

VIRUTCHAM MICROFINANCE LIMITED

THIRD ANNUAL REPORT

2010 – 2011

BOARD OF DIRECTORS

Mr. M. JESUDASAN B.A., CAIIB.,	-	Chairman
Dr. M.ARUMAIRAJ M.A., Ph.D., PGDT.,	-	Managing Director
Mr. M. PEPPIN PRAGASA SEELAN	-	Director
Dr. NICHOLAS B.E., MS., PPEC., Ph.D.,	-	Director
Mr. M.FRANCIS XAVIER M.Sc.,	-	Director
Dr. K.JOTHIMONY M.Sc., Ph.D.,	-	Director
Dr. S.JOHNSON RAJ M.S.W., M.A., M.phil., Ph.D.,	-	Director
Mr.P.TITUS B.Sc., M.A., M.Ed.,	-	Additional Director
Br. P.JEYARAJ M.A., B. Ed.,	-	Additional Director

ADVISORS

REV.FR.T. EUGENE M.A., M.A., B.Ed.,

REV.FR. S. DENZIL RAJA M.A., Ph.D.,

EXECUTIVES

Mr. R. KANAGAVEL B. Com.,	-	General Manager
Mr. S. L. JOHN JOSEPH JERAULD M.S.W., B. Ed.,	-	DGM (Training)

AUDITORS

M/s A. JOHN MORIS & CO,
Chennai

Registered Office: 19, BALAJI AVENUE, 5TH CROSS, MELACHINTHAMANI, OLD KARUR ROAD,
TRICHY, - 620 002

NOTICE TO MEMBERS

Notice is hereby given that the **THIRD ANNUAL GENERAL MEETING** of the members of **M/s. VIRUTCHAM MICROFINANCE LIMITED** will be held on 30th May, 2011 at 12.00 Noon at the Registered Office No. 19, Balaji Avanie, 5th Cross, Melachinthamani, Old Karur Road, Trichy - 620 002 to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Audited Balance Sheet as on 31.03.2011, Profit & Loss Account for the period ended 31st March 2011 and the reports of the Directors and Auditors thereon.
2. To consider appointment of Auditor to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. **M/s A. JOHN MORIS & CO**, Chartered Accountants, retire at this meeting are eligible for re-appointment.
3. To consider appointment of Director in the place of **Dr.S.Johnson Raj**, who retires by rotation and being eligible offers himself for re-appointment.
4. To consider appointment of Director in the place of **Mr.M.Francis Xavier**, who retires by rotation and though eligible not offered himself for re-appointment.
5. To consider appointment of Director in the place of **Dr. K. Jothimoni**, who retires by rotation and though eligible not offered himself for re-appointment.

6. To consider and if thought fit, with or without modification to pass the following resolution.

RESOLVED THAT Mr. P.Titus, Additional Director appointed by the Board on 15.09.2011 be appointed as Director.

RESOLVED THAT Br.P. Jeyaraj, Additional Director appointed by the Board on 15.09.2011 be appointed as Director.

By order of the Board
M/S. VIRUTCHAM MICROFINANCE LIMITED

Sd/-

Place: Trichy
Date: 30-04-2011

(Dr. M. Arumai Raj)
Managing Director

Notes

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself.
2. The proxy need not be a member of the company.
3. The instrument appointing the proxy should reach the Registered Office of the Company at least 48 hours before the time fixed for the commencement of meeting.

VIRUTCHAM MICROFINANCE LIMITED- HEAD OFFICE TRICHY

DIRECTOR'S REPORT TO THE MEMBERS

The Board of Directors is pleased to present the 3rd Annual Report together with the Audited Balance Sheet and Profit & Loss accounts for the year ended 31st March, 2011. The working of the company for the period ended 31st March, 2011 has been satisfactory.

WORKING RESULT

Your Company was incorporated in July 2008 and the Certificate of Registration was issued by RBI in August, 2009. The company incurred a loss of 16.58 lakhs during the year 2009-2010 due to the preliminary and pre operative expenses incurred right from its incorporation. During this year your company earned an income of Rs.42.75 lakhs and incurred an expenditure of Rs.34.65 lakhs. The net profit is Rs.8.10 lakhs.

FUND RAISING

Your Company approached a number of financial institutions. Among these, SIDBI sanctioned a loan amount of Rs. 100 lakhs to your company and TMB also has sanctioned Rs.100 lakhs. SIDBI has released Rs.55 lakhs. Our loan application to IDBI, SBI, PNB and SBT are under consideration. SBI and SBT officials also visited our partner NGOs field areas. Apart from SIDBI other financial institutions are also expected to release funds to the company for on lending to Self Help Groups (SHGs). Considering the advice of SIDBI and other financial institutions, MFI rating study was arranged with "SMERA". The grading awarded to the company was MF5. The company is hopeful that during the ensuing year (2011-2012) the volume of business will increase considerably and along with it the income and profit are also expected to increase.

