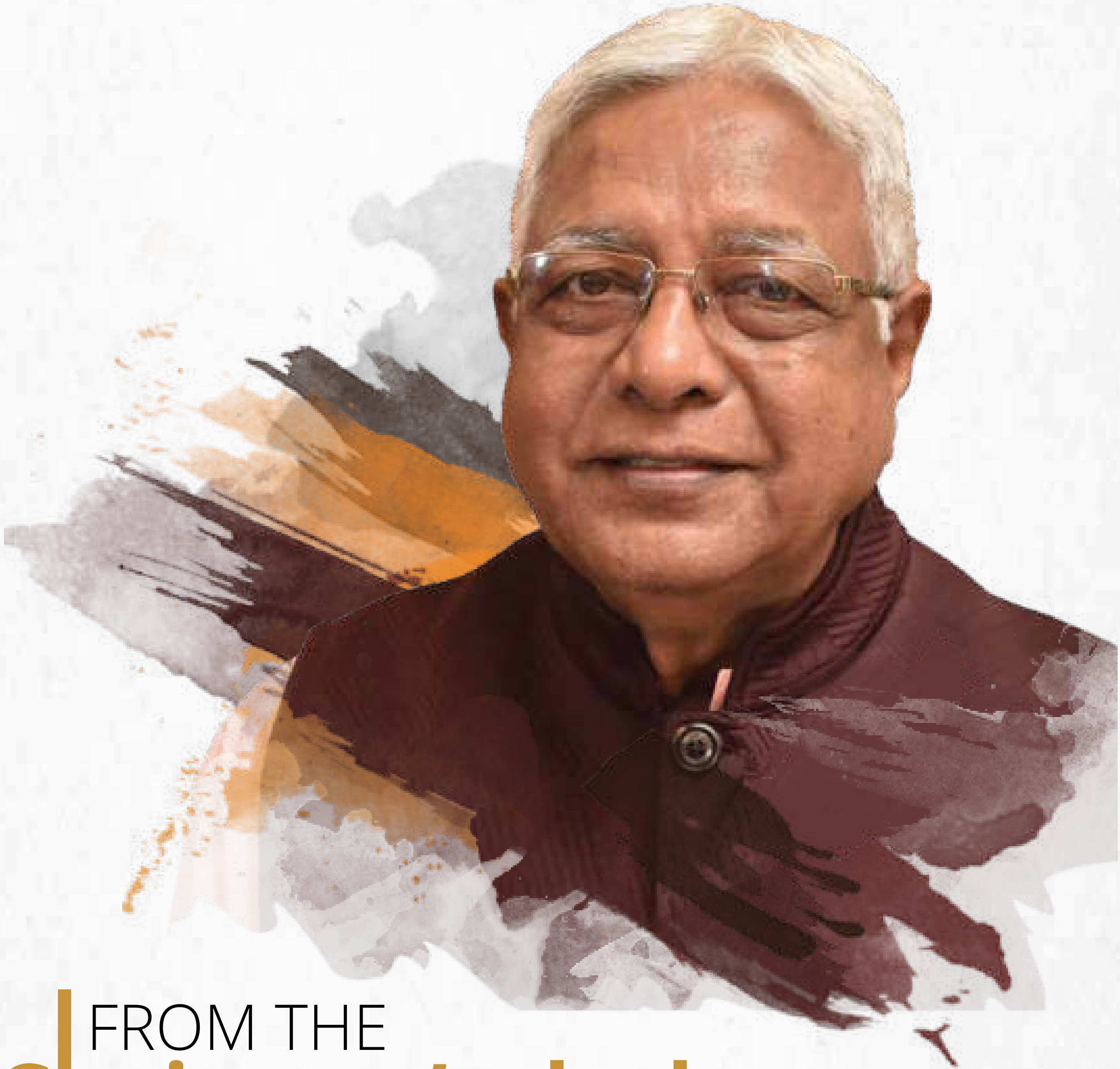
2018 - 2019

THE CHAMPION OF CHANGE

Dr Kuldip Maity, MD & CEO, was adjudged the Champion of Change by the Interactive Forum of Indian Economy for his contribution in financial inclusion which trigerred a broad-spectrum improvement in the 117 ‘Aspirational Districts’.

TABLE OF Contents

VFS®



FROM THE Chairman's desk

Caring for the Environment

Our growth has to be sustainable

As our organization grows, it always makes sense to remind ourselves about why we started our journey. We need to be reminded of the motivation behind our existence in our chosen field to ensure that the original aspiration doesn't fall by the wayside. Our entry into microfinance was inspired by Bangladesh's Grameen Bank and the life and work of its founder Prof. Muhammad Yunus in changing the lives of the poor. We took the microloans route because we thought that it could deliver a sustainable growth strategy for all the stakeholders.

Having set out our mission in microloans, we began our journey in 1996-97 with support from the Rashtriya Mahila Kosh and the Small Industries Development Bank of India and, as the subsequent journey proves, we had, indeed, chosen the right path.

In the next 10 years, the growth as a microfinance business created certain imperatives for the organization to become a non-banking financial company. The Village Financial Services Private Limited was formed as an NBFC in 2006. Today, VFS is one of the most renowned, reputable and leading microfinance institutions in India.

As I sit writing this, it strikes me how inevitable it has been in the context of our aspiration. The journey has not been a cakewalk—it has been tough and full of challenges. We had worked day and night during our initial days and struggled to survive, but I am happy to see that our Managing Director and the entire team is working with the same zeal and inspiration of the initial days but with a new vision of growth built on well-designed and systematic procedures.

To be very honest, being rural social workers in our initial days, we could never imagine the technological advances that we have since made. We started working for the people with a vision of improving the standard of living of poor women, and technology was never a focus for us in the sense it is today.

It was the growth and expansion of our organization that made us gradually realize that technology was going to be a key driver for the next generation and we got down to adopting emerging technologies to make our delivery more efficient. We also realized that this was the only way to improve transparency. Now we are very well connected with our customers in the operational areas with the help of technology.

What sets VFS apart in the microfinance business? Our answer is simple. VFS considers its customers as family. Putting it in a more formal way, our answer would be that VFS strives for the best portfolio quality, and its customer connects, which you may call the human touch, are the best in the industry. The main factors that make us different are:

- customer connect
- social approach
- capacity-building support
- customer-friendly product

We do not want any growth that could come by compromising on our core values or compliance–the very things that define VFS and make people trust us. Let me iterate that VFS is not merely a company. We, along with our customers, are a family that is growing. While financial and social prosperity is our first priority, as the family's elder I would like to remind all that taking care of the environment should also be a priority.

To conclude, we should not forget the growing impact of climate change, especially on the lives of the poor—the section of the populace that is the most vulnerable to vagaries of nature and shifts in weather that affect crops and livelihoods and even their physical existence. The mandate of VFS is to alleviate poverty by helping poor women fund their livelihoods by becoming entrepreneurs with micro-loans.

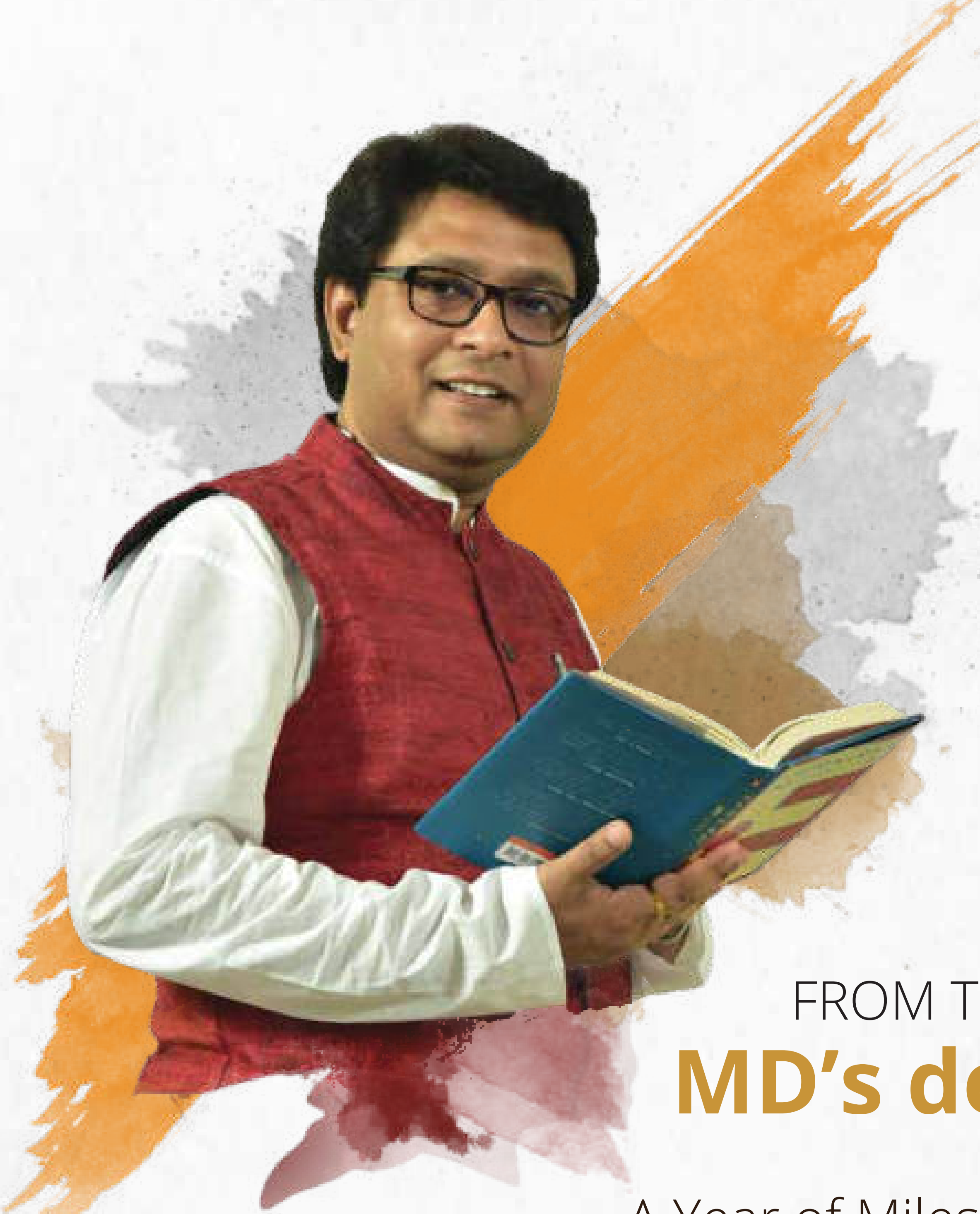
I would, therefore, like to remind everyone about the importance of doing our bit to protect the environment, and trying to offset the effects of global warming, whether by encouraging people to plant trees or otherwise. Yes, growth is important, but it has to be sustainable. And this growth comes not just from revenues and customer numbers. It needs to happen in a sustainable environment. As we head for a customer base of one million, we should not forget to address social issues such as global warming and climate change.

I will, therefore, end by saying:

Care for Nature, and Nature will take care of you in return.

With warm wishes,

Ajit Kumar Maity



FROM THE MD's desk

A Year of Milestones

Rs1000-crore loan portfolio, footprints in 11 states

Last year, we had decided to go for a carefully-crafted strategy of growth, both in terms of customer numbers and geography.

I am happy to report that VFS has been immensely successful in accomplishing this mission. It reached out to people in those pockets in India's hinterland which have not taken part in economic development as yet.

It is a matter of great pride that our loan portfolio has crossed the Rs 1,000-crore milestone in the fiscal year 2019. During the year, we also reached out to a new state—the Abode of the Clouds, Meghalaya. Now we are present in 11 Indian states, serving 4.71 lakh customers through 238 branches and 1,452 employees. We plan to serve one million customers in FY2021.

I take this opportunity to thank everyone in the VFS family—our employees, bankers and institutional lenders, investors, and, above all, our customers—for this achievement. We exist for our customers and we will never deviate from our commitment to serving their financial needs and handholding them to a better life.

It is perhaps not entirely out of place in this context to iterate the basic goal that defines and separates a microfinance institution (MFI) from other financial institutions. The MFIs are not simply a vehicle for lending but they have a larger purpose. As an MFI, we believe in the twin objectives of social commitment to serve the under-privileged customers and, at the same time, operating profitability. This means the task of an MFI doesn't end at merely creating the loan book. It goes beyond that —handholding our customers and making entrepreneurs out of them. The second objective flows from the first and they are intertwined. If a customer is not successful in her business venture, however small it is, she would not be able to service her loan and, in the process, we will end up accumulating bad assets. So, the key to doing well as an MFI is responsible financing and a credit-plus approach.

The so-called double bottom-line implies a responsible delivery of financial services to the poor. The sustainability of the entire chain of MFI operations doesn't start and end with just giving out a loan, making the customer earn and encouraging repayment of the loan. The MFIs are also tasked with helping them become aware of the ecosystem in which they do their business, improving their financial literacy and giving them the knowledge and instinct to survive and sustain their families. In other words, serving as an agent to take them out of the grip of poverty permanently.

I am happy to say that VFS has not only kept in mind its MFI mandate but also continued to add value to the concept of responsible finance. In sync with the government's goals, VFS has already put on the ground initiatives under the Aspirational District Programme in 117 districts in India. The Aspirational District Programme was launched by Honourable Prime Minister of India on January 5, 2018, to rapidly transform the districts that have shown relatively lesser progress in social areas.

As a testimony to the fact that we are on the right track, the Vice-President of India, Shree M. Venkaiah Naidu Ji, conferred the Champion of Change award on VFS. The Interactive Forum of Indian Economy has instituted this award and the awardees were chosen based on what they have done in health and nutrition, education, agriculture, water resources, financial inclusion, skill development and infrastructure. I accepted the award with all humility on behalf of the VFS family.

We are also focused on complete digitalization and going cashless. However, it is being done in phases, keeping in mind the affordability of the process. I am happy to report that our entire disbursement process is now completely cashless. I am confident that we will complete the digitalization process within the timeframe envisaged, in a cost-effective manager. In this context, I must iterate and remind you that technology cannot replace human connectivity. We are in the business of non-collateralized loans. Our relationship with the borrowers is our collateral. So, we will always follow a touch and tech model.

Also, an MFI's task doesn't end with the first cycle of a loan. As a customer prospers and grows so does her need for credit. She continues to look up to us for support in her entrepreneurial journey. Appreciating this transitional cycle and the evolving credit needs of our customers, VFS launched a pilot project on SME credit in the last fiscal year across 20 branches in West Bengal. The pilot, initiated in less than 10 per cent of our branches, has proved its efficacy. We are ready to roll out the programme.

The plan is to increase the coverage of SME loans in phases. In FY2020, we intend to roll out the product across 100 branches in West Bengal and Bihar. The SME loan disbursement target set for the year is Rs 50 crore. Indeed it is small, but the beginning is being made. It is up to us to ramp up the portfolio with right risk management and due diligence.

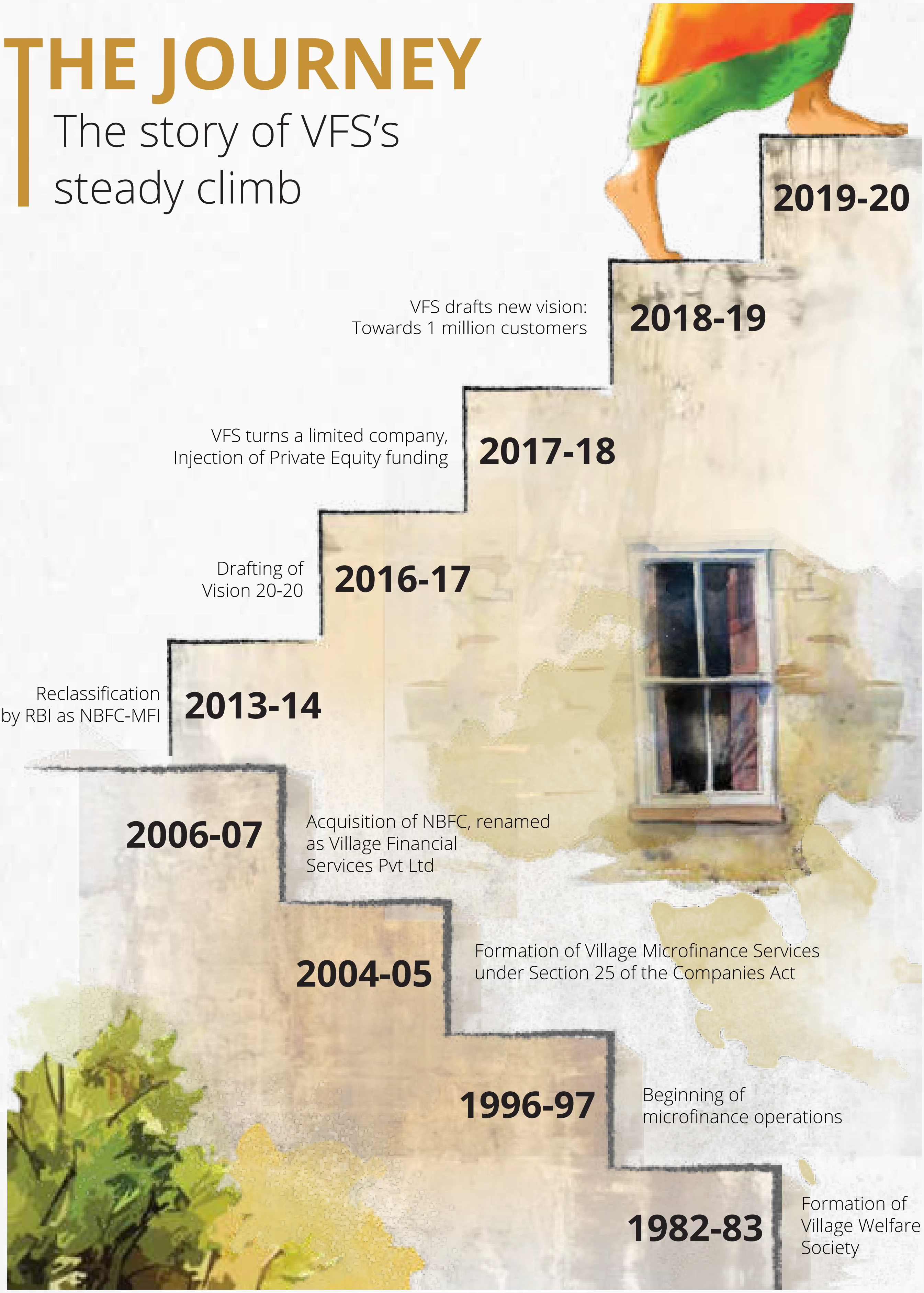
Last but not least, we are committed to creating and spreading financial awareness. Along with providing easy access to credit, we will continue to teach our customers how to utilize their money in the most effective way, how to save and how to spend. We have standardized the financial education initiative and are delivering it through the digital route.

Regards,

Dr. Kuldip Maity

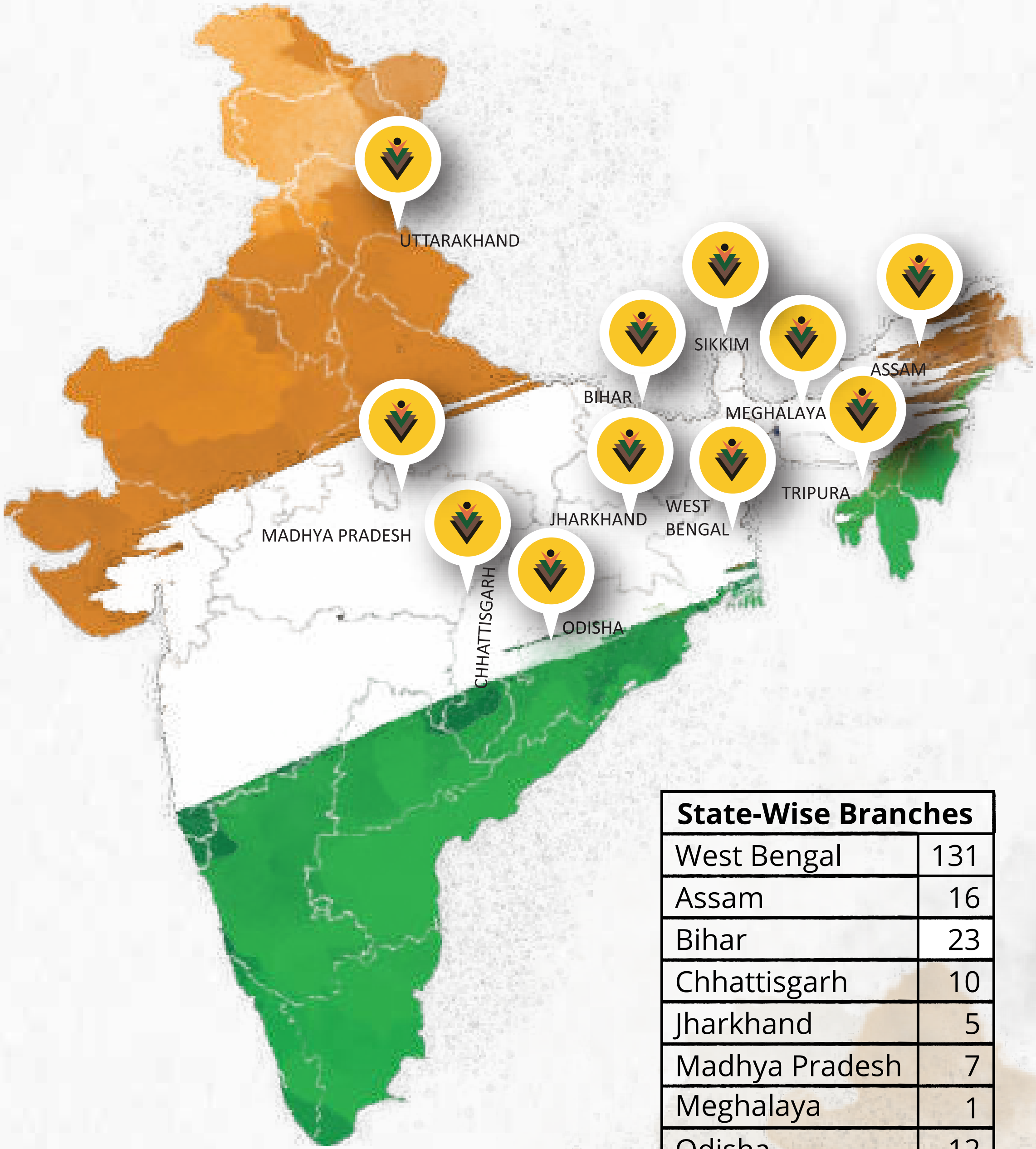
THE JOURNEY

The story of VFS's steady climb



PRESENCE IN INDIA

VFS is now present across
11 states in India



State-Wise Branches	
West Bengal	131
Assam	16
Bihar	23
Chhattisgarh	10
Jharkhand	5
Madhya Pradesh	7
Meghalaya	1
Odisha	12
Sikkim	2
Tripura	26
Uttarakhand	5
Total	**238**

DRIVEN BY the mandate

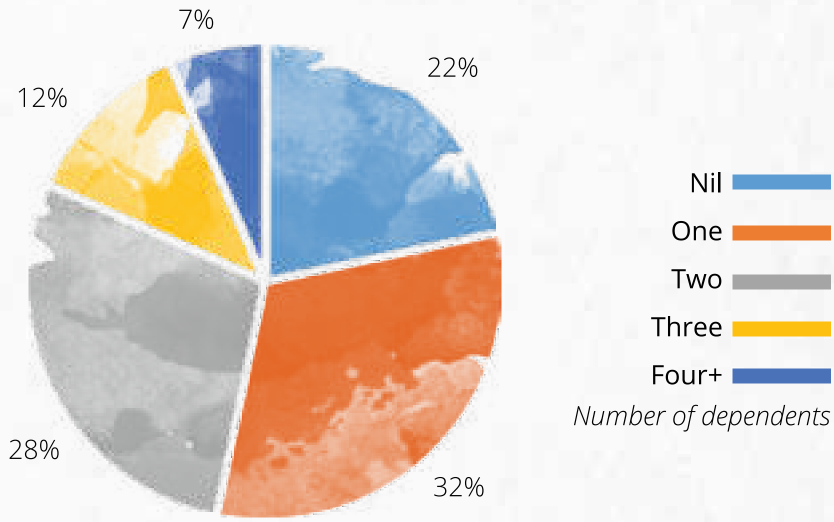
VFS, true to its mandate, is dedicated to a robust engagement with its customers. A subcommittee set up by the Reserve Bank of India, in its report dated January 19, 2011, clearly specifies its understanding of microfinance institutions as a tool for development and poverty alleviation and that is the mandate for the MFIs.

Therefore, for us in VFS, our customers are not just loan-seekers. They are, in a sense, our mandated mission. Every loan engagement for us means tracking a customer's journey through every rupee spent out of the loan. Every loan given out is a trigger to create a trail of prosperity.

In helping the nation in its quest to alleviate poverty, we are focused on women. Handed-down belief and our experience support the proposition that if one empowers women, the whole country is empowered. Besides, women are found to be more responsible when it comes to putting money to use to generate value. Loans from MFIs are seen as tools for capacity creation in the nation's fight against poverty. And women are seen as excellent agents in this act as they not only take great care in ensuring that loans are repaid, but also ensure that a loan is utilized for the purpose it was taken and for no other purpose.

What is even more important to note is that capacity creation is not a static concept. It is dynamic in its requirement to create sustainability. Women are found not only to be involved as agents in capacity creation, but they prefer to do so in a manner that tends to empower the next generation and dependents as well. The intergenerational transferability of capacity is the target and meaning of sustainability.

Family Size Analysis



Among our customers, 22 per cent have no dependent, 32 per cent have one dependent (the highest in the cohort), 28 per cent have two, 12 per cent have three and a negligible seven per cent have four dependents.

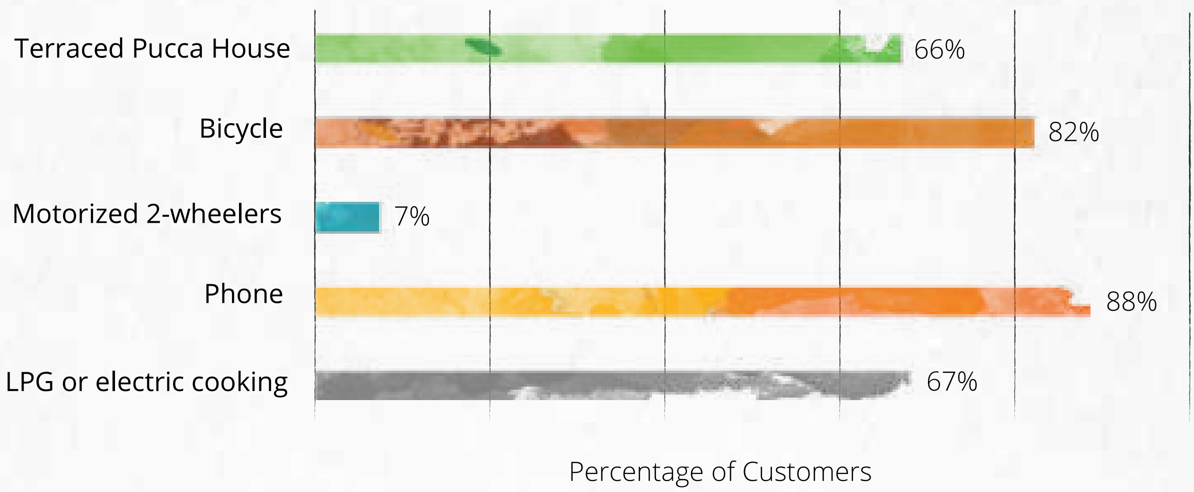
In any disbursed loan situation, if the borrower gets to put the funds to productive use, the direct social benefit accrues to more than one. If the person concerned has even one dependent, it directly gets to benefit more than one: that is the logic on which the entire philosophy of MFI operations works in the context of the development paradigm.

The challenge here is capacity creation. Empowerment involves capacity creation. Our clients are all micro-entrepreneurs. To most of them, their house is their workplace, two-wheelers are their main aspirational modes of transport, electricity and cooking gas are major improvements in lifestyle. Given a situation of this sort, one could easily look at the figures of such facilities owned by them to check the success of our mandated mission.

According to a survey done by us in a sample base of our customers, we found over 66 per cent of our customers now have a terraced house. This has a big implication as this implies that more than half of our customers are part of the prosperity chain and have been able to add to owned capacity, enabling them to create better workplaces for themselves.

The ownership of electricity or LPG connection at 67.48 per cent can be taken as a validator of the density of the terraced-house ownership. Given

Prosperity Indices

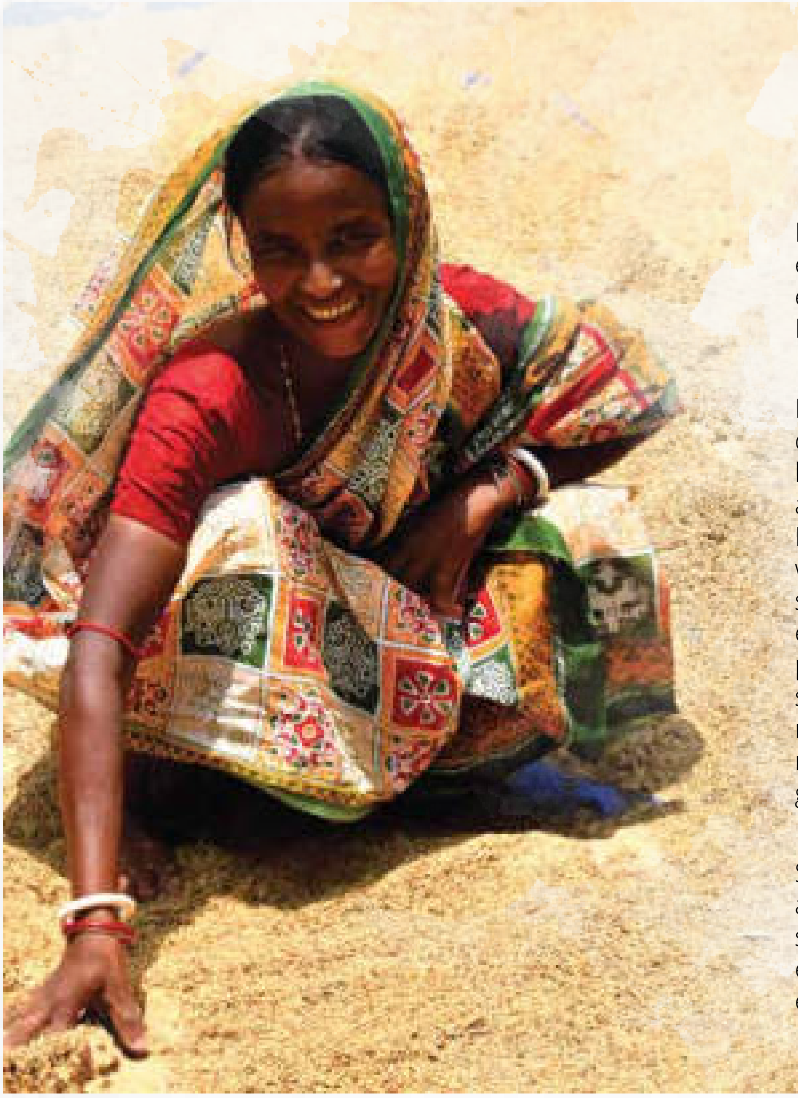


today's lifestyle and the government's focus on reaching out to the last mile with both LPG and electricity connection, it can safely be assumed that there is near-saturated accessibility to both LPG and electricity. The only hindrance in the process of availing oneself of such facilities would be the income of the household concerned. With more than 66 per cent owning a terraced house, it will not be wrong to assume that all 66 per cent of them will have accessed electricity or LPG. With ownership of a terraced house being neither a necessary condition for accessing either, we can see that others who have not reached the level of prosperity to own terraced house have yet prospered enough to use either of two facilities.

Given the fact that more than 82 per cent of our customers have been able to own a bicycle comes also as an endorsement of our efforts. A bicycle is a big facilitator in the micro-enterprise chain as it cuts down on the cost of taking products to the market and also makes them more mobile at a cost that is negligible. Given their income level that defines the floor of the country's prosperity strata, it shouldn't challenge anybody's understanding as to the implication of such ownerships.

What is even more heartening for us is to find that 7.34 per cent have even prospered enough to own motorized two-wheeler vehicles. With nearly 90 per cent of our customers owning mobile phones, we can safely say that we are well placed to take our customers to their next level of prosperity.

The recognition of our work in improving the prosperity of our customers reflects in the fact that we have witnessed a swelling of our customer base by 30 per cent. With 49 per cent of the customer base opting for multiple cycles of loans, the data implies a significant stickiness in customer loyalty to VFS. What is even more satisfying is the fact that 100 per cent of them are women!



Kalpana

Paddy Farmer

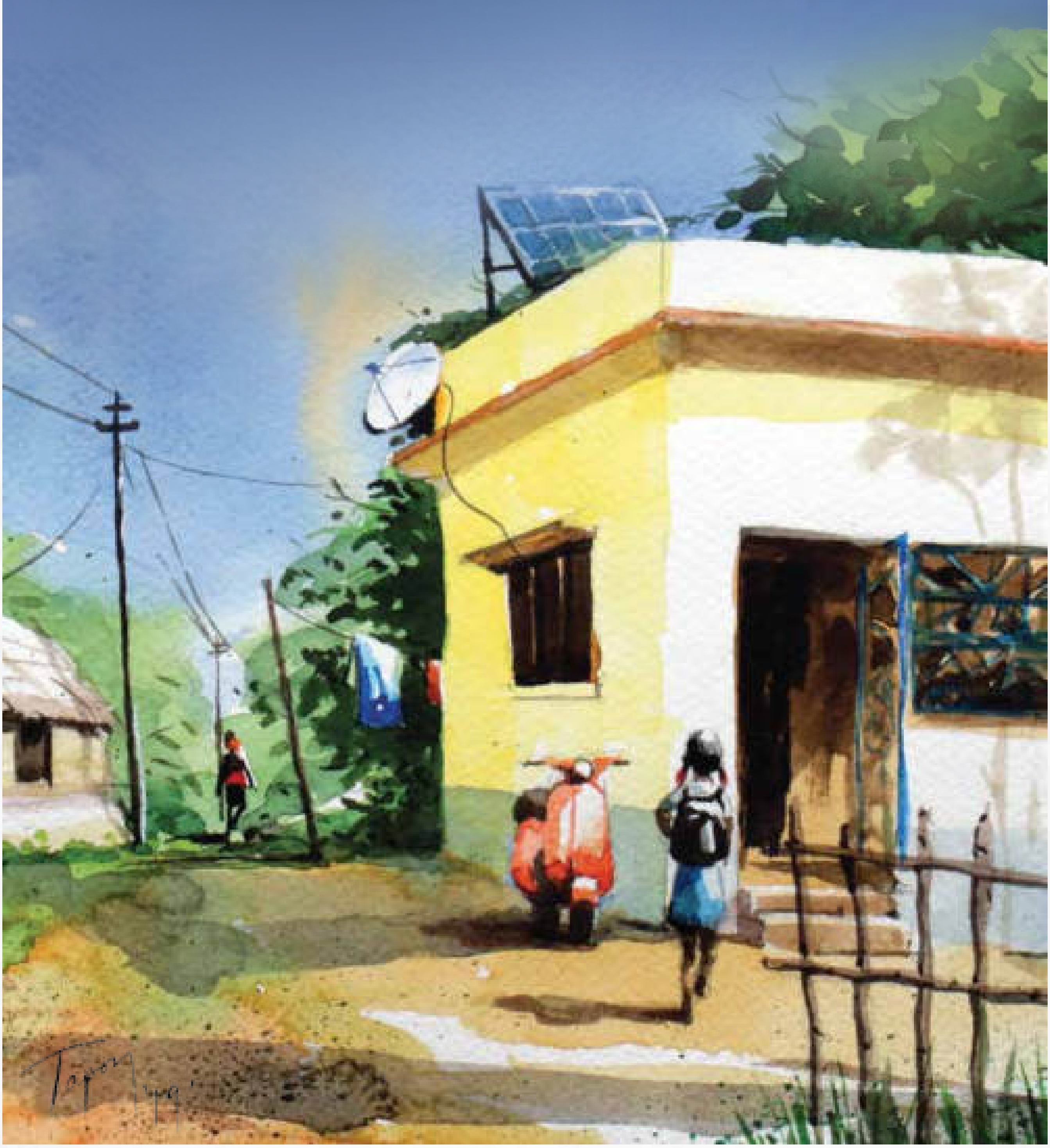
Farmers are the source of sustenance for the entire country. One cannot help but acknowledge their contribution in building this nation. But many of their lives are far from the basic standards of livelihood.

Kalpana had been struggling her entire life due to volatile crop production. Her rice field had often suffered because she could not afford good manure, seeds and fertilizers. During every monsoon, the roof of her hut would give way in a downpour, causing loss of stocks and valuable items. Kalpana had grown exhausted of this vicious cycle of seasonal poverty and prosperity. She yearned for stability, and that's when VFS came to her rescue. With the loan, she funded her farming needs. Once, the rice field started producing a good harvest, she invested the profits in building a concrete house to withstand heavy rain.

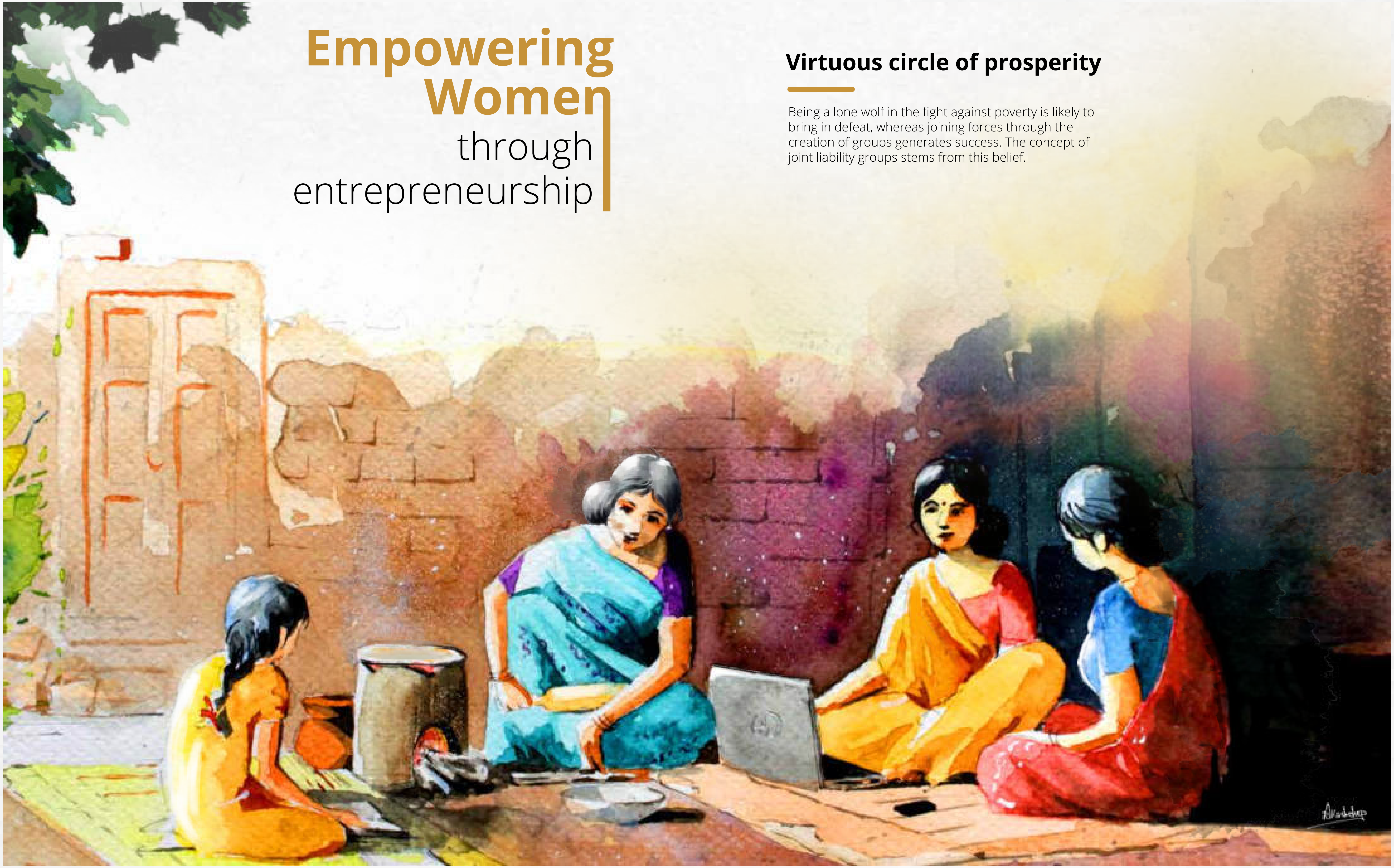
Soon, she was able to put her child in school and make some savings for the future. Today, she acknowledges the fact that she could escape the vicious cycle of poverty and enhance their standard of living only because of VFS.