NGO – PARTNERS

The company have already entered into a Memorandum of Understanding (MOU) with six NGOs. During the year the company entered into a MOU with another NGO called SEDO. Now totally seven NGOs are in MOU with the company. They are

- | | | |
|----|-----------------------------|---------------------------------------|
| 1. | STAR Trust | - Jeyankondam, Ariyalur District |
| 2. | Virutcham Trust | - Mannarpuram, Tuticorin District |
| 3. | WED Trust | - Thiruchendur, Tuticorin District |
| 4. | IRCDS | - Thiruvallur, Thiruvallur District |
| 5. | FSJ Women Development Trust | - Mugalivakkam, Kancheepuram District |
| 6. | WEEDS Trust | - Mudalur, Tuticorin District |
| 7. | SEDO | - Tuticorin, Tuticorin District |

As on date, these seven NGOs have a combined strength of 3955 SHGs with a membership of 58897 women. Out of these the company has lent to 654 SHGs involving 9644 individual women members totally Rs.7.60 crores and the portfolio outstanding as on 31.03.11 was Rs.2.43 crores. The company is hopeful to cover the remaining groups with the availability of more external funds from the lending institutions in the forthcoming year.

LOAN PRODUCTS

The company has introduced loan products for Rs.5000, Rs.10000, Rs.15000, Rs.20000 repayable in 10-15 instalments and Rs.50000 as personal loan per member repayable in 20 instalments. Based on this, 1597 members received loans for agri activity, 2636 members received loans for Animals & Husbandry, 320 members received for Dairy purpose, 4781 members for Small & Tiny Industries and 310 members for Hand made products. Thus the SHG members involved in income generating activities and improved their economic status. Staff loan was also introduced during the year. Other loan products like Housing loan, Festival loan, Educational loan etc will be introduced in the ensuing year based on the need of the SHG members and also on availability of source of external funds. The rate of interest, procedure for loan sanction, disbursement of loan, recovery of loan, documentation and other terms of the loans have been codified in the Operation Manual.

Your company has disbursed loan as mentioned below from the inception of lending operation.

NGO wise Loan Disbursement Details as on 31.03.11

Name of the NGO	Total No. of Groups	Total Borrowers	Total Disbursement (Rs.)	Active Borrowers	Loan Outstanding (Rs.)
STAR	185	2,811	2,80,70,000	1,002	62,76,097
IRCDS	242	3,595	1,89,00,000	1,820	52,69,000
FSJ	112	1,496	99,10,000	822	41,34,500
WED	33	545	70,10,000	324	31,09,494
VIRUTCHAM	35	562	55,30,000	470	24,88,189
WEEDS	40	531	56,35,000	327	20,86,500
SEDO	7	104	10,40,000	104	9,93,000
TOTAL	654	9,644	7,60,95,000	4,869	2,43,56,780

RECOVERY PERFORMANCE

Your company which has completed 20 months of operation has achieved 100% loan recovery in all the three branches. Both in urban and rural areas the recovery rate is 100%. There are some groups who are paying the instalments even before the due date. The recovery performance of the groups reflects the strength of the NGOs with whom we work and also the system VML follow.

TRAINING

There are totally 15 employees working in the company Head Office at Trichy and also in the three branches viz Tiruchendur, Jeyankondam and Mugalivakkam. All the employees have been imparted training in the area of accounts, documentation, reporting, MIS, accounts software and on company matters. Training on MFI concept and MIS was conducted for the staff of partners NGOs like WEEDS, VIRUTCHAM Trust and WED by the Head of the Department of Training of your company. SHG Federation leaders, Animators & Representatives of SHGs and staff of IRCDS Trust, FSJ Trust, STAR Trust have been imparted training on accounts & MIS. SHG members are also trained by the company staff about VML Operation, Rating Methodology, Loan Documentation, Loan Disbursement Procedure, Loan Utilization and Repayment Process at the time of Rating and Loan disbursement. MFI rating agency "SMERA" was very much satisfied on the impact of the training observed during their rating visit. The company aims to train more number of SHGs and Staff in various aspects of MFI in the ensuing year.

INTERNAL AUDIT

A system of internal audit has been followed and a comprehensive audit report has been formatted. During the year internal audit of all the branches of the company was carried out ensuring 100% coverage of all transactions. The system was well regulated. In future, a separate internal audit team is going to be formed.

There was no employee who was or is in receipt of remuneration prescribed under section 217(2A) of the companies act 1956 or more per month.