Building a Future

VFS, with its loans, is creating a base of financially literate customers who are living their dreams sustainably.



Empowering Women through entrepreneurship



Virtuous circle of prosperity

Being a lone wolf in the fight against poverty is likely to bring in defeat, whereas joining forces through the creation of groups generates success. The concept of joint liability groups stems from this belief.

THE CONTRIBUTIONS

Creating a responsible footprint

Microfinance institutions (MFIs) have a more extended and involved operational mandate than other financial institutions. Financial inclusion, which involves the creation of easy access to financial resources by the masses and creation of awareness about how to put the funds to productive use, is a general mandate for all financial institutions. For MFIs, it is the condition for their existence.

Being an MFI, Village Financial Services has never been shy of fulfilling its mandated obligation towards its customers. The origin of the company lies in its commitment to social causes and it's now embedded in the DNA of the organization. If we look at the awareness creation component of the mandate and place it within the perspective that led to its creation, we would realize that the nature of awareness with which VFS is tasked involves the creation of an awareness that is sustainable and can be leveraged creating an aware next generation.

The creation of sustainable awareness is a mandate for creating 360-degree social awareness. So that this may be delivered in an effectively productive way, VFS has embedded the mandate in the job roles of its staff. The staff members working at the ground level with the customers are tasked with the job of handholding the customers—individually and in groups.

The awareness initiative has several layers. While there are structured initiation programmes for new customers in which they are walked through the routine of what is to be done after a loan is disbursed, they are also individually monitored through the entire tenure of the loan. Through the process of group training and individual handholding, VFS delivers its financial inclusion mandate in a highly targeted manner.

Here comes the part that takes us to the next level of customer interaction. In the process of holding hands, we have to deal with the challenges that an individual customer faces. Those challenges are largely social and unless the customers are counseled on those, their productivity will suffer. From the generation of surplus to the reinvestment of the surplus in expanding their capacity, an array of social awareness is involved.

Take for example the issue of literacy. Through the process of turning into micro-entrepreneurs, our customers are made to realize the importance of literacy and education. Filling up forms is not just a matter of learning to sign. It also involves understanding the content of the form, which involves being functionally literate in particular and being literate in general so that the implications of their commitment are properly understood.

Within VFS, the staff job role is seen as to make the task of empowering the customers as routine. The empowerment flows from the mandate of inclusion.

Take another example. As our chairman keeps emphasizing the importance of protecting the environment and planting trees, we have also taken that up as part of the inclusion mandate as it has huge implications for sustainable development.

Our customers are largely rural and semi-rural. Their prosperity is directly linked to the sustained performance of agriculture. For them, therefore, the environment has a huge impact. Riding out the vagaries of nature is a matter of life and death for them

both literally and economically.

We at VFS, therefore, have consciously included generating awareness about the environment and need to protect it in our mandate and it is part of our staff's job role. Planting of trees by involving our customers is our yearly routine and part of our achievement narrative.

Within the organization, VFS is also taking conscious care to minimize the carbon footprint. While 360-degree digitization remains the business focus, a keen eye is being kept in ensuring a consistent decrease of carbon footprint. In accordance with the VFS Green IT Roadmap, during the year, the company has consciously moved a few major workloads to more environmentally friendly infrastructure. Direct disbursements to bank accounts ensure lower environmental footprint and consumption of petroleum-based fuels. These initiatives will be pursued in the forthcoming years to lower CO_2 emissions and reduce energy and paper consumption while increasing efficiency of the collaborative workplace.

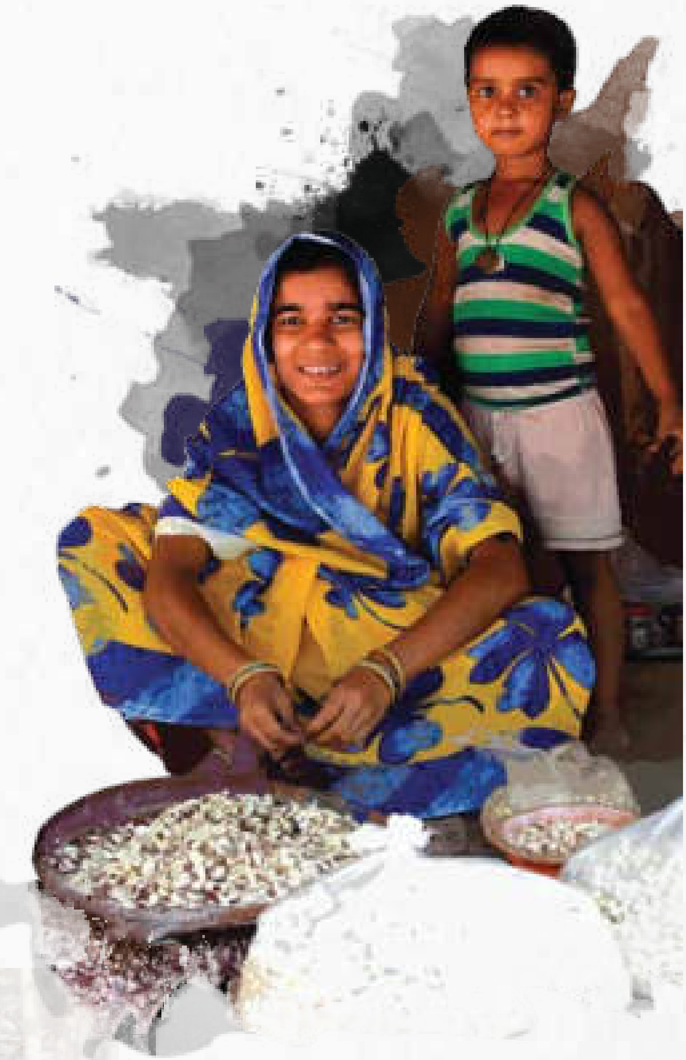
Hasina

Cashew-Nut Processing Unit

When her neighbour started sending their kids to school, Hasina just hoped that her children would also have the same privilege. Married at a young age, 24-year-old Hasina knew that she would have to bring about some drastic changes to accomplish her dream of sending her children to school. She knew that hope always came with a price tag. The cost of supporting her children's education would be high. Hasina was desperate to find a way out.

She came to know of VFS and its loan schemes from the very neighbour who kindled her aspirations to provide her children with proper education and planned to start a business early in her life. With the loan from VFS, she set up a cashew-nut processing unit at her home. As the business grew, she started taking in more stocks and supplied to various retailers.

Now, with the money she earns, Hasina can send her sons to school with new bags and books. Today, she is thankful to VFS for helping her secure the future of her sons.



Kalpana

Betel-Leaf Cultivator

Our long-standing customers are our treasures. Kalpana is one such customer whose association of five years with us has withstood the test of time. Starting as a small betel-leaf cultivator, Kalpana dreamt of a happy prosperous life. Powered with VFS's support, she invested in high-yielding seeds and fertilizers of better quality. Her mettle and endeavours bore brought her success in her business. Soon, she had reconstructed her house and was sending her children to school. Even today, at the age of around fifty, she continues to include us through her journey towards a better life. Today, her lush green betel-leaf orchard stands testimony to the glorious long association

THE VFS PARTNERS AND ASSOCIATES

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

TRAINING
for success

Ensuring financial inclusion for all is a challenge in a country like India with its diverse demography. There is no simple strategy to ensure financial inclusion, but one aspect that needs to be addressed is financial literacy, especially for Indian women, since women are our customers and VFS has the mandate of financial inclusion.

VFS conducts training at two levels: external and internal.

External training

CGT or Continuous Group Training

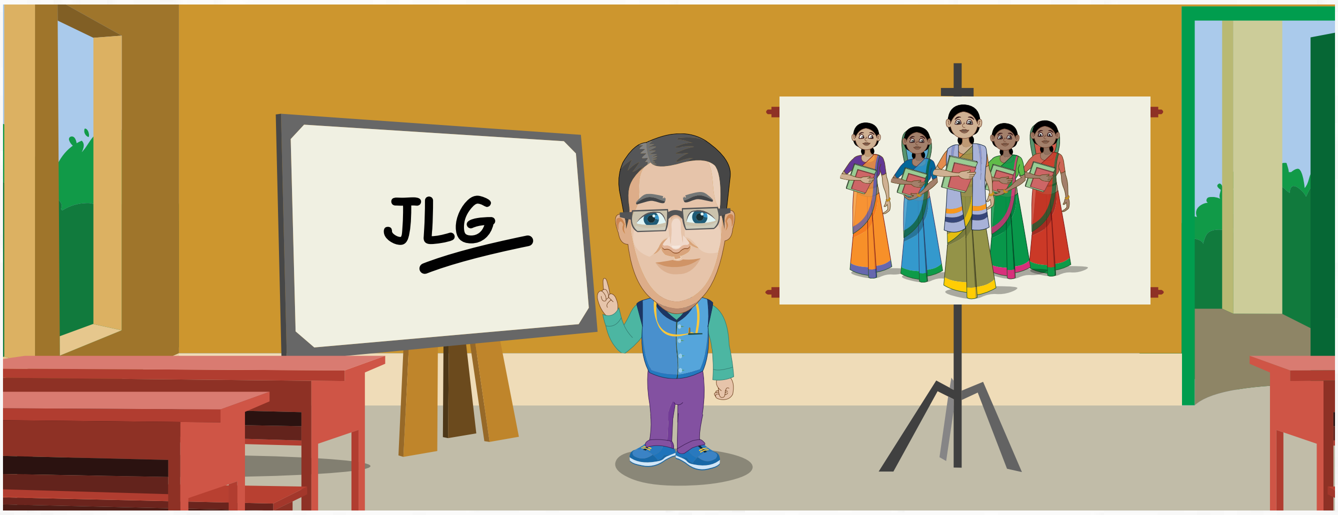
We believe that microfinance as a tool can be implemented to build a strong network over the financial landscape of the country. But it is of crucial importance that all our customers understand clearly the concepts, functions and significance of microfinance and how it works. To build this financial awareness amongst our women-customers, we organize a three-day training engagement, called CGT or Continuous Group Training. At a CGT, we make an audio visual presentation in lucid vernacular verse to establish a crystal-clear concept on microfinance, the JLG model, and the vision and mission of the company. The JLG leaders, as well as others, are informed about their roles, responsibilities and functions. VFS makes sure that the customers are equipped with strategies for optimum loan utilization. Each CGT session ends with a question and answer discussion, and leads us into the GRT or Group Recognition Training.

GRT or Group Recognition Training

The USP of a Joint Liability Group (JLG) is in its mutual undertaking of loan liability by the group members. This feature makes it imperative for our customers and us to have strong background knowledge of the members of the group. The function of the GRT is to run a background check on the customers, test the organizational ability of the group, recommend loan amount and facilitate KYC verification. This last phase of the three-day training establishes an equation of well-formed credibility both with the organization and the group and within the groups. Moreover, the three-day training instills within the customers a sense of belongingness within the group and the organization at large.

CAT or Customer Awareness Training

After loan approval and completion of the JLG formation process, the customers are often made to go through the Customer Awareness Training or CAT. The significance of this is to keep our customers updated about the field operations, issues regarding loan utilization and over-lending. Organizing CAT sessions from time-to-time helps VFS to keep tabs on the customers and keep them in touch.



Internal Training

VFS strives to foster a dynamic work atmosphere within its organization to keep pace with the varying economic scenarios. The internal training helps our employees to be on the same wavelength as the company. This also keeps the employee base loyal and committed to the organization's mission and vision. The training of the Customer Service Representatives (CSR), Operation Executives (OEX) and Branch Managers (BM) is an investment for a sustainable future of the company.

Induction Training

The mandatory induction training for every new CSR and OEX helps them to understand the company's policy, organizational objectives, vision, mission, general terms and conditions, rules and regulations.

On-the-Job Training

On-the-Job training is crucial for our recruits as hands-on training gives them a close view of real life at work. One special mention of this on-the-job training is the stratagem of "Each One- Teach One". Here, each trainee is posted under the mentorship of a senior officer for training and guidance in their respective fields.

Post-Induction Training

After successful completion of the on the job training, every CSR and OEX is sent for the Post-Induction Training, which gives them in-depth knowledge of the company's workings, products and processes, and the organizational hierarchy. This training also refreshes the Induction training course.

Refresher Training

Every six months, category-wise refresher training is conducted to keep the field staff abreast of the developmental changes in the company and to upgrade individual skill-sets. The refresher training is conducted based on a Training Need Analysis or TNA. The most significant aspect of this training is that it keeps our wide network of field staff well regulated and efficiently managed.

Special Training (Skill Specific)

The skill-specific special training is conducted based on requirements such as the introduction of a new product.

THE WALL OF TESTAMENTS

VFS achievements get recognised again — in print and on the victory stand

JANPATH SAMACHAR

Political & Business Daily

Banking Frontiers

THE HIMALAYAN MIRROR

Jadeed Bharat

Dipali

Shell Artisan

English dramatist George Bernard Shaw once wrote, "Happy is the man who can make a living by his hobby".

For Dipali, this can come true to its core. Shells have been a thing of wonder for her. As her hobby, she used to collect shells to make pieces of jewellery. Later, she started selling them and this gave way in converting her passion to a venture. Fortunately, VFS spotted the artistic talent in her and decided to financially support her.

With the loan, Dipali sourced shells of varied designs and diversified her craft into sculptures as well. With the rising demand, she started shipping her handicrafts to different parts of the country. The income helped her to renovate her house and boost her entrepreneurial spirit. One day she also hopes to avail herself of the affordable housing loan from VFS to build extensions to her house.

For Dipali, her journey towards prosperity has been no short of a dream.

Seuli

Lapidarist

India is a land with stories of 'jugaad' peeking through some obscure by-lanes or behind creaking doorways. If one manages to go further, one may find glints of ambition brightening up gloomy corners. When VFS turned to one such by-lane, pushing past a doorway, it discovered a woman embodying the spirit of dedication, talent and ambition.

Seuli dedicated her life's mission to her children's bright future. Her training was that of a master craftsman, specializing in cutting and polishing gemstones. When she decided to become an entrepreneur, Seuli's husband started sourcing precious and semi-precious gemstones for cutting and polishing and transporting the finished products back again.

With VFS's financial support, Seuli opened a small processing unit and employed two women from her village. With the business growing, Seuli employed more women. Seuli's determination has proved to be a blessing for the entire household, with her children now in school and others getting a basic livelihood.

THE GUIDING GRID
What defines VFS

Commitment

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

Integrity

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

Social responsibility

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

Transparency

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

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

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

PRODUCT portfolio and process

Through the year, VFS kept steady on its roadmap of achieving growth with no compromise on compliance. An SME loan, after its successful pilot, is planned as a new product in our portfolio. This will help our aspirational customers whose businesses have steadily grown over the past few years and now have credit needs that are beyond the limits of microfinance. We want to stay a partner in their journey with the help of the SME loans.

We have introduced a stringent loan approval and disbursement process and follow it strictly. While more of the process has been automated with technology, we ensure that that we do not lose our connection with customers at the field level.

Touch with Tech has been our motto while driving operational efficiency.

Briddhi and Sri Briddhi maintained their usual growth in the customer segment of credit requirements up to Rs 30,000 and Rs 1,00,000 respectively.

As we get into another financial year, we also plan to introduce products to cater to the fast-changing business environment in the country. But, irrespective of the product definition, our focus will continue to be on the alleviation of poverty in rural India through the empowerment of women entrepreneurs.

Name of Product	Briddhi Loan	Sri Briddhi Loan	SME Loan
Clientele (group, individual)	JLG member	JLG member	Individual Loan
Purpose	Income generating activities	Income generating activities	MSME/SME
Age limit	18-55 years	18-55 years	18-55 years
Loan Size	Up to Rs 30,000	Up to Rs 1,00,000	Rs 50,000-3,00,000
Loan tenure	12 months	24 months	24 months

Identifying customers — The CSR conducts field visits to source customers.

Check of original KYC details — A preliminary check is carried out to evaluate the customer's credit history.

Is the check positive? → No → Reject

Yes

Continuous Group Training

Send documents to branch

BM/OEx. collate documents

Upon receiving all the necessary documents the branch manager and/or the OEx. makes the necessary entries in the system and send the loan appraisal to the CPC.

Send to CPC

CPC to cross check

The CPC checks all documents and tallies customer details with the credit bureau report.

Is the check positive? → No → Reject

Yes

CPC (CPC head) approves loan — The CPC sanctions the loan of appropriate loan amount.

NEFT/ Disbursement

THE VFS CORPORATE GOVERNANCE

VFS is guided by a highly-regarded Board of Directors with varied and rich industry experience

Mr Ajit Kumar Maity
Chairman

Mr Ajit Kumar Maity is the Chairman of our Board. He was one of the first to think of deploying microfinance to alleviate poverty in eastern India when he started providing micro-credit under the banner of Village Welfare Society. His noble vision of empowering the rural women towards an economically self-sufficient future has been our mission since inception. As an entrepreneur, he has nurtured VFS to make it a catalyst in bringing about social and economic development in the lives touched. Being the founder of several associations and welfare societies, he stays focused towards the improvement of the lives of the economically weaker segment of the society.

Dr Kuldip Maity
Managing Director and Chief Executive Officer

Dr Kuldip Maity is the managing director and chief executive officer of our company. As the co-founder, his passion and motivation have driven VFS's motto of financial inclusion by empowering women. His groundbreaking contribution in the aspirational districts earned him The Champion of Change national award in 2018. For the last two decades, he has been engaged in promoting a holistic outlook for the welfare of society. The recipient of numerous national and international accolades, Dr Maity is recognized for his leadership to VFS and its growth. His youthful energy and directions have been crucial to the way VFS has adopted technology in its operations without losing its customer connect.

Dr Sankar Datta
Independent Director

Dr Sankar Datta is an independent director of the VFS Board. He has over three decades of experience in developing value-chains for the economically deprived at the grassroots, especially through micro-financing. Apart from being on the Board of VFS, he is at present engaged at different roles with the World Bank, BASIX, TISS, IRMA, XIMB and the Chhattisgarh Planning Commission's Standing Committee on Poverty. With a career combining academics, policy-making and operational implementation of social initiatives, he brings in an extensive knowledge of rural and agriculture economics, which is of the utmost value for us.

Dr Tapan Kumar Mukhopadhyay
Independent Director

Dr Tapan Kumar Mukhopadhyay is an independent director on our Board. After an illustrious career spanning around four decades, he retired around 2009 as the chief general manager and country head of IDBI Bank. In his tenure of 30 years in IDBI, he served as nominee director in several corporate and government entities. He also serves on the boards of several other financial and non-financial organizations providing them guidance for success. Being a successful and experienced administrator, Dr Mukhopadhyay has been an invaluable asset and a reliable source of strength for Village Financial Services.

Mr A. Ramanathan
Independent Director

Mr A. Ramanathan is an independent director on our Board. With extensive experience in rural financial solutions especially microfinance, Mr Ramanathan has been a key policymaker for Village Financial Services. As the chief general manager of NABARD, he had overseen the SHG-Bank Linkage Programme, the largest microfinance programme in the world. Apart from his long association with NABARD, he had also played a pivotal role in formulating strategies and also has several publications around rural banking, financial inclusion, social banking, etc. He serves on the boards of several financial institutions. His vast expertise in formulating strategies has always been crucial for us.

Ms Jayshree Vyas
Independent Director

A qualified chartered accountant, Ms Jayshree Vyas started her professional journey as a financial analyst for Central Bank of India. She took over the role of Managing Director at Shri Mahila Sewa Sahakari Bank Ltd in 1986. There she pioneered several initiatives including SHGs, financial literacy, lifecycle financial management, integrated micro insurance and micro pension, to name a few. Recently, she became the first appointed independent woman director of BSE. Her active involvement as trustee and director in several organizations added with her enthusiasm in promoting the cause of the rural Indian women is a valuable asset to VFS.

The board also has two representatives from the institutional investors.

TERMS of Reference

Audit Committee

The Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include:

a) Recommend the appointment, remuneration and terms of appointment of auditors of the company.

b) Review and monitor the auditor's independence and performance, and effectiveness of the audit process.

c) Examine the financial statement and the auditors' report thereon.

d) Approve any subsequent modification of transactions of the company with related parties; provided that the Committee may make omnibus approval for related-party transactions proposed to be entered into by the company subject to such conditions as may be prescribed in the Act.

e) Scrutinize inter-corporate loans and investments.

f) Valuation of undertakings or assets of the company, wherever it is necessary.

g) Evaluate internal financial controls and risk management systems.

h) Monitor the end-use of funds raised through public offers and related matters.

i) Ensure that an Information System Audit of internal systems and processes is conducted at least once in two years to assess operational risks faced by NBFCs.

j) Review the functioning of the whistle-blower mechanism.

k) Monitor and review the risk management plan.

l) Review, take strategic actions to mitigate the integrated risk associated with the nature of the business.

m) Appraise the Board of Directors at regular intervals regarding the process of putting in place a progressive risk management system, risk management policy and strategy.

n) Lay down the procedure to inform Board members about the risk assessment and minimization procedures.

o)To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws.

Nomination & Remuneration Committee

a) To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down.

b) To recommend to the Board appointment and removal of Directors and Senior Management.

c) To specify the manner for effective evaluation of the performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.

d) To formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.

While formulating the policy to ensure that—

a) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully.

b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

c) Remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short- and long-term performance objectives appropriate to the working of the company and its goals.

d) Provided that such policy shall be placed on the website of the company, if any, and the salient features of the policy and changes therein, if any, along with the web address of the policy, if any, shall be disclosed in the Board's report.

e) To ensure 'fit and proper' credentials of proposed/ existing Directors.

f) To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws.

Compliance Process

Ensuring compliance of all laws and regulations applicable to the company.

Ensuring that decisions of the Board of Directors are implemented.

Framing Company policies and ensuring their implementation and compliance.

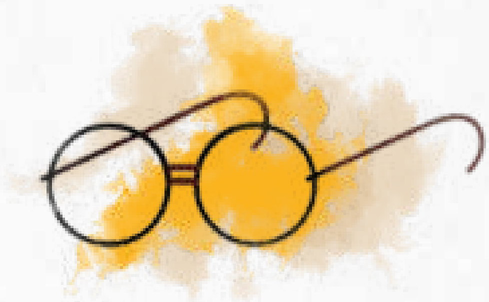
Advising on business ethics and promoting corporate governance.

Organizing board meetings and AGMs, including preparing agendas and taking minutes, and advising the Chairman on matters of governance.

Acting as a link between the Board and the management internally, and with investors and government as external coordinators.

THE AUDIT SYSTEMS
Keeping a close watch on all activities

The Internal Audit Department is responsible for conducting periodic audits, surprise verification and need-based inspection of branches based on verification of books, field visit and interaction with the branch staff as well as customers. The internal auditors carry out their job in a focused manner by directing their efforts in the areas where there is high risk, thereby enhancing the overall efficiency of the process and adding greater value with the same set of resources.



1. Regular Audit

Every branch is audited once in each quarter and the report is submitted to the top management within three days of completion of audit.

2. Regular Branch Audit (Back-Office Audit)

The scope of the back-office audit includes inspection of documentation, an audit of the books of accounts, verification of vouchers etc., maintenance of books and records, system records and monitoring of compliance with the organization's policy and procedures.

3. Field Audit

Internal Audit plays a key role in protecting against fraud at the branch level. Our branches handle a large number of clients as well as a large amount of funds. So, two principles are paramount:

i) The use of preventive measures to reduce fraud, and

ii) The importance of client visit to verify branch records. Internal auditors verify the customers' passbooks and loan utilization, do sample checks of group formation process and collection procedure, meet individual borrowers to know about the quality of services provided by the branch or branch staff and find out customers' grievances if any.

4. Preventive Audit

Fraud prevention is built in the design of operational policies and procedures and then tested and checked through internal audit. VFS takes the following (preventive) measures to prevent fraud.

a) Verification of KYC documents

b) Compulsory address verification

c) Joint liability group policy

d) Procedures of CGT, GRT & LRT

e) Loan sanction process

f) Loan disbursement system

g) Recovery system

h) Record keeping system

i) Computerized system

j) Loan utilization checking

k) Customer passbook checking, etc.

5. Transaction Audit

- Verification of assets
- Verification of stocks

- Verification of cash/bank transaction in detail
- Analysis of entries from software and other registers and vouchers
- Analysis of report from software
- Analysis of report and their evaluation from manual vouchers

6. Special Audit

Internal Audit also conducts a special audit based on special information/ complaint received. If major issues are found during such an audit, a rigorous audit of the respective CSR's/ Branch portfolio is undertaken.

7. Audit Planning

Every financial year, the Internal Audit Department submits a detailed internal audit plan to the top management for their approval.

8. Periodicity of Audits

Each branch is audited at least once in a quarter. There is a rotation policy for the auditors. An auditor is not allowed to audit the same branch two times consecutively or audit the same branch more than twice a year. Each branch is visited for a minimum of three or four days in a quarter depending upon the business volumes. Each branch is audited four times within a year. At the time of an audit, audit report (observation report) is submitted to the branches/ ADMs/ CRMs/ DCRMs/ Operation Head and Internal Audit Manager within three days. Later, the residual issues are answered/complied with, within a time frame, say, ten days, by the branch. The audit department follows up with the non-compliance report. Major findings of the report are submitted to the top management every week in the SMT Meeting.

9. Quarterly Progress Report

A quarterly progress report is also submitted to the management. The quarterly progress report shows the number of branches audited in a quarter and performance of branch in terms of customer, defaults, borrowers and net profitability. Major findings and summary report are also submitted to the authority.

10. Closure of the Internal Audit Report

Findings of the audit are discussed with the Branch Manager and minor discrepancies are rectified during audit with the permission of departmental head concerned and the manager for internal audit. The internal auditors prepare a detailed finding report and submit it to the Manager, internal audit. The branch is instructed to rectify the findings of the audit within ten days and close the entire report within a fortnight. Any report whose findings have not been complied with is carried over to the next audit. A branch may require special permission of the authority concerned to close an audit finding.

11. Evaluation

Each branch is graded according to its performance as A/B/C and D in line with a specified format and the data is analyzed. 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 based on the report.

12. Detection and reporting of frauds

If any staff related or customer-related fraud is detected by the internal audit team or from another source, it is immediately reported to the top management. Internal audit department sends a team for further investigation and a detailed report is sent to the Managing Director and all the departmental heads concerned for immediate action. The report is analyzed in detailed and suitable corrective and preventive actions are taken.

Sabitri

Poultry Owner

Some addictions are good. For Sabitri, entrepreneurship is such an addiction.

She and her husband had been working in poultry farms for others for a long time. With the experience, they decided to set up a poultry farm of their own. But where would they get the strong financial backing to invest in their dream? After a long quest, they came upon VFS's loan offerings. VFS, too, saw the spark of an entrepreneurial spirit in her. After the loan was sanctioned, she built a poultry farm with her husband and embarked on the steady road towards prosperity.

As the loan cycles progressed, she grew her business extensively and established different types of poultry farming such as Broiler and Hatchery. They invested in a motorcycle to deliver poultry products to local restaurants and eateries. Sabitri's desire for expansion has been so addictive that she hopes to grow her business through VFS's SME loans, when her need for capital grows beyond the limits of microfinance.

Utpala

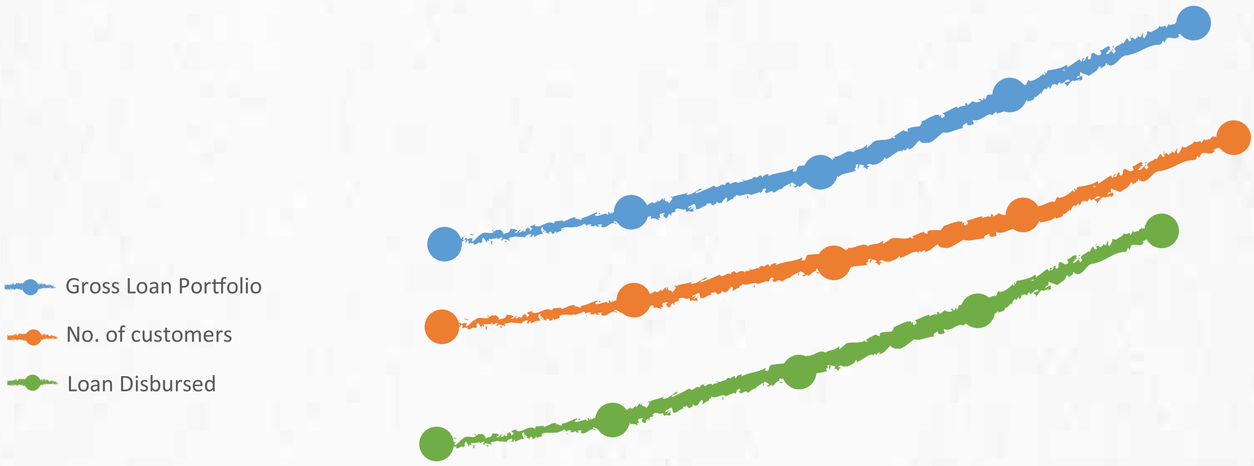
Nursery Owner

Even today, when one thinks of successors and heirs, the focus remains on sons. But Utpala's story is a breath of fresh air in this stereotype-ridden society. It was her zeal and business acumen that prompted her father-in-law to choose her when passing on the baton of the family's flower-nursery business. The same qualities got her VFS's financial backing, helping her grow much beyond her family's expectations.

Today, her lush green nursery with blooming sunflower and hibiscus has brightened her sons' future and ensured a better life for the whole family. Now, she is the principal breadwinner of her household and the prudent matriarch of the family.

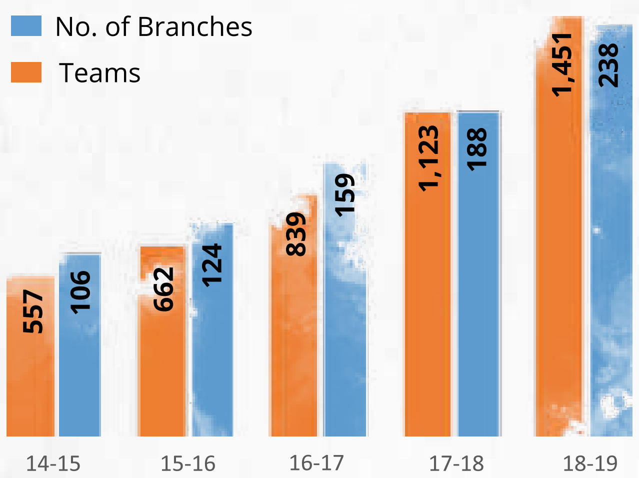
On the business front, she plans to expand her nursery with support from VFS, and employ more women in her village.

KEY METRICS
Quantitative Parameters of Performance

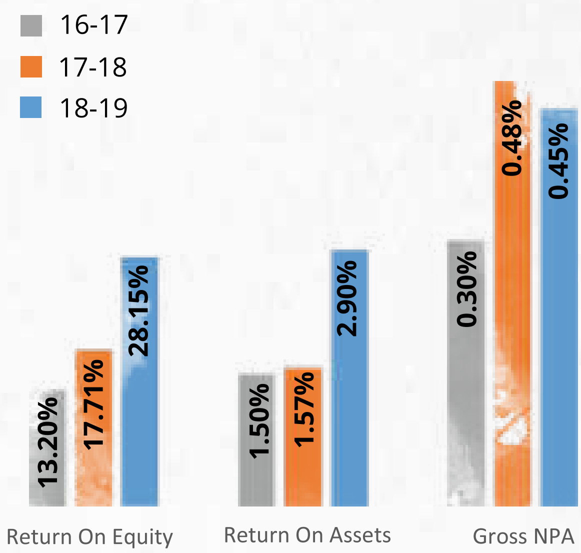


	14-15	15-16	16-17	17-18	18-19
Gross Loan Portfolio (Rs crore)	110.52	250.25	413.29	738.83	**1,053.16**
No. of customers	136,839	186,591	256,057	338,789	**475,288**
Loan Disbursed (Rs crore)	155.13	321.27	590.04	938.87	**1,395.33**

VFS Branches & Teams



Performance Indices



DIGITAL IS THE KEYWORD

The spread of digital technology has created new opportunities for empowering underprivileged women of rural India

Madhumita

Business of Decorative Items

The perks of big fat Indian weddings are that it gives rise to diverse business opportunities. Madhumita's story is one such instance. Her event decorations hand-crafted out of dried flowers and twigs give a wedding venue a makeover in aesthetic and visual appeal.

With VFS's financial support she has created a new livelihood for 30-odd women of her village. A determined and innovative Madhumita now caters to customers from major cities such as Kolkata, Delhi and Mumbai. As her business has grown, she has transformed her humble thatched house into a pucca house with a concrete roof. Now, with a new factory, Madhumita is emerging as a rising entrepreneur. We are hopeful that she will expand beyond the limits of microfinance and start availing herself of SME loans for future growth.

Farzana

Handbag Manufacturer

Like many of her ilk, life had been a trail of severe hardships and roadblocks for Farzana. She had to fight a fierce battle to make ends meet for her family of five. As a shop floor staff of a handbag manufacturing unit, Farzana hoped to become a manufacturer herself. But with one sewing machine, the dream was far away from realization.

The watershed moment came when VFS noticed an entrepreneurial spirit in her and decided to support her. Farzana's days of prosperity began as she set up a handbag manufacturing unit in her own house. With her sharp business acumen, she expanded her business, moving from one sewing machine to five. Today, she is a proud owner of a new factory equipped with a high-powered automatic sewing machine. Her beautiful handbags have created a pull among women. We look forward to seeing her grow bigger, with the VFS support going beyond the limits of microfinance to SME loans.

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, 2019.

A summary of the financial results for the year 2018-19, as compared to the previous year, is given below:

Financial Results

(In Rs crore)

Particulars	FY 2018-19	FY 2017-18
Total Revenue	193.81	115.88
Less: Total Expenses	155.32	100.70
Profit before tax	38.49	15.18
Less: Provision for Tax	9.27	5.82
Profit for the year	**29.23**	**9.36**
Add: Surplus brought forward	13.37	6.35
	42.59	**15.71**
Less: Capitalization for issue of Bonus Share	-	--
Amount available for appropriation	-	--
Less: Appropriations:	-	--
Transfer to Statutory Reserve*	*5.84	*1.87
Transfer to General Reserve	1.46	0.47
Closing Balance-Surplus	**35.29**	**13.37**

*An amount of Rs 5.84 crore (previous year Rs 1.87 crore) was transferred to Statutory Reserve Fund pursuant to section 45-IC of the Reserve Bank of India Act, 1934.

Company's Operation Highlights

The following table summarizes the operational performance of the Company for the year ended March 31, 2019:

Year ended 31st March	2019	2018
Number of working states	11	10
Number of working districts	74	56
Number of branches	238	188
Number of borrowers	4,74,879	3,34,369
Amount disbursed (in Rs crore)	1,126.02	938.87
Loan outstanding (in Rs crore)	1,057.12	740.33

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, and adequate IT infrastructure commensurate with the scale of operations.

Income grew by 40.21 per cent y-o-y to Rs 193.81 crore during the financial year under review. Your Company, for the first time in its history, has crossed the benchmark of Rs 1000 crore. As such, there has been significant increase in loan portfolio (rising from Rs 740.33 crore as on March 31, 2018, to Rs 1057.12 crore as on March 31, 2019). During the financial year under review, return on average assets increased to 2.84 per cent (on gross book) from 1.72 per cent in the previous financial year. Return on average equity increased to 27.93 per cent during the financial year under review.

All these cumulative factors led to an increase in net profit after tax from Rs 9.36 crore in the previous financial year to Rs 29.23 crore during the current financial year under review, an increase of 212 per cent.

Dividend

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

Share Capital

Increase in authorized share capital

During the FY under review, Your Company had increased its equity part of the authorized share capital from Rs 57 crore consisting of 5,70,00,000 equity shares of face value of Rs 10/- each to Rs 77 crore consisting of 7,70,00,000 equity shares of face value of Rs 10/- each.

Allotment of shares

During the FY under review, your Company had allotted 31,25,000 number of equity shares of Rs 10/- each, at a premium of Rs 38/- each, on preferential basis/private placement basis to Capital First, which later merged with IDFC Bank to form IDFC First Bank.

As on March 31, 2019, the paid–up share capital of the Company was Rs 44,47,30,200/- consisting of 4,44,73,020 equity shares of face value of Rs 10/- each fully paid–up.

RBI Guidelines

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

With the asset size of your Company exceeding Rs 500 crore, your Company is 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 Sa-Dhan—follows the Code of Conduct as prescribed by these SROs. Your Company also complies with 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 18.83 per cent as at March 31, 2019, as against the minimum regulatory requirement of 15 per cent for non-deposit accepting NBFCs.

Your Company had outstanding secured and unsecured borrowings of Rs 775.55 crore at the end of financial year 2018-19.

Ratings

The Brickwork Ratings India Pvt. Ltd. (SEBI Registered, RBI accredited, NSIC empanelled), a rating agency, has on May 11, 2018, (valid up to: May 10, 2019) assigned rating for the facilities availed of by the Company, details of which are given below:

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

Acuite Ratings & Research, has on March 22, 2019, assigned Comprehensive MFI Grading – MIC2 (valid up to: March 20, 2020).

Corporate Social Responsibility

Your Company's Corporate Social Responsibility activities are guided and monitored by its CSR Committee.

The CSR Policy of the Company provides a broad set of guidelines including intervention areas.

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

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.

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

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

Directors and Key Managerial Personnel

Directors

In accordance with the provisions of Section 152(6) of the Companies Act, 2013 (Act), not less than two-thirds of the total number of Directors of a public company, excluding Independent Directors and other non-rotational Directors, shall be liable to retire by rotation of which at least one-thirds shall retire at every Annual General Meeting and may be reappointed by the Company. The retiring Directors shall be those who have been longest in office since their last appointment. Your Company being now converted into a public limited company, Mr Ajit Kumar Maity, director of the Company (DIN: 00250806), liable to retire by rotation, has offered himself for re-appointment in the ensuing Annual General Meeting.

During the financial year under review, on the recommendations of Nomination and Remuneration Committee, your Company in the Extra Ordinary General Meeting held on December 10, 2018, appointed Ms Jayshree Ashwin Kumar Vyas, Non-Executive Director of the Company, as Independent Director, with immediate effect, and Dr Tapan Kumar Mukhopadhyay, Non-Executive Director of the Company, as Independent Director, with immediate effect.

Independent Directors

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

Key Managerial Person

During the year under review, on the recommendations of the Nomination and Remuneration Committee, your Company approved the appointment of Mr Manish Somani as the Chief Financial Officer of the Company with effect from July 20, 2018.

Code of Conduct for Directors and Senior Management Personnel

The Company has in place a board-approved Code of Conduct for Directors and Senior Management Personnel. The Code requires every Board Member and Senior Management Personnel to act within the authority conferred upon them and in the best interests of the Company. Accordingly, all the Directors and Senior Management Personnel have confirmed their compliance with the Code for the financial year ended March 31, 2019.