UPGRADATION OF SOFTWARE.

Today the business of banking becomes a part of high tech mechanism providing all facilities to the customers and serving all required data to the banker. Naturally any microfinance institutions can not survive without adopting the latest software services. Hence, gauging the felt need of the latest upgraded version of software system. VML approached the Apparent Infotech Private Ltd for its upgradation. The Apparent Infotech Private Ltd have come forward to install a server at Head Office to support the new software at a total cost of Rs.3,22,000/-. The proposed Apparent Microfinance Manager at VML would serve all our needs. It consists of five modules namely Customer Management Lending, Saving, Collection and Accounting. The Customer Management would provide the functionality like

Group Maintenance, Family survey, Documents verification, Group members report. The module of Lending Management would provide the functionalities like Loan Application Processing, Disbursement, Portfolio Report, Loan Statement etc. The Saving Management module also would provide us the needed input for VML smooth operation. Hence, VML has decided to go in for this version of latest software.

ACTIVITIES OF THE AFFILIATED NGOS

The partner NGOs of Virutcham by using our micro-lending are empowering the women members by imparting various skills. With the support of Government Agencies they are involved in many social activities like serving the disabled and orphan children. Their contribution to the prevention of HIV/AIDS and rehabilitation of the HIV patients are note-worthy. Their contributions to the liberation of the bonded labors are very remarkable. The women members are motivated and encouraged to start many micro enterprises like silk saree weaving, petty shops, horticulture, milk societies, cup-making and plate-making etc.

Outreach Data of the Affiliated NGOs as on 31.03.11

Sl. No.	Name of the NGO	No. of Districts covered	No. of Blocks Covered	Panchayat covered	No. of Villages Covered	Total No. of Groups	Total Members
1	STAR	1	1	43	208	1,363	20,129
2	IRCDS	1	4	44	78	993	14,565
3	FSJ	1	2	9	12	222	3,361
4	WED	1	2	18	81	475	7,125
5	VIRUTCHAM	2	7	38	74	211	3,165
6	WEEDS	2	2	32	98	574	8,797
7	SEDO	1	1	4	32	117	1,755
TOTAL		9	19	188	583	3,955	58,897

STAR Trust – JAYANKONDAM

MICRO – ENTERPRISES

Realizing the felt need of the marginalized women members, STAR Trust provided the credit linkage with the local bank and from Virtcham Micro Finance. Star Trust has motivated the women members to start their own enterprises. Micro-enterprises are being used as an omnipotent tool for the empowerment of women. STAR TRUST makes women as leaders and entrepreneurs in business by imparting entrepreneurial leadership skills to the enterprising women members. With the

support of the District Industrial Centre and District Rural Development Agency, and SKIP, Bangalore, STAR have provided periodical training and motivated them to organize many enterprises:

STAR by providing micro loan to start their own enterprises have achieved tremendous success by making women as entrepreneurs. They are organizing and managing milk cooperatives with the help of Women Federations, hand-loom silk-weaving and selling, cashew nut package in selling, managing petty shops, mushroom cultivation, running small canteen business, Operating Grinding Machines, renting out cooking vessels and chairs for marriage functions, cup-making and plate-making etc.

AIDS INTERVENTION PROGRAMME

Gauging the seriousness of the HIV spread among the rural women, STAR with the support of the TANSACS, Chennai is implementing the Prevention of Parents to Child Transmission (PPTCT) programme in the highly HIV infection districts of Perambalur and Ariyalur districts. Besides awareness creation by STAR in the two districts, the prevention programme carried out by STAR gives 100% success. Every month 20 to 25 new born children are prevented infecting with HIV.

PROMOTING ECO-FRIENDLY TOURISM

STAR has taken up the issues relating to the globalised tourism in the state of Tamil Nadu. STAR has chosen 18 tourist centres of Tamil Nadu and focused on the negative impact of the mass tourism on the locals. The issues like ecological degradation was focused and a series of Awareness Programme, Seminars, Public rally and Advocacy meeting was conducted with the help of the local NGOs. Local Committees were formed to monitor the activities.

IRCDS – THIRUVALLUR

PREVENTION AND ELIMINATION OF BONDED LABOUR:

The debt-bonded people have been liberated from the clutches of over indebtedness through the promotion of savings and credit groups (SCG) with the funding and technical support of International Labour Organization (ILO). 1687 members have been organized into 115 groups and they have saved to Rs. 3 million. Alternative livelihood options have been identified for 841 persons in 16 trades. Linkages with banks and government departments have been made to meet their credit needs. The members have been empowered through various education and development interventions to fight against poverty.