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 18, 2018, June 11, 2018, July 20, 2018, October 30, 2018, and January 18, 2019. 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 Director	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	3 of 5
4.	Dr Sankar Datta	4 of 5
5.	Ms Jayshree Ashwinkumar Vyas	3 of 5
6.	Mr Ramanathan Annamalai	3 of 5

Committees of the Board

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

NAME OF THE COMMITTEE	COMPOSITION OF COMMITTEE
Audit and Risk Management Committee (Audit & RM)	Dr Sankar Datta (Chairman) Mr Ramanathan Annamalai, Member Dr Kuldip Maity, Member
Nomination and Remuneration Committee	Mr Ramanathan Annamalai (Chairman) Dr Sankar Datta, Member Mr Ajit Kumar Maity, Member
Borrowing Committee	Mr Ajit Kumar Maity (Chairman) Dr Kuldip Maity, Member Mr Manish Somani, Member
Share Allotment Committee	Mr Ajit Kumar Maity (Chairman) Dr Sankar Datta, Member Dr Kuldip Maity, Member
Corporate Social Responsibility Committee	Dr Sankar Datta (Chairman) Dr Tapan Kumar Mukhopadhyay, Member Dr Kuldip Maity, Member
Investment Committee	Dr Kuldip Maity (Chairman) Mr Manish Somani, Member Mr Ashish Kumar Roy, Member
Asset Liability Committee	Dr Kuldip Maity (Chairman) Mr Ashish Kumar Roy, Member Mr Manish Somani, Member
IT Strategy Committee	Ms Jayshree Ashwinkumar Vyas (Chairman) Dr Kuldip Maity, Member Mr Arindam Chakraborty, Member Ms Vaishali Mahapatra, Member

Attendance of Members at the Committee Meetings

Audit and Risk Management Committee

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

Nomination & Remuneration Committee

Sr. No.	Name of Member	No. of Committee Meetings Attended
1.	Mr Ramanathan Annamalai	2 of 3
2.	Mr Ajit Kumar Maity	3 of 3
3.	Dr Sankar Datta	3 of 3

Borrowing Committee

Sr. No.	Name of Member	No. of Committee Meetings Attended
1.	Dr Kuldip Maity	29 of 29
2.	Mr Ajit Kumar Maity	29 of 29
3.	* Mr Manish Somani	23 of 29
4.	** Mr Dipak Kumar Ray	6 of 29

***Mr Dipak Kumar Ray resigned from membership with effect from 20/07/2018*

**Mr Manish Somani was appointed as a member from 20/07/2018.*

Share Allotment Committee

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

Corporate Social Responsibility Committee

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

Investment Committee

Sr. No.	Name of Member	No. of Committee Meetings Attended
1.	Dr Kuldip Maity	1 of 1
2.	Mr Manish Somani	1 of 1
3.	Mr Ashish Kumar Roy	1 of 1

Asset Liability Committee

Sr. No.	Name of Member	No. of Committee Meetings Attended
1.	Dr Kuldip Maity	4 of 4
2.	**Mr Manish Somani	1 of 4
3.	**Mr Ashish Kumar Roy	1 of 4
4.	*Mr Dipak Kumar Ray	3 of 4
5.	*Mr Subhasis Ghosh	3 of 4
6.	*Mr Jitendra Nath Mahato	3 of 4

**Mr Dipak Kumar Ray, Mr Subhasis Ghosh and Mr Jitendra Nath Mahato resigned from membership with effect from 30/10/2018.*

***Mr Manish Somani and Mr Ashish Kumar Roy have been appointed as members with effect from 30/10/2018.*

Borrowing Committee

Sr. No.	Name of Member	No. of Committee Meetings Attended
1.	Ms Jayshree Ashwinkumar Vyas	1 of 1
2.	Dr Kuldip Maity	1 of 1
3.	Mr Arindam Chakraborty	1 of 1
4.	Ms Vaishali Mahapatra	1 of 1

During the Financial Year under review, the Audit and Risk Management Committee met four times (May 18, 2018, July 20, 2018, October 30, 2018 and January 18, 2019), Nomination & Remuneration Committee met three times (May 18, 2018, July 20, 2018 and October 30, 2018), Borrowing Committee met 29 times (20/04/2018, 15/05/2018, 04/06/2018, 07/06/2018, 20/06/2018, 30/06/2018, 20/07/2018, 31/07/2018, 06/08/2018, 16/08/2018, 31/08/2018, 31/08/2018, 06/09/2018, 12/09/2018, 17/09/2018, 26/09/2018, 28/09/2018, 01/11/2018, 23/11/2018, 17/12/2018, 24/12/2018, 28/12/2018, 07/01/2019, 17/01/2019, 20/02/2019, 15/03/2019, 22/03/2019, 28/03/2019 and 29/03/2019.), Corporate Social Responsibility Committee met once (July 20, 2018), Share Allotment Committee met once (July 2, 2018), Investment Committee met once (January 18, 2019), ALCO met four times (17/04/2018, 10/07/2018, 11/10/2018 and 10/01/2019) and IT Strategy Committee met once (18/01/2019).

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

All members of the Audit and 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 May 22, 2018, to answer shareholder queries. Your Company in the year under review held three Extra Ordinary General Meetings—on June 15, 2018, September 19, 2018, and December 10, 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 May 18, 2018, to deal with instances of fraud and mismanagement, if any.

The Whistle-Blower Policy has been placed on the website of the Company.

This vigil mechanism of the Company is overseen by the Audit Committee and provides adequate safeguard against victimization of employees and also provide direct access to the Chairperson of the Audit Committee.

During the year under review, your Company has not received any complaint.

None of the personnel of your Company was denied access to the Audit Committee.

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

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

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

The Policy is also uploaded on the Company's website. Web link: https://village.net.in/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, 2019, the applicable accounting standards read with requirements set out under Schedule III to the Act, have been followed and there are no material departures from the same.

b) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2019, 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 polices 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 and 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 the 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, 2019, stood at 0.44 per cent and 0 per cent respectively.

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 has not given any qualification, reservation or adverse remarks or disclaimers for the financial year under review.

Corporate Governance

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

Auditors

Pursuant to the provisions of Sections 139 and 141 of the Companies Act, 2013, Shankar Saraf & Associates, Chartered Accountants, (Firm Registration No-325896E), was appointed as Statutory Auditor of Your Company to hold office up to the conclusion of the Annual General Meeting to be held in the calendar year 2020.

Shankar Saraf & Associates, Chartered Accountants, (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 and Investments as per Section 186 of the Companies Act, 2013

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

Particulars of Employees

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

i. If employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than one crore and two lakh rupees - **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 per cent of the equity shares of the company - **Nil**

Annual Return

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

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

No contracts/ arrangements/ transactions were entered into by your Company during the financial year under review with any related parties referred to in Sub-Section (1) of Section 188 of the Companies Act, 2013 .

Your Company has a board approved policy on Related Party Transactions.

Board Evaluation

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

Directors on parameters such as attendance, contribution and independent judgement.

Management Discussion and Analysis

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

Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

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

Your Company has in place a Policy on Sexual Harassment at Workplace in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition 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 employees of the Company. The said policy is uploaded on the website of the Company as well.

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

a. Nature of fraud with descriptions: Misappropriation of cash by not depositing amount collected from customer;

b. Approximate amount involved: Rs 13.50 lakh

c. Parties Involved: Employees of the Company

d. Remedial action taken: Service being terminated and necessary legal action has been taken against them.

General

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

1. Details relating to deposits covered under Chapter V of the Companies Act, 2013, and others.

2. No significant or material orders were passed by the Regulators or Courts or Tribunals which may impact the going-concern status and the Company's operations in future.

3. 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.

4. Maintenance of cost records as specified by the Central Government under Sub-Section (1) of Section 148 of the Companies Act, 2013, is not required by your Company and accordingly such accounts and records are not made and maintained by your Company.

Furthermore, your Directors hereby state that the Company is in compliance with all the requirements of the applicable Secretarial Standards (SS-1 & SS-2).

Acknowledgement

Your Directors express their sincere appreciation of the co-operation and assistance received from customers, Reserve Bank of India, MFIN, Sa-Dhan, 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 10, 2019

Ajit Kumar Maity

Chairman
DIN: 00250806

ANNEXURE - A

Disclosure on Corporate Social Responsibility (CSR) Policy and Activities

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

The details of the Company's CSR Policy are on the Company's website at:

Web-link: https://village.net.in/policies/corporate-social-responsibility-policy/

2. The Composition of the CSR Committee as on March 31, 2019:

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

3. Average net profit of the Company for the last three financial years: Rs 11.18 crore

4.Prescribed CSR expenditure (two percent of the amount as in item 3 above): Rs 22.35 lakh.

5. Details of CSR spend during the financial year 2018-19:

a. Total amount spent for the financial year: Rs 22.50 lakh.

b. Amount unspent, if any: NIL

c. The manner in which the amount was spent during the financial year 2018-19 is detailed below:

(In rupees crore)

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 the projects or programs were undertaken	Amount Outlay (budget) project or programs wise (In Rs lakh)	Amount spent on the projects or programs Sub-Heads: (1) Direct expenditure on projects or programs (In Rs lakh)	Cumulative expenditure up to the reporting period (In Rs lakh)	Amount spent: Direct or through an implementing agency*
1.	Donation of mosquito nets	Livelihood	West Bengal	12.97	13.01	13.01	Direct
2.	Donation of textbooks	Education	West Bengal	7.91	7.99	21.00	Direct
3.	Donation of water bottles	Education	West Bengal	1.47	1.50	22.50	Direct

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

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

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

//CERTIFIED TRUE COPY//

FOR VILLAGE FINANCIAL SERVICES LIMITED

AJIT KUMAR MAITY

CHAIRMAN

DIN: 00250806

ANNEXURE C

Form No. Mgt 9: Extract of annual return

As on financial year ended on 31st March 2019

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

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

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

S. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	Providing small value (microfinance) loans	64990 Other financial service activities	96.59%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

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

IV. SHAREHOLDING PATTERN

(Equity share capital breakup as percentage of total equity)

(i) Category-wise Shareholding

Category of Shareholders	No. of Shares held at the beginning of the year [As on March 31, 2018]				No. of Shares held at the end of the year [As on March 31, 2019]				% Change during the year
				% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) **Indian**									
a) Individual/ HUF	-	6,359,477	6,359,477	15.38%	6,359,477	-	6,359,477	14.30%	-1.08%
b) Central Govt	-	-	-	0.00%	-	-	-	0.00%	0.00%
c) State Govt(s)	-	-	-	0.00%	-	-	-	0.00%	0.00%
d) Bodies Corp.	-	29,820,000	29,820,000	72.12%	29,820,000	-	29,820,000	67.05%	-5.07%
e) Banks / FI	-	-	-	0.00%	-	-	-	0.00%	0.00%
f) Any other (Trust)	-	-	-	0.00%	-	-	-	0.00%	0.00%
Sub Total (A) (1)	-	36,179,477	36,179,477	87.50%	36,179,477	-	36,179,477	81.35%	-6.15%
(2) **Foreign**									
a) NRI Individuals	-		-	0.00%	-	-	-	0.00%	0.00%
b) Other	-		-	0.00%	-	-	-	0.00%	0.00%
c) Bodies Corp.	-		-	0.00%	-	-	-	0.00%	0.00%
d) Any other			-	0.00%	-	-	-	0.00%	0.00%
Sub Total (A) (2)	-	-	-	0.00%	-	-	-	0.00%	0.00%
TOTAL (A)	-	36,179,477	36,179,477	87.50%	36,179,477	-	36,179,477	81.35%	-6.15%

IV. SHAREHOLDING PATTERN

(Equity share capital breakup as percentage of total equity)

(i) Category-wise Shareholding

Category of Shareholders	No. of Shares held at the beginning of the year [As on March 31, 2018]				No. of Shares held at the end of the year [As on March 31, 2019]				% Change during the year
				% of Total Shares	Demat	Physical	Total	% of Total Shares	
B. Public Shareholding									
1. Institutions									
a) Mutual Funds			-	0.00%	-	-	-	0.00%	0.00%
b) Banks / FI			-	0.00%	3,125,000	-	3,125,000	7.03%	7.03%
c) Central Govt			-	0.00%	-	-	-	0.00%	0.00%
d) State Govt(s)			-	0.00%	-	-	-	0.00%	0.00%
e) Venture Capital Funds			-	0.00%	-	-	-	0.00%	0.00%
f) Insurance Companies			-	0.00%	-	-	-	0.00%	0.00%
g) FIIs			-	0.00%	-	-	-	0.00%	0.00%
h) Foreign Venture Capital Funds			-	0.00%	-	-	-	0.00%	0.00%
i) Others (specify)			-	0.00%	-	-	-	0.00%	0.00%
Sub-total (B)(1):-	-	-	-	0.00%	3,125,000	-	3,125,000	7.03%	7.03%
2. Non-Institutions			-	-	-	-	-	-	
a) Bodies Corp.			-	-	-	-	-	-	
i) Indian			-	0.00%	-	-	-	0.00%	0.00%
ii) Overseas			-	0.00%			-	0.00%	0.00%
b) Individuals									
i) Individual shareholders holding nominal share capital up to Rs 1 lakh		40	40	0.00%		40	40	0.00%	0.00%
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh		5,168,503	5,168,503	12.50%	3,814,358	1,354,145	5,168,503	11.62%	-0.88%
c) Others (specify)									
Non Resident Indians		-	-	0.00%	-	-	-	0.00%	0.00%
Overseas Corporate Bodies		-	-	0.00%	-	-	-	0.00%	0.00%
Foreign Nationals		-	-	0.00%	-	-	-	0.00%	0.00%
Clearing Members		-	-	0.00%	-	-	-	0.00%	0.00%
Trusts		-	-	0.00%	-	-	-	0.00%	0.00%
Foreign Bodies - D		-	-	0.00%	-	-	-	0.00%	0.00%
Sub-total (B)(2):-	-	5,168,543	5,168,543	12.50%	3,814,358	1,354,185	5,168,543	11.62%	-0.88%
Total Public (B)	-	5,168,543	5,168,543	12.50%	6,939,358	1,354,185	8,293,543	18.65%	6.15%
C. Shares held by Custodian for GDRs & ADRs		-	-	0.00%	-	-	-	0.00%	0.00%
Grand Total (A+B+C)	-	41,348,020	41,348,020	100.00%	43,118,835	1,354,185	44,473,020	100.00%	0.00%

(ii) Shareholding of Promoter

SN	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Mr Kuldip Maity	5,506,528	13.32%	-	5,506,528	12.38%	-	-0.94%
2	Mr Ajit Kumar Maity	852,949	2.06%	-	852,949	1.92%	-	-0.14%
3	Shivam Investment Advisory Pvt. Ltd	29,820,000	72.12%	-	29,820,000	67.05%	-	-5.07%
	Total	**36,179,477**	**87.50%**	**-**	**36,179,477**	**81.35%**	**-**	**-6.15%**

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

SN	Particulars	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
	At the beginning of the year			36,179,477	87.50%	-	81.35%
	Date wise increase/decrease in promoters shareholding during the year specifying the reasons for increase/-decrease (e.g. allotment/transfer/bonus/sweat equity etc)	**02.07.2019**	**31,25,000 Equity Shares Allotted to Capital First Ltd, which later merged with IDFC Bank to become IDFC First Bank**				
	At the end of the year			36,179,477	87.50%	36,179,477	81.35%

(iv) Shareholding Pattern of top ten Shareholders

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

SN	For each of the Top 10 shareholders	Date	Reason	Shareholding at the beginning of the year (NIL)		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
1	**Mr Mukul Agarwal & Param Capital Research Pvt. Ltd. (Jointly)**						
	At the beginning of year			3,617,945	8.75%	-	0.00%
	Date wise increase/decrease in promoters shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/transfer/bonus/ sweat equity etc)	**02.07.2019**	**31,25,000 Equity Shares Allotted to Capital First Ltd, which later merged with IDFC Bank to become IDFC First Bank**				
	At the end of the year			3,617,945	8.75%	3,617,945	8.14%
2	**IDFC First Bank Ltd. (Formerly Capital First Limited)**						
	At the beginning of year			- -	0.00%	3,125,000	7.03%
	Date wise increase/-decrease in promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)	02.07.2018	Allot	3125000	7.03%		
	At the end of the year			3,125,000	7.03%	3,125,000	7.03%
3	**Mr Satyanarayan Karwa & Priti Karwa (jointly)**						
	At the beginning of year			1,240,438	3.00%	-	0.00%
	Date wise increase/decrease in promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)	**02.07.2019**	**31,25,000 Equity Shares Allotted to Capital First Ltd, which later merged with IDFC Bank to become IDFC First Bank**				
	At the end of the year			1,240,438	3.00%	1,240,438	2.79%

SN	For each of the Top 10 shareholders	Date	Reason	Shareholding at the beginning of the year (NIL)		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
4	**Mr Vijay Khetan**						
	At the beginning of year			103,380	0.25%	103,380	0.23%
	Date wise increase/decrease in promoters shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/transfer/bonus/sweat equity etc)	**02.07.2019**	**31,25,000 Equity Shares Allotted to Capital First Ltd, which later merged with IDFC Bank to become IDFC First Bank**				
	At the end of the year			103,380	0.25%	103,380	0.23%
5	**Mr Monil Bhala**						
	At the beginning of year			51,685	0.12%	-	0.00%
	Date wise increase/decrease in promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)						
	At the end of the year			51,685	0.12%	51,685	0.12%
6	**Mr Bhavin Haresh Thakkar**						
	At the beginning of year			51,685	0.12%	-	0.00%
	Date wise increase/decrease in promoters shareholding during the year specifying the reasons for increase /decrease (e.g. allotment/transfer/bonus/sweat equity etc)			-			
	At the end of the year			51,685	0.12%	51,685	0.12%
7	**Mr Bhailal Umarshi Maru**						
	At the beginning of year			41,348	0.10%	-	0.00%
	Date wise increase/decrease in promoters shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/transfer/bonus/sweat equity etc)	**02.07.2019**	**31,25,000 Equity Shares Allotted to Capital First Ltd, which later merged with IDFC Bank to become IDFC First Bank**				
	At the end of the year			41,348	0.10%	41,348	0.09%
8	**Mr Sachit Ramesh Motwani**						
	At the beginning of year			31,011	0.08%	-	0.00%
	Date wise increase/decrease in promoters shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/transfer/bonus/sweat equity etc)	**02.07.2019**	**31,25,000 Equity Shares Allotted to Capital First Ltd, which later merged with IDFC Bank to become IDFC First Bank**				
	At the end of the year			31,011		31,011	

SN	For each of the Top 10 shareholders	Date	Reason	Shareholding at the beginning of the year (NIL)		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
9	**Mr Mangesh Anil Bhadang**						
	At the beginning of year			20,674	0.05%	-	0.00%
	Date wise increase/decrease in promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)				-		
	At the end of the year			20,674	0.05%	20,674	0.05%
10	**Mr Ajay Jayram Prabhudesai**						
	At the beginning of year			10,337	0.03%	-	0.00%
	Date wise increase/decrease in promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)	**02.07.2019**	**31,25,000 Equity Shares Allotted to Capital First Ltd, which later merged with IDFC Bank to become IDFC First Bank**				
	At the end of the year			10,337	0.03%	10,337	0.02%

(v) Shareholding of Directors and Key Managerial Personnel:

SN	Shareholding of each Directors and each Key Managerial Personnel	Date	Reason	Shareholding at the beginning of year		Cumulative Shareholding during year	
				No. of shares	% of total shares	No. of shares	% of total shares
1	**Mr Kuldip Maity**						
	At the beginning of year			5,506,528	13.32%	-	0.00%
	Date wise increase/decrease in promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)	**02.07.2019**	**31,25,000 Equity Shares Allotted to Capital First Ltd, which later merged with IDFC Bank to become IDFC First Bank**				
	At the end of the year			5,506,528	13.32%	5,506,528	12.38%
2	**Mr Ajit Kumar Maity**						
	At the beginning of year			852,949	2.06%	-	0.00%
	Date wise increase/decrease in promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)	**02.07.2019**	**31,25,000 Equity Shares Allotted to Capital First Ltd, which later merged with IDFC Bank to become IDFC First Bank**				
	At the end of the year			852,949	2.06%	852,949	1.92%

V. INDEBTEDNESS

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

(Amt. ₹)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	6,084,597,886	216,666,664	-	6,301,264,550
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	30,168,682	1,074,278	-	31,242,960
Total (i+ii+iii)	6,114,766,568	217,740,942	-	6,332,507,510
Change in Indebtedness during the financial year				
* Addition	6,275,264,506	429,808,820	-	6,705,073,326
* Reduction	5,204,795,063	47,549,762	-	5,252,344,824
Net Change	1,070,469,443	382,259,058	-	1,452,728,502
Indebtedness at the end of the financial year				
i) Principal Amount	7,155,509,871	600,000,000	-	7,755,509,871
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	29,726,141	2,492,580	-	32,218,721
Total (i+ii+iii)	7,185,236,012	602,492,580	-	7,787,728,592

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

(Amt. ₹)

SN.	Particulars of Remuneration	Name of MD/WTD/ Manager	Total
	Name	**Dr Kuldip Maity**	**(₹/Lakh)**
	Designation	**Managing Director & CEO**	
1	Gross salary	-	-
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	8,448,000.00	8,448,000.00
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-
2	Stock Option	-	-
3	Sweat Equity	-	-
4	Commission		-
	- as % of profit	8,300,000	8,300,000
	- others, specify	-	-
5	Others, please specify	-	-
	Total (A)	16,748,000	16,748,000

B. Remuneration to other Directors (Amt. ₹)

SN.	Particulars of Remuneration	Name of Directors			
		Dr Sankar Datta	Mr Ramanathan Annamalai	Dr Tapan Kumar Mukhopadhyay	Ms Jayshree Ashwinkumar Vyas
1	Independent Directors				
	Fee for attending board committee	97,500	82,500	52,500	45,000
	Commission	-	-	-	-
	Others, please specify	-	-	-	-
	Total (1)	97,500	82,500	52,500	45,000
2	Other Non-Executive Directors	Mr Ajit Kumar Maity (Chairman)			
	Fee for attending board committee	-			
	Commission	-			
	Others, please specify	5,225,400.00			
	Total (2)	5,225,400.00			
	Total Managerial Remuneration				
	Overall Ceiling as per the Act				

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD (Amt. ₹)

SN.	Particulars of Remuneration	Name of Key Managerial Personnel		Total
	Name	**Mr Manish Somani (20th July, 2018 to 31st March, 2019**	**Ms Samta Agarwal (1st April, 2018 to 31st March, 2019)**	**(₹/Lakh)**
	Designation	**CFO**	**CS**	
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	1,511,732.00	1,885,596.00	3,397,328.00
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	- as % of profit	-	-	-
	- others, specify	-	-	-
5	Others, please specify	-	-	-
	Total	1,511,732.00	1,885,596.00	3,397,328.00

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

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

ANNEXURE D

Management discussion & analysis

I. Microfinance Industry: A Perspective

Industry Overview

The microfinance industry in India has evolved significantly over the past two decades and reached nearly 26 per cent penetration level in total addressable market in 2018 with a targeted outlook of 35-40 per cent by 2022. The Industry had its share of ups and downs over the last decade and had emerged stronger over this period through enhanced control, higher regulatory oversight and strength of institutions. There has been a transition in various facets of the Industry, from product profiles, operating model, innovation across the lending value chain with technology playing key role. The overall GLP is expected to increase at a CAGR of 28 per cent during FY 2018-FY 2022. Growth is likely to come from a mix of higher ticket size loans in highly-penetrated states and rapid addition of clients in underpenetrated ones. With a large number of households in India being the addressable market for the microfinance domain, the segment offers huge potential.

As of March 31, 2019, the microfinance Industry has total loan portfolio (i.e. loan amount outstanding) of Rs 1,87,386 crore. This represents a growth of 38 per cent over FY 2017-18.

NBFC-MFI

As of March 31, 2019, 82 NBFC-MFIs held largest share of portfolio in micro-credit with a total loan outstanding of Rs 68,868 crore, which is 36.8 per cent of total micro-credit universe. Banks are the second-largest provider of microcredit, with a loan amount outstanding of Rs 61,046 crore, accounting for 32.6 per cent of total industry portfolio. SFBs have a total loan amount outstanding of Rs 34,679 crore with a total share of 18.5 per cent. NBFCs account for 11 per cent and Non-profit MFIs account for 1.1 per cent of the universe.

Compared with FY 2017-18, NBFC-MFIs portfolio has grown by 42 per cent, banks by 36 per cent, SFBs by 25 per cent, NBFCs by 59 per cent and Other MFIs (including Non-profit) by 30 per cent.

Some highlights of financial year (2018-19) are as under

- As of March 31, 2019, 3.17 crore clients have loan outstanding from NBFC-MFIs, which is an increase of 32 per cent over FY 2017-18.
- The aggregate gross loan portfolio (GLP) of MFIs was Rs 68,207 crore as on March 31, 2019. This represents a YoY growth of 47 per cent as compared to March 31, 2018.
- Loan amount of Rs 82,928 crore was disbursed in FY 2018-19 through 3.25 crore accounts representing an increase of 39.07 per cent as compared to FY 2017-18. Average loan amount disbursed per account during FY 2018-19 was Rs 25,543, an increase of 13 per cent from FY 2017-18.
- During FY 2018-19, NBFC-MFIs received a total of Rs 35,759 crore in debt funding, which is an increase of 63 per cent compared to FY 2017-18. In the corresponding period, NBFC-MFIs raised a total of Rs 14,206 crore as equity, up by 42 per cent from FY 2017-18.
- Portfolio at Risk (PAR) > 30 as on March 31, 2019, is 1.73 per cent. This does not include BFIL data. PAR >30 has come down from 2.28 per cent in the last quarter (as on December 2018) and is significantly better from 4.03 per cent as on March 31, 2018.
- MFIs now cover 33 states and Union territories.
- In terms of regional distribution of portfolio (GLP), East and North East accounts for 38 per cent of the total NBFC-MFI portfolio, South 24 per cent, North 14 per cent, West 15 per cent & Central contributes nine per cent.
- NBFC-MFIs on aggregated basis have a network of 12,277 branches and an employee base of 1,04,973 of which 62 per cent are loan officers (64,960) who provide door-step credit to low-income clients served by the NBFC-MFIs. There has been growth of 34 per cent in employees, 28 per cent in loan officers and 32 per cent in branches compared with the last financial year.
- In terms of geographic spread, 73 per cent of the portfolio is rural and 27 per cent is urban.
- Overall spread of cost of funds ranges from 10.2

per cent to 20.28 per cent. For large MFIs, the range is between 10.2 per cent and 16.13 per cent, for medium MFIs the range is 13.05 per cent to 19.8 per cent, and for small MFIs 11 per cent to 20.28 per cent.

The NBFC-MFI segment is governed by two self-regulatory organizations, MFIN and Sa-Dhan. As per MFIN, NBFC-MFI segment has 53 players.

As of March 31, 2019, amongst 53 MFIN member NBFC-MFIs, 14 are small (GLP < Rs 100 crore), 16 medium (GLP Rs 100-500 crore) and 23 large (GLP > Rs 500 crore). During the last 12 months, three MFIs have moved from small category to medium category and five MFIs have moved from medium to large category. Market share within the NBFC-MFI industry is clearly concentrated in the group of large MFIs, which account for 92.4 per cent of the industry GLP, 91 per cent of the client base, 92.9 per cent of loan amount disbursed (FY 2018-19) and 90.9 per cent of debt funding (FY 2018-19).

[Source: MFIN Micrometer Report: 31st March, 2019]

II. Opportunities and Threats

A majority of the large MFIs are being converted to differentiated banks, like small finance banks. The SFBs, like all banks, are well-funded and with the additional resources, technology, no spread cap, no limit on maximum exposure to borrowers 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 grappling with adapting to banking technology, raising retail deposits, adding new branches, training employees. MFIs in turn can respond to them by building strong partnerships or becoming niche players.

There is a significant overlap in the loan portfolio of NBFCs-MFIs, SFBs, banks and MSME lending institutions as there are no integrated platform which lists individual exposures from all these entities, thereby increasing the risk of delinquencies in MFI loans. Over leveraging of this borrower segment through multiple credit facilities in a household and absence of a common bureau could have an adverse impact especially in light of external shocks of the system including and not limited to the likes of demonetization, rumours, political stability, etc. MFIN, is exploring with the Credit Information Companies (CICs) to make Monthly Debt Servicing Obligation (MDSO), a vital data point on the customer, available in the Credit Information Report (CIR) for consumption by its Member MFIs.

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 per cent 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, disbursal 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.

Currently, the microfinance institutions operating under the JLG model have a high gross loan portfolio in the states of Bihar, Karnataka, Maharashtra, Orissa, Tamil Nadu and Uttar Pradesh. Bihar has the highest number of MFIs operating under the JLG/ SHG hybrid model, followed by Uttar Pradesh and Orissa. Majority of the states in the rest of the country, including key states in the northern and north eastern region, possess a significant potential for MFI growth and are expected to remain underpenetrated. This gives a significant headroom and opportunity for MFIs to grow.

With the underlying growth potential remaining strong, the MFIs have attracted investors' interest leading to a spurt in M&A and PE activities. While the growth has been significant, there has been an increase in competitive intensity too.

The ability to provide financial services via digital channels is opening up new opportunities to reach the segment of population that previously was un-served. Collaborations with Fintech firms across distribution, collection, cross sell, monitoring and customer education is imperative. But at the same time, going digital is plaguing the sector with reduced 'human touch' element in microfinance operations that distinguished it from the mainstream banking sector, as operations gets increasingly digitalized. Leveraging technology in a planned manner across the value chain while retaining the human element of the microfinance industry thereby shifting focus from operations to the customer shall lead to profitability in future.

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 microfinance sector. VFS witnessed a phenomenal growth in its Asset Size which crossed the Rs 1000-crore milestone during the year under report.

During the year under report, VFS raised its second tranche of Private Equity Fund amounting to Rs 15 crore from private equity investors Capital First, which later merged with IDFC Bank to form IDFC First Bank, by offering 7.03 per cent of its equity holding.

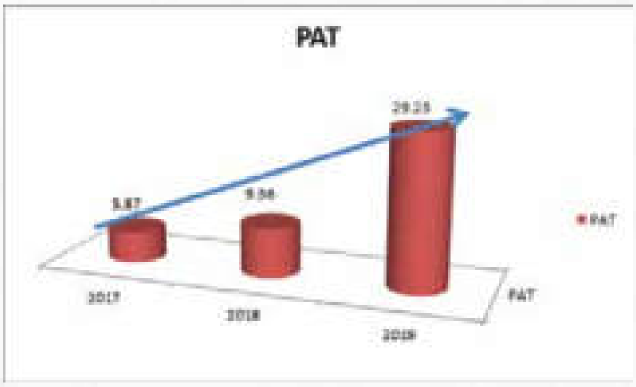
During the year under report, VFS closed a structured finance deal, raising Rs 340.18 crore by securitization of its Receivables to Hinduja Leyland Finance LTD, DCB, Kotak Mahindra Bank, IDBI Bank Ltd., IDFC First Bank Ltd, AU SFB and ICICI Bank Ltd.

During the year under review, the Portfolio Outstanding of the Company as on March 31, 2019, was Rs 1057.12 crore as compared to Rs 740.33 crore as on March 31, 2018, an increase of 42.79 per cent. Further the company reported a net profit after tax amounting to Rs 29.23 crore as on March 31, 2019, as compared to Rs 9.36 crore as on March 31, 2018, an increase of 212.29 per cent.

While the interest income grew by 63.07 per cent, the fee income grew by 100.63 per cent, contributing to the overall increase in profitability. Fee Income mainly included loan processing fees, business correspondent fees income, and profit from portfolio buy-out and securitization.

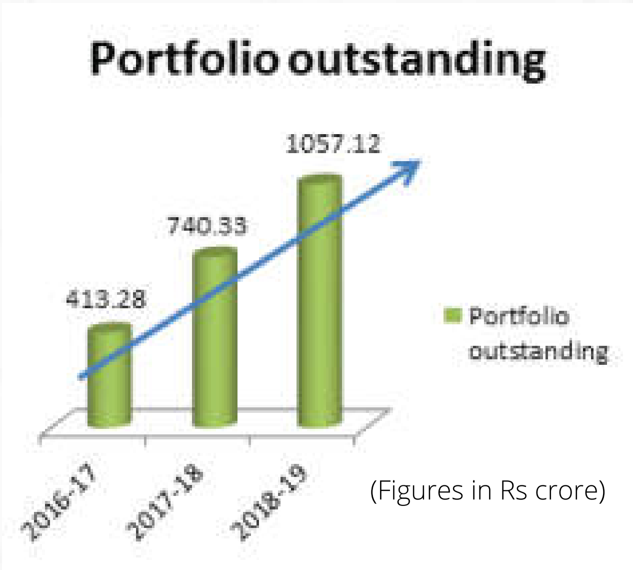
Further, the operating cost ratio maintained its decreasing trend standing at around 6.03 per cent (gross). VFS has successfully maintained its Portfolio At Risk at 0.67 per cent, reasonably below the Industry average.

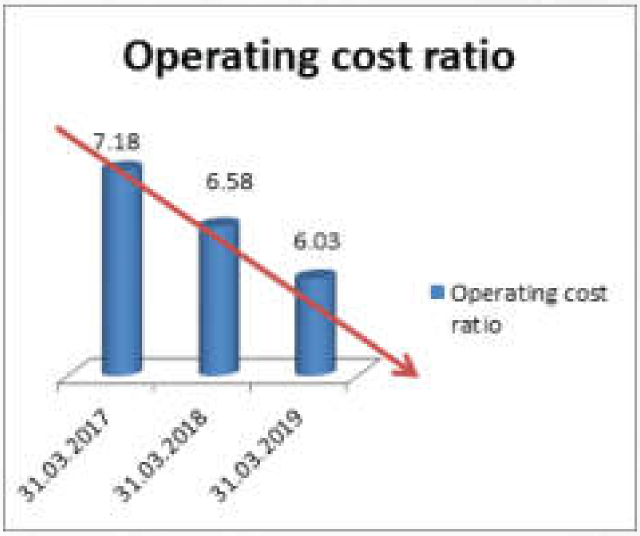
Financial Performance (to include comparative break up of revenue for FY 2017-18 & 2018-19)



(Figures in Rs crore)

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, which certifies its ability to consistently provide product that meets customer and applicable statutory and regulatory requirements, and ability to enhance customer satisfaction through the effective application of the system, including processes for continual improvement of the system 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 on which the group will be able to keep a check and also pay, in case of an individual default. This does not leave room for disbursement of other kinds of loans. The strength of VFS lies in its network of loan officers, who have a strong relationship with their customers. To leverage its loan officers' network and provide other essential loan products to the macrocosm of members and expand to adjacent customer segments, VFS launched Sambriddhi, a Small and Medium Enterprise (SME) loan. The customers of VFS, mainly driven by income generation activities, also look forward to improve their chances of upward social mobility and this is exactly the need which VFS proposes to cater to its new loan product. This being a new product, all necessary precautionary measures is being taken by VFS to minimize risk involved.

In the field of digitization, VFS introduced a business application for transaction management at an optimum level bringing together functionalities on the hand held devices to equip the field-level employees. During the year under Report, VFS also introduced KYC and Collection through mobile devices. Such adoption of mobile technology brings in multiple benefits as it allows VFS to track transactions on a real time basis, fetch real-time reports, digitize physical records and improve transparency and process efficiencies.

VI. Internal Control Systems and their Adequacy

The Company has in-built internal control systems with well-defined responsibilities at each level.

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

Each branch is audited minimum once in a quarter. There is a rotation policy for the auditor. The audit report (observation report) is submitted to the Branches/ADMs/CRM/Operation Head and Internal Audit Manager within three days time. Later, the residual issues have to be answered/complied with, within a time frame, say, ten 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 and D as per the 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 based on the report.

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 Process.

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 its edge in a competitive world. The company has a full-fledged training establishment in Kolkata, Siliguri and in Tripura where in-house training are regularly conducted in a professional manner to upgrade skills and to enhance functional efficiency.

The award schemes for Best Area Development Manager (ADM), Best Chief Regional Manager/Deputy Chief Regional Manager, Best Employee & Branch under the ADM, conducted on a quarterly basis, are keenly contested and deeply appreciated by the employees.

INDEPENDENT auditor's report

TO
THE MEMBERS OF
VILLAGE FINANCIAL SERVICES LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Village Financial Services Limited ('the Company'), formerly known as Village Financial Services Pvt. Ltd., which comprise the balance sheet as at March 31, 2019, and the statement of profit and loss, and statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ('Act'), in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, its profit (or loss), changes in equity and cash flows for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with the standards on auditing specified under section 143 (10) of the Companies Act, 2013. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the code of ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the code of ethics.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reporting of key audit matters as per SA 701, key audit matters are not applicable to the Company as it is an unlisted company.

Responsibility of management for the standalone financial statements

The Company's Board of Directors is responsible for the matters stated in Section 134 (5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting standards specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the Company's financial reporting process

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other legal and regulatory requirements

(1) As required by the Companies (Auditor's Report) Order, 2016 ('the Order'), issued by the Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in 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:

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

(a) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books:

(b) The balance sheet, the statement of profit and loss, and the cash flow statement dealt with by this report are in agreement with the books of account;

(c) In our opinion, the aforesaid financial statements comply with the accounting standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

(d) On the basis of the written representations received from the directors as on March 31, 2019, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019, from being appointed as a director in terms of Section 164 (2) of the Act;

(e) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure B. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting;

(f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

a. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 34 to the financial statements.

b. The Company has made provision, as required under the applicable law or accounting standards, and the Company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses – Refer Note 32(xx) to the financial statements.

c. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

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

Sonam Agarwal
(Partner)
Membership No. 309386
Place: Kolkata
Date: May 10, 2019

SHANKAR SARAF & ASSOCIATES Kolkata Chartered Accountants

Annexure A to the Independent Auditor's Report

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

(i) In respect of the Company's fixed assets:

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

(b) The fixed assets of the Company were physically verified in full by the management during the year. According to the information and explanations given to us and as examined by us, no material discrepancies were noticed on such verification.

(c) According to the information and explanations given to us, the records examined by us and based on the examination of the conveyance deeds provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date. In respect of immovable properties of land and building that have been taken on lease and disclosed as fixed assets in the financial statements, the lease agreements are in the name of the Company.

(ii) The Company is a Non-Banking Financial Company-Micro Finance Institution engaged in the business of providing loans and hence not required to maintain any inventory. Accordingly, provisions of Clause 3(ii) of the Order are not applicable to the Company.

(iii) According to the information and explanation given to us, the Company has not granted any loan, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register required under Section 189 of the Companies Act, 2013. Accordingly, paragraph 3 (iii) of the order is not applicable.

(iv) In our opinion and according to information and explanation given to us, the Company has not granted any loans or provided any guarantees or given any security to parties covered under Section 185 of the Companies Act, 2013.

Since the Company is a Non-Banking Financial Company-Micro Finance Institution engaged in the business of providing loans, it is exempted under Section 186(11) of the Companies Act, 2013, and hence the provisions of Section 186 are not applicable to the Company.

(v) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits and accordingly paragraph 3(v) of the order is not applicable.

(vi) The Government of India has not prescribed the maintenance of cost records under sub-section (1) of section 148 of the Act for any of the activities of the company and accordingly paragraph 3 (vi) of the order is not applicable.

(vii) In respect of statutory dues:

(a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, incometax, sales tax, service tax, goods and service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues have been generally regularly deposited during the year by the company with the appropriate authorities.

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

(viii) In our opinion and according to the information and explanations given to us, the Company was not in default for repayment of dues to financial institutions and banks. The Company does not have any loans or borrowing from the 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) To the best of our knowledge and according to the information and explanations given to us, the fraud reported during the year was misappropriation of cash amounting to Rs 13.5 lakh by an employee of the Company. As informed, service of the employee has been terminated and the company has taken legal action against the employee concerned.

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

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

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

(xiv) During the year, 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, 2013, 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 them. Accordingly, paragraph 3(xv) of the order is not applicable.