EMPOWERMENT OF THE DIFFERENTLY ABLED THROUGH COMMUNITY BASED REHABILITATION APPROACH:

Around 1736 differently abled persons have been empowered through the social mobilization process in Kadambathur & Tiruvallur Blocks. The self-help groups

(109 SHGs exclusively by organizing the differently abled) and 6 cluster level federations (Vasantham Federation for Differently Abled) are playing a key role in meeting their development and home based rehabilitation needs through capacity building, networking and advocacy strategies.

WEEDS – MUDHALUR

SHGs are trained in income generation activities with the help of NABARD, FVTRS & TNCDeW. As a result of this, SHG members are now involved in income generating activities like embroidery work, drumstick cultivation, honey bee rearing, halwa preparation, manufacturing of bricks and palm tree products.

In Kadatchapuram area women members are engaged in bricks manufacturing with the help of machine. They also utilized the VML loan amount for this purpose. Now they are earning very good income through this business. They are also planning to extend their business.

FSJ Trust – MUGALIVAKKAM

FSJ Trust conducted a medical camp for the SHG members at Mugalivakkam on 16.08.2010 Dr. Jegadish gave awareness to the members on various diseases and treatment. He also focused on the importance of physiotherapy and its uses.

FSJ Women Development Trust with the help of TNCDeW gave skill development training for 30 members on the manufacturing of leather products. Participants have also received training certificates and incentives from government.

MEETINGS

The Board of Directors met 5 times during the year. The Executive Committee of the Board met 4 times and audit committee met twice during the same period.

AUDITORS

The Auditors of the Company M/S. A.JOHN MORIS & CO., Chartered Accountants, Chennai retire at conclusion of ensuing Annual General Meeting of the Company and are eligible for reappointment and have confirmed that their re-appointment, if made, shall be within the limits of Section 224 (1 B) of the Companies Act, 1956.

DIRECTORS

Dr. S. Johnson Raj, Dr. K. Jothimony and Mr. M. Francis Xavier who retire by rotation are eligible for re-appointment.

DIVIDEND

The net profit earned during the year is not adequate to pay any dividend to the shareholders. Hence your directors do not recommend payment of any dividend.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the provisions of section 217(2AA) of the Companies Act, 1956. Your Directors wish to state that:

- i) In the preparation of the Annual Accounts for the year, all applicable accounting standards have been followed and that there are no material departures.
- ii) Your Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the period.
- iii) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) The Directors have prepared the Annual Financial Statements on a "Going Concern" basis.

CONSERVATION OF ENERGY

As regards disclosure under section 217 (1) (e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of particulars in the respect of Board of Directors) Rules, 1988, our operations are not energy intensive.

FOREIGN EXCHANGE

There is no foreign exchange received or outgo and there is no technology absorption taken place during the period under review.

ACKNOWLEDGEMENTS:

The Directors wish to place on record their appreciation for the excellent support received from SIDBI, Tamilnad Mercantile Bank Ltd., and other bankers, and all central and state Statutory Authorities. The Directors wish to place on record their appreciation of the sustained work of the employees of the Company.

For and on behalf of Board

Sd/-

(Dr. M.ARUMAIRAJ)
Managing Director

Place: Trichy

Date: 30.04.2011

AUDITORS' REPORT
TO THE MEMBERS OF M/S. VIRUTCHAM
MICROFINANCE LIMITED

We have audited the attached Balance Sheet of **M/S. VIRUTCHAM MICROFINANCE LIMITED** as at 31st March, 2011, Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. The preparation of these Financial Statements is the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our Audit.

We conducted our Audit in accordance with Auditing Standards generally accepted in India. Those standards require that, we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement(s). An Audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditors' Report) order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 and on the basis of such checks as we considered necessary and according to information and explanation given to us, we state in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the annexure referred to in paragraph 1 above, We state that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

- (b) In our opinion, proper books of account as required by law have been kept by the company, so far as it appears from our examination of the books maintained by the company at the Head office and all the branches of the company, visited by us.
- (c) The Balance sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- (d) In our opinion the Profit and Loss account and Balance sheet comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act 1956.
- (e) On the basis of the written representations received from the directors, and taken on record by the Board of Directors, We report that none of the directors are disqualified as on 31st March, 2011 from being appointed as directors in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
- (i) In the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2011;
 - (ii) In the case of Profit & Loss Account, of the **PROFIT** of the company for the year ended on that date; and
 - (iii) In the case of Cash Flow Statement of Cash Flow for the year ended on that date.

For **A. JOHN MORIS & CO.**,
CHARTERED ACCOUNTANTS
FRN. 0072205

Sd/-

PLACE : TRICHY
DATE : APRIL 28, 2011

(P. GANESAN)
PARTNER
M.No: 214065

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (1) of our report of even date)

**REPORT OF THE AUDITOR TO THE MEMBERS IN ACCORDANCE WITH THE
COMPANIES (AUDITORS' REPORT) ORDER 2003**

We state that,

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The same are in the process of being updated.
2. As explained to us, fixed assets, according to the practice of the Company, are physically verified by the management at reasonable intervals, in a phased verification programme, which, in our opinion, is reasonable looking to the size of the company and the nature of its business.
3. As per the information and explanation given to us on our enquiries, the disposal of assets during the year was not substantial and would not have an impact on the operations of the company.
4. Being a Non-Banking Finance Company, the matters in connection with verification, reporting and all other related matters on inventory are not applicable.
5. As informed to us, the company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clauses 4(iii) (b)(c)(d)(f) and (g) of the order are not applicable to the company.
6. In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. There are no purchase of inventory and sale of goods. Further, on the basis of our examination of the books and records of the company, carried out in accordance with the auditing standards generally accepted in India, we have not observed any continuing failure to correct major weaknesses in the aforesaid internal control system.

7. According to the information and explanations given to us, the company has not entered in to any contract or arrangement referred to in section 301 of the Act.
8. As the company has not entered into any transactions, no comments have been given in respect of clause 4(v) of the Companies (Auditor's Report) Order, 2003.
9. During the year, the company has not accepted any deposits from the public. As such the compliance with the directives issued by the Reserve Bank of India and the provisions of Section 58A and 58AA of the Companies Act, 1956 and rules framed there under are not applicable.
10. In our opinion, the company has an internal audit system, the scope and coverage of which is fairly adequate commensurate with the size and nature of the business of the Company.
11. According to the information and explanations given to us, the maintenance of cost records has not been prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956, for any the activities of the company.
12. According to the records of the company, it is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Funds, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs Duty, Excise Duty, Cess and other applicable statutory dues.
13. According to the information and explanations given to us, there are no undisputed amounts payables in respect of Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income-tax, Sales-Tax, Wealth Tax, Custom Duty, Excise Duty & Cess as at the year end, for a period more than six months from the date they became payable.
14. The Company has neither accumulated losses till the immediately preceding Financial Year nor incurred any loss during the current Financial Year under this Report.

15. According to the information and explanations given to us the company has not defaulted in repayment of dues to financial institutions and Banks.
16. Based on our examination of documents and records maintained by the Company, we are of the opinion that the Company has not granted any loans and advance on the basis of security by way of pledge of shares, debentures and other securities.
17. In our opinion and according to the information and explanations give to us, the nature of the activities of the Company does not attract any special statute applicable to chit fund and nidhi/mutual benefit fund/societies.
18. In our opinion and according to the information and explanations given to us, the company is not a dealer or trader in shares, securities, debentures and other investments.
19. According to the information and explanations given to us and on the basis of records examined by us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
20. On the basis of review of utilisation of funds pertaining to term loans on overall basis and related information as made available to us, the term loans taken by the Company have been applied for the purposes for which they are obtained.
21. Based on the information and explanations given to us and on an overall examination of financial statements of the Company, in our opinion, short term funds have not been utilized for long term purposes.
22. According to the information and explanations given to us no preferential allotment of shares has been made by the company to companies, firm or other parties listed in the register maintained under section 301 of the company Act, 1956.
23. Neither any debentures were issued during the year, nor is any creation of security pending in respect of debentures raised in earlier years.

24. The Company has not raised money by public issues in the recent past and hence, we have no comments to offer in respect of clauses 4(xx) for the Companies (Auditor's Report) Order, 2003.
25. On the basis of our examination of the books of account and other relevant records and information made available to us, prima facie we have not noticed any fraud on or by the company, during the year. Further, the management has represented to us that no fraud on or by the company has been reported during the year.
26. The company has complied with the prudential norms on the income recognition and provisioning against sub-standard/doubtful/loss assets, as per the provisions of Non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.
27. Based on representations by management and our visit to borrowers and all branches of the company, we are of the opinion that the company has adequate procedures for appraisal of credit proposals/requests, assessment of credit needs and repayment capacity of the borrowers.