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

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

Sonam Agarwal

Sonam Agarwal
(Partner)
Membership No. 309386
Place: Kolkata

Date: May 10, 2019

SHANKAR SARAF & ASSOCIATES Kolkata Chartered Accountants

Annexure B to the Independent Auditor's Report

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

Report on the internal financial controls over financial reporting under Clause (i) of Sub–Section 3 of Section 143 of the Companies Act, 2013 ('the Act')

We have audited the internal financial controls over financial reporting of Village Financial Services Limited as at March 31, 2019, in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's responsibility for internal financial controls

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

Auditor's responsibility

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

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

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

Meaning of internal financial controls over financial reporting

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

Limitations of internal financial controls over financial reporting

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

Opinion

In our opinion and according to the information and explanations given to us, the Company has, in all material respects, an adequate internal financial control system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, 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, 2019, and the related statement 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

Sonam Agarwal

Sonam Agarwal
(Partner)
Membership No. 309386
Place: Kolkata

Date: May 10, 2019

SHANKAR SARAF & ASSOCIATES Kolkata Chartered Accountants

VILLAGE FINANCIAL SERVICES LIMITED

(Formerly known as Village Financial Services Private Limited)

CIN: U51109WB1994PLC063746

Balance Sheet as at March 31, 2019 *(Amount in ₹ unless otherwise stated)*

	Note	31st March, 2019	31st March, 2018
I. Equity and Liabilities			
Shareholders' funds			
Share Capital	3	444,730,200	413,480,200
Reserves & Surplus	4	815,095,686	404,066,390
		1,259,825,886	**817,546,590**
Non-current liabilities			
Long-term borrowings	5	3,223,299,362	2,754,259,105
Deferred Tax liabilities	11	-	119,800
Long-term provisions	6	43,343,643	37,489,825
		3,266,643,005	**2,791,868,730**
Current liabilities			
Short-term borrowings	7	-	15,646,658
Other current liabilities	8	5,123,108,719	3,696,253,798
Short-term provisions	6	34,317,393	46,689,885
		5,157,426,112	**3,758,590,341**
Total		**9,683,895,003**	**7,368,005,661**
II. Assets			
Non-current assets			
Fixed Assets	9		
Tangible Assets		31,123,603	22,202,060
Intangible Assets		256,905	347,176
			-
Non-current Investments	10	500,000	500,000
Deferred Tax assets (Net)	11	16,401,251	-
Long-term loans and advances	12	1,961,914,274	1,595,021,850
Other non-current assets	13	588,828,403	503,229,903
		2,599,024,436	**2,121,300,989**
Current assets			
Current Investments	10	-	3,391,796
Cash and Bank Balances	14	1,128,158,421	324,910,782
Short-term loans and advances	12	5,776,593,428	4,845,895,764
Other current assets	13	180,118,718	72,506,330
		7,084,870,567	**5,246,704,672**
Total		**9,683,895,003**	**7,368,005,661**

Summary of significant accounting policies 2.1

The accompanying notes are an integral part of the financial statements

As per our report of even date

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

Sonam Agarwal
Partner
Mem. No:309386
Place : Kolkata

Date : May 10, 2019

For Village Financial Services Limited

Ajit Kumar Maity
Chairman

Kuldip Maity
Managing Director & CEO

Manish Somani
Chief Financial Officer

Samta Agarwal
Company Secretary

VILLAGE FINANCIAL SERVICES LIMITED

(Formerly known as Village Financial Services Private Limited)

CIN: U51109WB1994PLC063746

Statement of profit and loss for the year ended March 31, 2019			*(Amount in ₹ unless otherwise stated)*
	Note	**31st March, 2019**	**31st March, 2018**
I. Revenue			
Revenue from Operations	15	1,872,034,397	1,115,524,524
Other Income	16	66,097,222	43,250,466
Total Revenue		**1,938,131,619**	**1,158,774,990**
II. Expenses			
Employee Benefits Expense	17	341,287,034	183,019,661
Finance Costs	18	1,015,769,081	637,656,188
Depreciation and Amortisation Expense	19	5,726,198	4,371,214
Provisions and Write offs	20	19,915,103	25,352,036
Other Expenses	21	170,475,957	156,555,959
Total Expenses		**1,553,173,373**	**1,006,955,058**
Profit before Tax		**384,958,246**	**151,819,932**
Tax Expenses:			
Current Tax		109,200,000	58,373,602
Deferred Tax (including Rs. 1,56,65,022 (PY - Nil) for earlier years)		(16,521,050)	(184,190)
Total Tax Expenses		**92,678,950**	**58,189,412**
Profit for the year		**292,279,296**	**93,630,520**
Earning Per Equity Share (EPS) - not annualised	22		
Basic & diluted		6.69	2.59
Nominal value of share		10.00	10.00
Summary of significant accounting policies	2.1		
The accompanying notes are an integral part of the financial statements			

As per our report of even date

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

Sonam Agarwal
Partner
Mem. No:309386
Place : Kolkata

Date : May 10, 2019

For Village Financial Services Limited

Ajit Kumar Maity
Chairman

Kuldip Maity
Managing Director & CEO

Manish Somani
Chief Financial Officer

Samta Agarwal
Company Secretary

VILLAGE FINANCIAL SERVICES LIMITED

(Formerly known as Village Financial Services Private Limited)

CIN: U51109WB1994PLC063746

Cash Flow Statement for the year ended March 31, 2019	*(Amount in ₹ unless otherwise stated)*	
	31st March, 2019	**31st March, 2018**
Cash Flow From Operating Activities :		
Profit Before Tax and extraordinary items	**384,958,246**	**151,819,932**
Adjustments for :		
Provision For Gratuity	(5,877,078)	6,035,582
Provision For Loan Loss	12,262,577	25,352,036
Portfolio written off	7,652,526	1,300,379
Provision For Fraud	554,838	-
Depreciation	5,726,198	4,371,214
Operating Profit Before Working Capital Changes	**405,277,307**	**188,879,143**
Increase in Loans and Advances	(1,244,242,324)	(2,431,483,201)
Increase in Other Assets	(100,901,029)	(1,886,423)
Increase in Term Deposits	(336,069,811)	(283,494,130)
Increase in Current Liabilities	426,003,199	125,362,432
Cash used in operations	**(849,932,658)**	**(2,402,622,179)**
Tax paid	(149,659,301)	(57,414,591)
Net Cash used in Operating Activities (A)	**(999,591,959)**	**(2,460,036,770)**
Cash Flow From Investing Activities		
Purchases of Fixed Assets	(14,557,470)	(3,824,085)
Investments in Mutual Funds (Net)	3,391,796	(664,116)
Net Cash used in Investing Activities (B)	**(11,165,674)**	**(4,488,201)**
Cash Flow From Financing Activities :		
Increase in Borrowings (Net)	1,454,245,321	2,287,033,958
Proceeds from Issue of Share Capital	150,000,000	250,000,494
Net Cash generated from Financing Activities (C)	**1,604,245,321**	**2,537,034,452**
Net Increase In Cash And Cash Equivalents (A+B+C)	**593,487,688**	**72,509,481**
Cash And Cash Equivalents at the beginning of the year	171,418,203	98,908,722
Cash And Cash Equivalents at the end of the year	**764,905,891**	**171,418,203**
Cash And Cash Equivalents Comprises of :		
Balance with banks:		
- in Current Accounts	761,524,354	165,941,781
Cash on hand	3,381,537	5,476,422
	764,905,891	**171,418,203**

Summary of significant accounting policies 2.1

The accompanying notes are an integral part of the financial statements

As per our report of even date

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

Sonam Agarwal
(Partner)
Mem. No:309386
Place : Kolkata
Date : May 10, 2019

For Village Financial Services Limited

Ajit Kumar Maity
Chairman

Kuldip Maity
Managing Director & CEO

Manish Somani
Chief Financial Officer

Samta Agarwal
Company Secretary

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

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1. Corporate Information

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 is registered as a non-deposit accepting Non-Banking Financial Company ('NBFC-ND') with the Reserve Bank of India ('RBI') and is classified as a Non-Banking Financial Company – Micro Finance Institution ('NBFC-MFI') with effect from September 27, 2013.The company provides small value collateral free loans for tenure upto 24 months for income generating activities to poor women

2. Basis of Preparation of Financial Statements

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

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

2.1 Summary of significant accounting policies

A. Use of Estimates

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

B. Fixed Assets

Tangible Assets

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

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of assets and are recognized in the statement of profit and loss when the asset is derecognized.

Intangible Assets

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

SHANKAR SARAF & ASSOCIATES Kolkata Chartered Accountants

C. 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 other than software are amortized on straight line basis over a period of five years. Software is amortized on a straight line basis over a period of three years.

D. Leases

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

E. Impairments

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

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

F. Borrowing Cost

Borrowing costs includes interest which are recognized on time proportion basis taking into account the amount outstanding and the rate applicable on the borrowings.

Processing fees,ancillary fees or professional fees incurred for arrangement of borrowings from banks and financial institutions are charged off up-front to the statement of profit and loss.

G. Revenue Recognition

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

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

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

(iii) Processing fees are recognized as income upfront when it becomes due.

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

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

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

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

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. On disposal of investment, the difference between the carrying amount and net disposal proceeds are charged or credited to the statement of profit and loss.

I. Retirement and other Employee Benefits

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

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

J. Taxation

(i) Tax expenses comprises of Current and Deferred Tax. Current Income Tax is measured at the amount expected to be paid to the Tax Authorities in accordance with the Income Tax Act, 1961. Income Tax Computation has been made in compliance with relevant applicable ICDS 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.

SHANKAR SARAF & ASSOCIATES
Kolkata
Chartered Accountants

K. Classification of loan portfolio

Loans are classified as follows:

(i) Standard Assets - Current loan and overdue upto 89 days

(ii) Non-performing assets - Overdue from 90 days and more

"Overdue" refers to interest and/or installment remaining unpaid from the day it became receivable.

The above classification is in compliance with the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016 ("NBFC Master Directions, 2016").

L. Provision for portfolio loans

Provision on portfolio loans are made at the higher of mangement estimate or minimum provision required as per the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016 ("NBFC Master Directions, 2016") and subsequent notifications issued by the Reserve Bank of India. The Management treats a loan as overdue as soon as a scheduled installment is failed.

As per the NBFC Master Directions, 2016, the aggregate loan provision to be maintained by NBFC-MFIs at any point of time shall not be less than the higher of a) 1% of the outstanding loan portfolio or b) 50% of the aggregate loan installments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan installments which are overdue for 180 days or more.

Non-performing loans are written off when the prospect of recovery is considered remote as per the management estimates.

Provision on loans other than qualifying assets are provided as per the minimum provisioning norms applicable to all NBFCs specified in NBFC Master Directions, 2016.

M. 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.

N. Provisions

A provision is recognized when the Company has a present obligation as a result of past event, it outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to 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.

O. Foreign Currency Transaction

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

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

P. Cash and Cash Equivalents

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

Q. Contingent Liability

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

R. Securitisation

The Company securitizes 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 securitization transactions. Such securitized portfolio are de-recognized in the Balance Sheet when they are sold (true sale criteria being fully met with) and consideration been received by the Company. At the time of the deal, the Company provides liquidity and credit enhancements on the securitized portfolio, as specified by the rating agencies, not exceeding 20% of the total securitized instruments, in line with the RBI guidelines.

S. Corporate Social Responsibility

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

SHANKAR SARAF & ASSOCIATES
Kolkata
Chartered Accountants

Notes to the financial statements as at and for the year ended March 31, 2019

(Amount in ₹ unless otherwise stated)

Note - 3 : Share capital	31-Mar-19	31-Mar-18
Authorised:		
7,70,00,000 Equity shares (PY: 5,70,00,000) of ₹ 10/- each	770,000,000	570,000,000
30,00,000 Preference shares of ₹ 10/- each	30,000,000	30,000,000
	800,000,000	**600,000,000**
Issued, subscribed and paid up:		
4,44,73,020 Equity shares (PY: 4,13,48,020) of ₹ 10/- each	444,730,200	413,480,200
Total	**444,730,200**	**413,480,200**

Increase in Authorized Capital: At the Annual General Meeting held on May 22, 2018, the members of the company passed the special resolution to increase the Authorized Share Capital from ₹ 60.00 crore to ₹ 80.00 crore by way of increasing Equity shares of ₹ 20.00 crore. (2 Crore Equity Shares of ₹ 10/- each)

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	31-Mar-19	31-Mar-18
Number of shares at the beginning of the year	41,348,020	36,179,517
Issued during the year	3,125,000	5,168,503
Number of shares at the end of the year	**44,473,020**	**41,348,020**

Details of shares held by the holding Company

Particulars	As at 31st March, 2019		As at 31st March, 2018	
	Equity	% of holding	Equity Shares	% of holding
Shivam Investment Advisory Private Ltd	29,820,000	67.05	29,820,000	72.12

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

Particulars	As at 31st March, 2019		As at 31st March, 2018	
	Equity	% of holding	Equity Shares	% of holding
Shivam Investment Advisory Pvt. Ltd	29,820,000	67.05	29,820,000	72.12
Kuldip Maity	5,506,528	12.38	5,506,528	13.32
Mukhul Mahavir Prasad Agarwal & M/s. Param Capital Research Pvt. Ltd - Jointly	3,617,945	8.14	3,617,945	8.75
IDFC First Bank Limited	3,125,000	7.03	-	-

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

Notes to the financial statements as at and for the year ended March 31, 2019

(Amount in ₹ unless otherwise stated)

Note - 4 : Reserves & Surplus	31-Mar-19	31-Mar-18
a. Securities Premium Account		
Balance as per last financial statements	198,315,464	-
Add: Addition during the year	118,750,000	198,315,464
	317,065,464	**198,315,464**
b. Statutory Reserve		
Balance as per last financial statements	63,376,326	44,650,222
Add: Amount transferred from surplus balance in the Statement of profit & loss during the year	58,455,859	18,726,104
	121,832,185	**63,376,326**
c. General Reserve		
Balance as per last financial statements	8,655,596	3,974,070
Add: Amount transferred from surplus balance in the Statement of profit & loss during the year	14,613,965	4,681,526
	23,269,561	**8,655,596**
d. Surplus		
Balance as per last financial statements	133,719,004	63,496,114
Add: Profit for the year	292,279,296	93,630,520
Amount available for appropriation	425,998,300	157,126,634
Appropriation :		
Transferred to Statutory Reserve	58,455,859	18,726,104
Transferred to General Reserve	14,613,965	4,681,526
Net surplus in the statement of profit & loss	**352,928,476**	**133,719,004**
Total (a+b+c+d)	**815,095,686**	**404,066,390**

(Amount in ₹ unless otherwise stated)

Note - 5 : Long-term borrowings	31-Mar-19	31-Mar-18
Term Loans		
Secured:		
-- from Banks	3,206,320,111	3,561,150,763
-- from Financial Institutions/ NBFCs	3,949,189,760	2,507,800,465
	7,155,509,871	**6,068,951,228**
Unsecured:		
-- from Banks	600,000,000	200,000,000
-- from Financial Institutions/ NBFCs	-	16,666,664
	600,000,000	**216,666,664**
Total	**7,755,509,871**	**6,285,617,892**
Less: Amount disclosed under the head "other current liabilities" (Refer Note - 8)	4,532,210,509	3,531,358,787
Long-term borrowings	**3,223,299,362**	**2,754,259,105**

VILLAGE FINANCIAL SERVICES LIMITED

(Formerly known as Village Financial Services Private Limited)

CIN: U51109WB1994PLC063746

Notes to the financial statements as at and for the year ended March 31, 2019

NOTE - 5A : Long-term borrowings (Contd...)

(Amount in ₹ unless otherwise stated)

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

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

Note:

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

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

Notes to the financial statements as at and for the year ended March 31, 2019

NOTE - 5B : Long-term borrowings (Contd...)

(Amount in ₹ unless otherwise stated)

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 instalments	Amount	No. of instalments	Amount	No. of instalments	Amount		
Term Loans:												
Secured:												
Monthly repayment schedule												
From Banks:												
1-3 Yrs	251	1,031,798,452	113	394,592,262	23	38,925,638					11.00%-14.50%	**1,465,316,352**
3-5 Yrs	79	156,198,778	63	131,822,952	50	214,141,594	17	140,000,007			11.10% - 15.00%	**642,163,331**
From NBFCs/FIs:												
1-3 Yrs	240	1,276,915,502	123	569,678,963	9	57,046,000					12.50% - 15.00%	**1,903,640,465**
Total (a)	**570**	**2,464,912,732**	**299**	**1,096,094,177**	**82**	**310,113,232**	**17**	**140,000,007**	**-**	**-**		**4,011,120,148**
Quarterly repayment schedule												
From Banks:												
1-3 Yrs	63	816,951,391	39	588,992,419	6	47,727,270	-	-	-	-	11.00% - 14.80%	**1,453,671,080**
From NBFCs/FIs:												
1-3 Yrs	11	100,828,000	8	71,668,000	4	36,664,000					12.00%-13.75%	**209,160,000**
Total (b)	**74**	**917,779,391**	**47**	**660,660,419**	**10**	**84,391,270**	**-**	**-**	**-**	**-**		**1,662,831,080**
Half-yearly repayment schedule												
From NBFCs/FIs:												
3-5 Yrs	4	132,000,000	4	119,500,000	4	107,000,000	5	36,500,000	-	-	10.85% - 11.50%	**395,000,000**
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:												
3-5 years	12	16,666,664	-	-	-	-	-	-	-	-	16.50%	**16,666,664**
One time repayment schedule												
From Banks:												
More than 5 Years	-	-	-	-	-	-	1	100,000,000	1	100,000,000	16.50% - 17.00%	**200,000,000**
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**

Note:

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

(b) The term loans amounting to ₹ 550,96,65,509/- are guaranteed by the promoter directors of the company.

VILLAGE FINANCIAL SERVICES LIMITED

(Formerly known as Village Financial Services Private Limited)

CIN: U51109WB1994PLC063746

Notes to the financial statements as at and for the year ended March 31, 2019

(Amount in ₹ unless otherwise stated)

Note - 6 : Provisions	Non-current portion		Current portion	
	31st March, 2019	31st March, 2018	31st March, 2019	31st March, 2018
Provision for Employee benefits:				
Gratuity	-	-	2,171,492	8,048,570
Provision for taxation (net of advance taxes)	-	-	-	13,459,011
Provision for Loan Loss:				
-- Contingent provision against Standard Assets	10,066,464	7,433,862	31,591,063	25,182,304
-- against non performing assets	33,277,179	30,055,963	-	-
Provision for Fraud	-	-	554,838	-
Total	**43,343,643**	**37,489,825**	**34,317,393**	**46,689,885**

(Amount in ₹ unless otherwise stated)

Note - 7 : Short-term borrowings	31st March, 2019	31st March, 2018
Cash Credit from banks (Secured)	-	15,646,658
Total	**-**	**15,646,658**

Cash Credit is secured by the hypothecation of book debts and fixed deposits. The same is repayable on demand and carries an interest rate of 0.5% over BPLR. The Cash Credit is guaranteed by the promoter directors of the company.

(Amount in ₹ unless otherwise stated)

Note - 8 : Other current liabilities	31st March, 2019	31st March, 2018
Current maturities of long-term debt (Refer Note 5)	4,532,210,509	3,531,358,787
Interest accrued but not due on borrowings	32,218,721	31,242,960
Expenses Payable	43,294,256	33,441,957
Payable for portfolio loans securitized	456,296,600	56,881,250
Statutory dues payable	14,636,104	9,656,985
Other payables	44,452,529	33,671,859
Total	**5,123,108,719**	**3,696,253,798**

SHANKAR SARAF & ASSOCIATES
Kolkata
Chartered Accountants

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

Notes to the financial statements as at and for the year ended March 31, 2019

NOTE - 9 : FIXED ASSETS

Tangible Assets

(Amount in ₹ unless otherwise stated)

Cost or Valuation	Building	Furniture & Fixtures	Computers	Office Equipments	Electrical Equipments	Other Equipments	Motor Vehicle	Total
Gross Block:								
At 1st April 2017	1,105,000	19,950,634	12,434,560	-	2,717,129	376,358	1,470,814	**38,054,495**
Additions for the year	-	1,411,338	2,249,210	-	170,820	-	-	3,831,368
Disposals	-					-	-	-
As at 31st March 2018	**1,105,000**	**21,361,972**	**14,683,770**	**-**	**2,887,949**	**376,358**	**1,470,814**	**41,885,863**
Additions for the year	-	7,336,238	5,096,063	1,184,120	404,588	460,861		14,481,870
Disposals								-
As at 31st March 2019	**1,105,000**	**28,698,210**	**19,779,833**	**1,184,120**	**3,292,537**	**837,219**	**1,470,814**	**56,367,733**
Depreciation:								
At 1st April 2017	69,542	4,609,264	8,190,044	-	1,258,241	24,922	1,286,399	15,438,412
Charge for the Year	17,294	1,740,306	2,173,844	-	223,498	23,835	40,941	4,219,718
Disposals	-	-	-	-	-	-	25,673	25,673
As at 31st March 2018	**86,836**	**6,349,570**	**10,363,888**	**-**	**1,481,739**	**48,757**	**1,353,013**	**19,683,803**
Charge for the Year	17,294	2,122,608	3,006,568	114,575	250,720	23,837	24,725	5,560,327
Disposals	-	-	-	-	-	-	-	-
As at 31st March 2019	**104,130**	**8,472,178**	**13,370,456**	**114,575**	**1,732,459**	**72,594**	**1,377,738**	**25,244,130**
Profit/(Loss) on sale of Assets (2017-18)							**74,327**	74,327
Net Block:								
As at 31st March 2019	**1,000,870**	**20,226,032**	**6,409,377**	**1,069,545**	**1,560,078**	**764,625**	**93,076**	**31,123,603**
As on 31st March 2018	1,018,164	15,012,402	4,319,882	-	1,406,210	327,601	117,801	22,202,060

Notes to the financial statements as at and for the year ended March 31, 2019

NOTE - 9 : FIXED ASSETS (cont.)