For A. JOHN MORIS & CO.,
CHARTERED ACCOUNTANTS
FRN. 0072205

Place : TIRCHY
Date : APRIL 28, 2011

Sd/-
(P. GANESAN)
PARTNER
M.No. 214065

Assessee's Name :	M/S. VIRUTCHAM MICROFINANCE LTD.,	Status :	PUBLIC LIMITED COMPANY
Date of Incorporation :	08.07.2008	Asst. Year :	2011-12
Date of Commencement:	12.11.2008	P.A.No :	AACCV9529Q
Nature of Business :	MICROFINANCE	G.I.R.No :	
Address :	No.19 Balaji Avenue, 5th Cross, Melachinthamani, Old Karur Road, Trichy - 620 002.	I.T.Juri :	
		Year Ending :	31.03.2011

Ref: AJM/V-18/076/2011-12

28th April,2011

STATEMENT OF TOTAL INCOME

<u>INCOME FROM BUSINESS</u>		
Net Profit as per Profit & Loss A/c.		726,156.76
<i>Less: INCOME CONSIDERED SEPARTE HEAD:</i>		
Profit on sale of Vehicle		9,970.60
		716,186.16
<i>ADD: INADMISSIBLE EXPENSES:</i>		
Provision for Standard Assets	60,891.95	
Depreciation as per Companies Act	83,834.73	144,726.68
		870,883.44
<i>LESS: ADMISSIBLE EXPENSES/INCOME NOT CHARAGEABLE</i>		
Profit on sale of Vehicle as per I.T.Act		
Depreciation as per Income Tax Act	138,759.83	
		138,759.83
		732,123.61
<i>LESS: Unabsorbed Loss and allowance brought forward from preceding Assessment year</i>		
Business Loss U/s. 72	1,154,465.00	
Depreciation Loss U/s. 32(2)	411,995.00	
		732,123.61
INCOME FROM BUSINESS		-
<u>INCOME FROM CAPITAL GAINS:</u>		
<u>SHORT TERM CAPITAL GAINS - VEHICLE</u>		
Sale consideration	1,062,767.00	
Less: W.D.V. as on 31.03.2010	945,055.50	
		117,711.50
Total Income		117,711.50
		(or)
Rounded off		117,710.00

<u>STATEMENT OF BOOK PROFIT</u>		
Net profit as per Schedule VI Part II and Part III		566,643.01
Add : Income Tax	-	
Deferred Tax	16,970.00	
Statutory Reserve	141,660.75	
		158,630.75
		725,273.76
Less: Recovered Provision for Doubtful Debts		
Brought forward loss or unabsorbed depreciaion whichever is less	113,598.05	113,598.05
		611,675.71
		(or)
Rounded off		611,680.00
<u>STATEMENT OF TAXES</u>		
Tax due as per Book Profit U/s. 115-JB @ 18%	110,102.00	
Tax due as per Income Tax Act.,	35,313.00	
Total Tax payable	110,102.00	
Add: Education Cess @ 3% on above	3,303.00	
	113,405.00	
Less: T.D.S.- Bank Interest	-	
Balance Tax Payable	113,405.00	
Add: Interest for :		
U/s. 234 - A		
U/s. 234 - B	2,268.00	
U/s. 234 - C	5,727.00	7,995.00
Total Tax and Interest Payable	121,400.00	
Less: Tax Paid U/s. 140-A	121,400.00	
BALANCE TAX AND INTEREST PAYABLE/(REFUND DUE)	-	

for M/S. VIRUTCHAM MICROFINANCE LTD.,

for A. JOHN MORIS & CO.,
CHARTERED ACCOUNTANTS,

Sd/-

(M.ARUMAI RAJ)
Managing Director

Sd/-

(P. GANESAN)
PARTNER
Membership No. 214065

M/S. VIRUTCHAM MICROFINANCE LTD.,
No.19 Balaji Avenue, 5th Cross,
Melachinthamani, Old Karur Road, Trichy - 620 002.

BALANCE SHEET AS ON 31.03.2011

PARTICULARS	SCH	As On 31.03.2011 (INR)	As On 31.03.2010 (INR)
<u>I. SOURCES OF FUNDS:</u>			
1. Shareholders Funds			
(a) Capital	A	22,423,700.00	22,081,700.00
(b) Reserve & Surplus		141,660.75	-
2. Loan Funds			
(a) Secured Loans	B	5,500,000.00	701,479.00
(b) Unsecured Loans		-	-
3. Deferred Tax Liability			
		109,170.00	92,200.00
Total		28,174,530.75	22,875,379.00
<u>II. APPLICATION OF FUNDS:</u>			
1. Fixed Assets:			
(a) Gross Block	C	730,082.00	1,812,025.00
(b) Less: Depreciation		138,399.18	113,598.05
(c) Net Block		591,682.82	1,698,426.95
2. Investments			
		-	-
3. Current Assets, Loans & Advances			
a) Cash & Bank balance	D	1,704,618.00	1,280,577.37
b) Other current assets		434,718.21	553,720.00
c) Loans & advances		24,356,780.00	17,676,524.00
		26,496,116.21	19,510,821.37
Less: Current Liabilities & Provisions	E	212,969.95	252,134.00
Net Current Assets		26,283,146.26	19,258,687.37
4. Miscellaneous Expenditure			
	F	207,680.00	259,600.00
5. Profit and Loss a/c.			
	G	1,092,021.67	1,658,664.68
Total		28,174,530.75	22,875,379.00
Statement on significant accounting Policies and Notes to the Accounts	M		

The Schedules referred to above form an integral part of the Balance Sheet.

For and on behalf of the Board of Directors

Sd/-
(M. JESUDASAN)
Chairman

Sd/-
(M.ARUMAI RAJ)
Managing Director

As per our separate report of even date
for A.JOHN MORIS & CO.,
Chartered Accountants
FRN. 007220S

Sd/-
(P.GANESAN)
Partner
Membership No. 214065

Place: Trichy
Date : April 28, 2011.

M/S. VIRUTCHAM MICROFINANCE LTD.,

*No.19 Balaji Avenue, 5th Cross,
Melachinthamani, Old Karur Road, Trichy - 620 002.*

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

	Sch.No.	31.03.2011	31.03.2010
<u>I. INCOME:</u>		(INR)	(INR)
Interest Income	H	4,242,821.00	1,556,884.00
Other Income	I	32,369.81	335,886.00
		4,275,190.81	1,892,770.00
<u>II. EXPENDITURE:</u>			
Finanical Cost	J	346,064.00	36,479.00
Establishment Expenses	K	1,969,918.25	1,110,913.00
Administration & Other Expenses	L	1,097,297.07	879,957.25
Preliminary Expenses Written off	F	51,920.00	64,900.00
Pre-operative Expenses Written off	F	-	1,253,387.38
		3,465,199.32	3,345,636.63
<u>III. PROFIT BEFORE DEPRECIATION</u>		809,991.49	(1,452,866.63)
Less: Depreciation	C	83,834.73	113,598.05
<u>IV. PROFIT BEFORE TAXATION</u>		726,156.76	(1,566,464.68)
Less: Taxation			
Fringe Benefit Tax A.Y 2009-10		883.00	-
Net Deferred Tax		16,970.00	92,200.00
Provision for Income tax		-	-
<u>V. PROFIT AFTER TAXATION</u>		708,303.76	(1,658,664.68)
<u>Less:</u> Statutory Reserve as per RBI Act., @ 20% During the year		141,660.75	-
		566,643.01	(1,658,664.68)
Add: Previous year Balance		(1,658,664.68)	-
<u>VII. BALANCE TRANSFERRED TO BALANCE SHEET</u>		(1,092,021.67)	(1,658,664.68)
Statement on significant accounting Policies and Notes to the Accounts	M		

The Schedules referred to above form an integral part of the Profit and Loss Accounts.

For and on behalf of the Board of Directors

As per our separate report of even date
for A.JOHN MORIS & CO.,
Chartered Accountants
FRN. 007220S

Sd/-
(M. JESUDASAN)
Chairman

Sd/-
(M.ARUMAI RAJ)
Managing Director

Sd/-
(P.GANESAN)
Partner
Membership No. 214065

Place: Trichy

Date : April 28, 2011.

M/S. VIRUTCHAM MICROFINANCE LTD.,*No.19 Balaji Avenue, 5th Cross,**Melachinthamani, Old Karur Road,Trichy - 620 002.***CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011**

		For the Year ended 31.03.2011	For the Year ended 31.03.2010
A	Cash Flow from Operating Activities		
	Net Profit Before Tax and Extra Ordinary Items/Provisions	726,156.76	(1,566,464.68)
	Adjustments for:-		
	Deprecciation on Fixed Assets	83,834.73	113,598.05
	Preliminary Expenses Written off	51,920.00	64,900.00
	Pre-operative Expenses Written off	-	339,394.86
	Profit on sale of vehicle	(9,970.60)	
	Operating Profit before Working Capital Changes:	851,940.89	(1,048,571.77)
	Adjustments for Working Capital Changes:-		
	Funds Advanced to Self Help Groups	(6,680,256.00)	(17,676,524.00)
	Other Operating Assets	119,001.79	(478,320.00)
	Borrowings from Banks & Financial Institutions	5,500,000.00	-
	Increase/(Decrease) in Current Liabilities	(39,164.05)	(34,815.86)
	Cash Generated from Operations	(248,477.37)	(19,238,231.63)
	Taxes Paid	(883.00)	-
	Cash Flow before Extraordinary Items	(249,360.37)	(19,238,231.63)
	Extraordinary items		
	Net Operating Profit	(249,360.37)	(19,238,231.63)
B	Cash Flow from Investing Activities		
	Purchase of Fixed Assets	(29,887.00)	(1,612,145.00)
	Sale of Fixed Assets	1,062,767.00	16,545.00
	Purchases of Investments	-	-
	Miscellaneous Expenditure		
		1,032,880.00	(1,595,600.00)
c	Cash Flow from Financing Activities		
	Issue of Equity Shares	342,000.00	18,239,700.00
	Borrowings from Banks & Financial Institutions	(701,479.00)	701,479.00
	Net Cash used in Financing Activities	(359,479.00)	18,941,179.00
	Net Increase (Decrease) in cash & Cash Equivalents	424,040.63	(1,892,652.63)
	Cash & Cash Equivalents at the beginning of year	1,280,577.37	3,173,230.00
	Cash & Cash Equivalents at the end of year	1,704,618.00	1,280,577.37

For and on behalf of the Board of Directors.