Intangible Assets

Particulars	Computer Softwares	Trademark	Total
Gross Block:			
At 1st April 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**
Additions for the year	11,800	63,800	75,600
Disposals	-		-
As at 31st March 2019	**1,633,151**	**63,800**	**1,696,951**
Amortization:			
At 1st April 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**
Charge for the year	155,775	10,096	165,871
Disposals	-		-
As at 31st March 2019	**1,429,950**	**10,096**	**1,440,046**
Net Block:			
As at 31st March 2019	**203,201**	**53,704**	**256,905**
As on 31st March 2018	347,176	-	347,176

(Amount in ₹ unless otherwise stated)

Note - 10 : Investments	Non-current portion		Current portion	
	31st March, 2019	31st March, 2018	31st March, 2019	31st March, 2018
Trade Investment				
Investment in Equity Shares (unquoted) (valued at cost) 50,000 (March 31, 2018: 50,000) fully paid up equity shares of Alpha Micro Finance Consultants Private Limited at face value of Rs. 10 per share	500,000	500,000	-	-
Non-trade Investments				
Nil (March 31, 2018 - 1,248.776 units) of SBI Mutual Funds	-	-	-	3,391,796
Total	**500,000**	**500,000**	**-**	**3,391,796**

(Amount in ₹ unless otherwise stated)

Note - 11 : Deferred tax Assets/ (Liabilities) (Net)	31st March, 2019	31st March, 2018
Deferred Tax Liabilities on account of :		
Fixed assets: Impact of difference between tax depreciation and depreciation charged for financial reporting	(420,015)	(119,800)
Deferred Tax Assets on account of :		
Impact of provision on portfolio loans	16,821,266	-
Deferred tax assets/ (liabilities) (net)	**16,401,251**	**(119,800)**

SHANKAR SARAF & ASSOCIATES Kolkata

VILLAGE FINANCIAL SERVICES LIMITED

(Formerly known as Village Financial Services Private Limited)

CIN: U51109WB1994PLC063746

Notes to the financial statements as at and for the year ended March 31, 2019

(Amount in ₹ unless otherwise stated)

Note - 12 : Loans and advances	Non-current portion		Current portion	
	31st March, 2019	31st March, 2018	31st March, 2019	31st March, 2018
Micro finance Loans:				
Unsecured, considered good	1,798,900,001	1,421,570,142	5,645,394,515	4,815,587,264
Unsecured, considered doubtful	33,277,179	30,055,963	-	-
SME Loans				
Unsecured, considered good	26,498,189	15,000,000	13,249,095	-
Security Deposit for rent & others:				
Unsecured, considered good	4,360,567	3,517,697	-	-
Advances recoverable in cash or kind	310,000	310,000	949,818	308,500
Advance tax (net of provision)	32,568,338	5,568,048		
Margin money with non-banking financial companies and financial institutions	66,000,000	119,000,000	117,000,000	30,000,000
Total	**1,961,914,274**	**1,595,021,850**	**5,776,593,428**	**4,845,895,764**

(Amount in ₹ unless otherwise stated)

Note - 13 : Other assets	Non-current portion		Current portion	
	31st March, 2019	31st March, 2018	31st March, 2019	31st March, 2018
Non-current bank balances (Refer note - 14)	557,831,503	465,521,644	-	-
Accrued Interest on loans	-	-	51,177,250	38,039,714
Interest accrued but not due on Term Deposits	30,996,900	37,708,259	57,613,670	19,714,060
Receivable from bank against Direct Sale Agreement	-	-	26,017,248	-
Interest receivable on securitisation transactions	-	-	31,038,949	4,480,445
Other Receivables	-	-	14,271,601	10,272,111
Total	**588,828,403**	**503,229,903**	**180,118,718**	**72,506,330**

(Amount in ₹ unless otherwise stated)

Note - 14 : Cash and bank balances	Non-current portion		Current portion	
	31st March, 2019	31st March, 2018	31st March, 2019	31st March, 2018
Cash and cash equivalents:				
Balance with banks in Current Account	-	-	761,524,354	165,941,781
Cash on hand	-	-	3,381,537	5,476,422
	-	**-**	**764,905,891**	**171,418,203**
Other bank balances:				
Deposit with remaining maturity period of more than three months but less than twelve months (*)	-	-	363,252,530	153,492,579
Deposit with remaining maturity period of more than twelve months (*)	557,831,503	465,521,644	-	-
	557,831,503	**465,521,644**	**363,252,530**	**153,492,579**
Amount disclosed under non-current assets (Refer Note - 13)	(557,831,503)	(465,521,644)	-	-
Total	**-**	**-**	**1,128,158,421**	**324,910,782**

** [Deposit accounts with Banks amounting to Rs. 87,89,37,641 (March 31, 2018 - Rs. 63,87,28,283) are being held as collateral security against borrowings, BC activities and loan securitization]*

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

Notes to the financial statements as at and for the year ended March 31, 2019

(Amount in ₹ unless otherwise stated)

Note - 15 : Revenue from operations	31st March, 2019	31st March, 2018
Interest income on portfolio loans	1,624,279,133	992,038,559
Processing fee on portfolio loans	130,276,220	86,523,400
Service fees	45,021,953	32,260,107
Income from securitization (excess interest spread)	69,256,868	4,480,445
Servicer Fees for Securitization	2,750,000	-
Recovery of bad debts	450,223	222,013
Total	**1,872,034,397**	**1,115,524,524**

(Amount in ₹ unless otherwise stated)

Note - 16 : Other income	31st March, 2019	31st March, 2018
Interest on Term Deposits	62,782,125	42,503,714
Profit on sale of investment in Mutual Fund	3,259,812	664,116
Other non-operative Income	55,285	82,636
Total	**66,097,222**	**43,250,466**

(Amount in ₹ unless otherwise stated)

Note - 17 : Employee benefits expense	31st March, 2019	31st March, 2018
Salaries & Wages:		
Payments to and provision for Employees	315,371,249	161,335,812
	315,371,249	**161,335,812**
Contribution to Provident & other Funds:		
Contribution towards Provident Fund (net of government contribution of Rs. 12.8 lakh (March 31, 2018: Nil) under PMRPY scheme)	13,338,487	8,330,905
Contribution towards E.S.I.C	9,844,265	5,304,374
Gratuity	2,171,492	8,048,570
	25,354,244	**21,683,849**
Staff Welfare expense:		
Staff Welfare	561,541	-
Total	**341,287,034**	**183,019,661**

(Amount in ₹ unless otherwise stated)

Note - 18 : Finance costs	31st March, 2019	31st March, 2018
Interest Expense	966,159,450	585,705,199
Other borrowing costs	49,609,631	51,950,989
Total	**1,015,769,081**	**637,656,188**

Shankar Saraf & Associates, Chartered Accountants, Kolkata

VILLAGE FINANCIAL SERVICES LIMITED

(Formerly known as Village Financial Services Private Limited)

CIN: U51109WB1994PLC063746

Notes to the financial statements as at and for the year ended March 31, 2019

(Amount in ₹ unless otherwise stated)

Note - 19 : Depreciation and amortization expense	31st March, 2019	31st March, 2018
Depreciation of Tangible Assets	5,560,327	4,219,719
Amortization of Intangible Assets	165,871	151,495
Total	**5,726,198**	**4,371,214**

(Amount in ₹ unless otherwise stated)

Note - 20 : Provisions and write off	31st March, 2019	31st March, 2018
Provision for standard and non-performing assets	12,262,577	24,051,657
Portfolio loans written off	7,652,526	1,300,379
Total	**19,915,103**	**25,352,036**

(Amount in ₹ unless otherwise stated)

Note - 21 : Other expenses	31st March, 2019	31st March, 2018
Rent for Office Accomodation	25,902,648	16,635,012
Consultancy & Professional charges	74,987,065	85,438,454
Software Customization charges	2,467,852	897,500
Printing & Stationery	8,435,988	6,164,981
Repair & Maintenance	10,725,608	6,938,060
Communication Expenses	6,492,234	4,163,121
Travelling and Conveyance	10,578,049	9,351,304
Expenses on Corporate Social Responsibility	2,250,000	1,094,603
Training Expenses	2,155,090	439,398
Electricity Charges	2,104,335	1,779,353
Auditors' Remuneration		
Audit fees (excluding taxes)	1,200,000	1,000,000
Advertisement & Publicity	1,116,899	742,324
Rating Expenses	3,397,425	1,956,500
Rates & Taxes	3,607,010	368,968
Insurance Premium	882,041	412,071
GST & Service Taxes	5,873,627	13,333,939
Security Charges	857,082	940,255
Miscellaneous Expenses	1,328,945	1,400,029
Filing Fees	1,605,985	1,572,915
Subscription	3,625,674	1,741,234
Loss of cash on Theft and Fraud	882,400	185,938
Total	**170,475,957**	**156,555,959**

SHANKAR SARAF & ASSOCIATES Kolkata Chartered Accountants

Notes to the financial statements as at and for the year ended March 31, 2019

22. Earnings Per Share

Particulars	31-Mar-19	31-Mar-18
Net Profit as per Profit and Loss Statement (₹)	292,279,296	93,630,520
Weighted average number of shares used in Computing Basic Earnings per share	43,685,349	36,193,677
Earning per Share (Basic and diluted) (₹)	6.69	2.59

23. Classification of Micro Loan Portfolio:

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

Quality of Portfolio outstanding:

Classification	As at March 31, 2019		As at March 31, 2018	
	Amount (₹)	Share (%)	Amount (₹)	Share (%)
Standard				
Current	7,427,666,410	99.33%	6,223,103,308	99.30%
1-90 days	16,628,106	0.22%	14,053,597	0.22%
NPA				
91- 179 days	8,133,189	0.11%	7,609,193	0.12%
180 days and more	25,143,990	0.34%	22,446,770	0.36%
Total	**7,477,571,695**	**100.00%**	**6,267,212,868**	**100.00%**

24. Segment Reporting

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

25. Expenditure in foreign currency (on accrual basis)

Particulars	Mar-19	Mar-18
Data management fees	443,050	Nil

26. Leases

Operating lease: Company as lessee

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

Description	Mar-19	Mar-18
Operating lease payments recognized during the year	25,902,648	16,635,012

SHANKAR SARAF & ASSOCIATES Kolkata Chartered Accountants

VILLAGE FINANCIAL SERVICES LIMITED

(Formerly known as Village Financial Services Private Limited)

CIN: U51109WB1994PLC063746

Notes to the financial statements as at and for the year ended March 31, 2019

27. Employee Benefits

a) Gratuity

During the period ended 31st March 2019, ₹ 21,71,492 /- (31st March 2018: ₹ 80,48,570/- amount of gratuity has been provided as per actuarial valuation

(b) Amount incurred as expense for defined contribution to Provident Fund is ₹ 1,33,38,487/- (March 31, 2018: ₹ 83,30,905/-)

28. Related Party Transactions

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

A : List of Related Parties with whom transactions held

a	Enterprises under the common control with the reporting enterprise	Shivam Investment Advisory Pvt Ltd
b	Shareholders having control or significant influence over the enterprise	Shivam Investment Advisory Pvt Ltd Mr Kuldip Maity
c	Key Management Personnel	Mr Ajit Kumar Maity, Chairman Mr Kuldip Maity, Managing Director & CEO Mr Manish Somani, CFO (w.e.f. July 16, 2018) Ms Samta Agarwal, Company Secretary (w.e.f. February 26, 2018) Mr Dinesh Mourya, Company Secretary (resigned w.e.f. March 5, 2018)

B : Transactions with the related parties during the year ended March 31, 2019

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Remuneration to key managerial personnel		
Mr Ajit Kumar Maity		
Salary, Bonus and other allowances*	5,225,400	4,354,560
Reimbursement of expenses	6,351	-
Mr Kuldip Maity		
Salary, Bonus and other allowances*	16,748,000	11,042,635
Contribution to provident fund	1,152,000	773,449
Mr Manish Somani		
Salary, Bonus and other allowances*	1,511,732	-
Contribution to provident fund	73,554	-
Reimbursement of expenses	212,500	-
Ms Samta Agarwal		
Salary, Bonus and other allowances*	1,885,596	163,579
Contribution to provident fund	91,236	8,418
Reimbursement of expenses	300,000	27,679
Mr Dinesh Mourya		
Salary, Bonus and other allowances*	-	624,586
Contribution to provident fund	-	37,479

Notes:

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

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

Notes to the financial statements as at and for the year ended March 31, 2019

29. Details of Business Correspondent (BC) activity

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

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

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

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

The information regarding to Business Correspondent activity is shown below:

(₹ in crore)

Particulars	31-Mar-19	31-Mar-18
Number of Accounts (in numbers)	31,766	41,866
BC loan outstanding	66.55	58.43
Income from BC activities	4.50	3.23
Cash collateral	3.20	3.15

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

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

(₹ in crore)

Particulars	31-Mar-19	31-Mar-18
Total number of loans securitized	211,265	29,406
Total book value of loans securitized	340.18	53.68
Sale consideration received for loans securitized	340.18	53.68
Income from securitization recognized in the statement of profit and loss	6.93	0.45

31. Disclosure relating to CSR expenditure:

(a) Gross amount required to be spent by the company during the year - Rs. 22,35,277 (March 31, 2018 - Rs.10,02,603)

(b) Amount spent during the year:

(Amount in ₹ unless otherwise stated)

Particulars	In Cash	Yet to be paid in cash	Total
(i) Construction/acquisition of any asset	-	-	-
(ii) On purposes other than (i) above	2,250,000	-	2,250,000

32. Additional disclosures required by the Reserve Bank of India

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

	Particulars	March 31, 2019	March 31, 2018
i)	**CRAR (%)**	**18.83%**	**15.65%**
ii)	CRAR - Tier I Capital (%)	13.27%	12.76%
iii)	CRAR - Tier II Capital (%)	5.56%	2.89%
iv)	Amount of subordinated debt raised as Tier-II capital	40.00	10.00
v)	Amount raised by issue of Perpetual Debt Instruments	-	-

VILLAGE FINANCIAL SERVICES LIMITED

(Formerly known as Village Financial Services Private Limited)

CIN: U51109WB1994PLC063746

Notes to the financial statements as at and for the year ended March 31, 2019

ii) Information on net interest margin

	Particulars	March 31, 2019	March 31, 2018
a	Average Interest charged by the company (%)	23.54%	19.58%
b	Average Cost of Borrowings (%)	14.27%	11.37%
	Margin Cap (a-b) (%)	**9.27%**	**8.21%**

iii) Investments

	Particulars	March 31, 2019	March 31, 2018
1)	Value of Investments		
	(i) Gross Value of Investments		
	(a) In India	0.05	0.05
	(b) Outside India	-	-
	(ii) Provisions for Depreciations		
	(a) In India	-	-
	(b) Outside India	-	-
	(i) Net Value of Investments		
	(a) In India	0.05	0.05
	(b) Outside India	-	-
2)	Movement of provisions held towards depreciation on investments		
	(i) Opening balance	-	-
	(ii) Add: Provisions made during the year	-	-
	(iii) Less: Write-off/write-back of excess provisions the year	-	-
	(iv) Closing balance	-	-

iv) Derivatives

The Company has no transactions/exposure in derivatives in the current and previous year. The company has no unhedged foreign currency exposure as on March 31, 2019 , (March 31, 2018 - Nil)

J. SHANKAR SARAF & ASSOCIATES Chartered Accountants Kolkata

Notes to the financial statements as at and for the year ended March 31, 2019

v) Disclosures relating to securitization:

Sl.	Particulars	March 31, 2019	March 31, 2018
1	No. of SPVs sponsored by the NBFC for securitizations	11	2
2	Total amount of securitized assets as per the books of SPVs sponsored by the NBFC as on the date of balance sheet	284.47	54.47
3	Total amount of exposures retained to comply with 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)	20.81	3.23
	-- Pool Principal	35.33	5.95
4	Amount of exposures retained to securitization transactions other than MRR		
	a) Off-balance sheet exposures		
	(i) Exposure to own securitizations	-	-
	-- First loss	-	-
	-- Others	-	-
	(ii) Exposure to third party securitizations		
	-- First loss	-	-
	-- Others	-	-
	b) On-balance sheet exposures		
	(i) Exposure to own securitizations		
	-- First loss	-	-
	-- Others*	-	-
	(ii) Exposure to third party securitizations		
	-- First loss	-	-
	-- Others	-	-

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

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

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

Notes to the financial statements as at and for the year ended March 31, 2019

vii) Details of Assignment transactions undertaken

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

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

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

ix) Outstanding of loans against security of gold as a percentage to total assets is Nil.

(March 31, 2018 -- Nil)

x) Asset Liability Management

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

Particulars	Up to 30/31 days	Over 1 month up to 2 months	Over 2 months up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 3 years	Over 3 yrs up to 5 yrs	Over 5 years	Total
Advances	85.51	79.64	76.72	183.02	144.30	182.54	-	-	**751.73**
Investments	-	-	-	-	-	-	-	0.05	**0.05**
Borrowings	41.50	43.01	46.18	136.47	186.05	257.94	14.39	50.00	**775.55**

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 up to 2 months	Over 2 months up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 3 years	Over 3 yrs up to 5 yrs	Over 5 years	Total
Advances	61.82	57.37	55.93	167.73	141.72	143.65	-	-	**628.22**
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**

xi) Exposures

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

xii) Details of financing of parent company products

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

xiii) Details of Single Borrower Limit (SBL)/ Group Borrower Limit (GBL) exceeded by NBFC

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

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

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

SHANKAR SARAF & ASSOCIATES Kolkata Chartered Accountants

Notes to the financial statements as at and for the year ended March 31, 2019

xv) Unsecured Advances

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Portfolio loans	751.73	628.22

xvi) 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)

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

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

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

There are no off-balance SPVs sponsored which are required to be consolidated as on March 31. 2019 and March 31. 2018.

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

Deposit Instruments	Name of Rating Agency	Date of rating	Rating assigned	Valid up to
Long term Bank facilities	Brickwork Ratings	11-May-2018	BWR BBB+	10-May-19
Comprehensive MFI Grading	Acuite Ratings & Research	22-Mar-2019	M1C2	20-Mar-20

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

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Provisions for depreciation on investment	Nil	Nil
Provision made towards Income Tax	10.92	5.84
Provision for standard assets and non-performing assets	1.23	2.41
Provision for securitized/managed portfolio	-	-
Provision for leave benefits	-	-
Provision for gratuity	0.22	0.80

SHANKAR SARAF & ASSOCIATES Kolkata Chartered Accountants

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

Notes to the financial statements as at and for the year ended March 31, 2019

xxi) Draw down from Reserves:
There has been no draw down from reserves during the year ended March 31, 2019 (Previous Year: Nil).

xxii) Concentration of Deposits
This disclosure is not applicable as the Company is not a deposit taking NBFC.

xxiii) Concentration of Advances, Exposures and NPAs:

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Concentration of Advances		
Total advances to twenty largest borrowers	1.70	1.58
% of advances to twenty largest borrowers to total advances	0.23%	0.25%
Concentration of Exposures		
Total exposure to twenty largest borrowers / customers	1.70	1.58
% of exposures to twenty largest borrowers / customers to total exposure	0.23%	0.25%
Concentration of NPAs		
Total exposure to top four NPA accounts	0.02	0.01

xxiv) Sector-wise NPAs:

Sector	% of NPAs to total advances in that sector as on March 31, 2019	% of NPAs to total advances in that sector as on March 31, 2018
Agriculture & allied activities	0.51%	0.35%
MSME	0.44%	0.20%
Corporate borrowers	-	-
Services	0.23%	0.06%
Unsecured personal loans	-	-
Auto loans	-	-
Other personal loans	-	-

xxv) Movement of NPAs:

(₹ in crore)

Sl.	Particulars	March 31, 2019	March 31, 2018
i)	Net NPAs to Net Advances (%)	-	-
ii)	**Movement of NPAs (Gross)**		
	a) Opening balance	3.01	0.17
	b) Addition during the year	1.09	2.97
	c) Reductions during the year (represents loan portfolio written off)	(0.77)	(0.13)
	d) Closing balance	**3.33**	**3.01**

Notes to the financial statements as at and for the year ended March 31, 2019

xxv) Movement of NPAs:

(₹ in crore)

Sl.	Particulars	March 31, 2019	March 31, 2018
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	3.01	0.17
	b) Provision made during the year	1.09	2.97
	c) Write-off/ write back of excess	(0.77)	(0.13)
	d) Closing balance	**3.33**	**3.01**

xxvi) Disclosure of Customer Complaints:

Sl	Particulars	March 31, 2019	March 31, 2018
i)	No. of complaints pending at the beginning of the year	-	-
ii)	No. of complaints received during the year	65	26
iii)	No. of complaints redressed during the year	65	26
iv)	No. of complaints pending at the end of the year	-	-

33. Disclosure of frauds

Disclosure of frauds reported during the year ended March 31, 2019 vide RBI/2015-16/17; DNBR (PD) CC.No. 058/03.10.119/2015-16 July 01, 2015 (Updated as on April 11, 2016)

Particulars		No. of accounts	Value (₹ in lakhs)
Persons involved	**Types of fraud**		
Staff	Misappropriation of cash	17	13.50

SHANKAR SARAF & ASSOCIATES Kolkata Chartered Accountants

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

Notes to the financial statements as at and for the year ended March 31, 2019

34. There is no pending litigation or claim against the company as on March 31, 2019.

35. There is no contingent liability that is required to be disclosed as on March 31, 2019 and March 31, 2018.

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

37. Previous year's figures are regrouped or rearranged wherever necessary to confirm to this year's classification /

As per our report of even date annexed herewith

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

Sonam Agarwal
Partner
Mem. No:309386

Place: Kolkata
Date : May 10, 2019

For Village Financial Services Limited

Ajit Kumar Maity
Chairman

Kuldip Maity
Managing Director & CEO

Manish Somani
Chief Financial Officer

Samta Agarwal
Company Secretary

Jottings


TOWARDS
one million
customers

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 - 700 057

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