Sd/-
(M. JESUDASAN)
ChairmanSd/-
(M.ARUMAI RAJ)
Managing Director

As per our separate report of even date

For A. JOHN MORIS & CO.,
Chartered Accountants
FRN. 007220SSd/-
(P. GANESAN)
Partner.

Membership No. 214065

Place : Trichy

Date : April 28, 2011

M/S. VIRUTCHAM MICROFINANCE LTD.,

*No.19 Balaji Avenue, 5th Cross,
Melachinthamani, Old Karur Road, Trichy - 620 002.*

SCHEDULE TO BALANCE SHEET AS ON 31.03.2011

	As On 31.03.2011	As On 31.03.2010
SCHEDULE - A: SHARE CAPITAL		
Authorized:		
30,00,000 equity shares of Rs.10/- each	30,000,000.00	30,000,000.00
Issued Subscribed and paid up:		
22,42,370 equity shares of Rs.10/- each	22,423,700.00	22,081,700.00
Add: Share Application Money Pending Allotment	-	-
	22,423,700.00	22,081,700.00
SCHEDULE - B: SECURED LOAN		
Vehicle Loan from Bank of India, Trichy	-	701,479.00
SIDBI Loan	5,500,000.00	-
	5,500,000.00	701,479.00
SCHEDULE - D: CURRENT ASSETS, LOANS AND ADVANCES:		
a) Cash & Bank Balances		
Cash in hand	8,936.00	16,806.37
Cash at Bank		
Bank of India - Trichy	7,082.00	32,217.00
Indian Bank - Trichy	366,934.00	209,866.00
Indian Bank - Jayamkondam	21,529.00	877,445.00
Indian Bank - Porur	46,864.00	106,804.00
Indian Bank - Thiruvallur	38,879.00	11,353.00
Indian Bank - Tiruchendur	60,585.00	26,086.00
Tamilnad Mercantile Bank Ltd.,	3,809.00	-
Fixed Deposits		
Unencumbered	600,000.00	-
Pledged	550,000.00	-
Total	1,704,618.00	1,280,577.37
b) Other Current Assets:		
Rent Advance	100,000.00	157,500.00
Interest receivable on F.D in Bank Of India	20,478.21	-
Stamps on Hands	570.00	320.00
Staff Advance	278,080.00	357,750.00
TDS on FD Interest	34,590.00	37,150.00
Telephone Deposit	1,000.00	1,000.00
Total	434,718.21	553,720.00
c) Loans & Advances (Owned & Managed)		
Loans - Owned	24,356,780.00	17,676,524.00
Less: Portfolio Assigned to Banks	-	-
Total	24,356,780.00	17,676,524.00

<u>SCHEDULE -E: CURRENT LIABILITIES & PROVISIONS</u>		
<u>Sundry Creditors</u>		
G.L Associates	23,710.00	39,710.00
Golden Net Computers	5,404.00	3,904.00
Professional Fees Payable	47,960.00	147,960.00
Software Solution	-	25,000.00
<u>Provisions</u>		
Provisions For Income Tax	-	-
Provisions - Rent & Electricity Charges	-	10,500.00
Provisions - Telephone Charges	-	3,000.00
Contingent Provisions Against Standard Assets	60,891.95	-
Provisions- Audit Fees	75,004.00	22,060.00
Total	212,969.95	252,134.00
<u>SCHEDULE -F: MISCELLANEOUS EXPENDITURE</u>		
<u>Preliminary Expenses:</u>		
Opening Balance as on 01.04.2010	259,600.00	324,500.00
Add: During the year	-	-
Less: Written off during the year	51,920.00	64,900.00
	207,680.00	259,600.00
<u>Pre-operative Expenses:</u>		
Opening Balance as on 01.04.2010	-	339,394.86
Add: During the year - Annexure I	-	913,992.52
	-	1,253,387.38
Less: Written off during the year	-	1,253,387.38
	-	-
Total	207,680.00	259,600.00
<u>SCHEDULE - G: PROFIT AND LOSS ACCOUNTS</u>		
Opening Balance as on 01.04.2010	1,658,664.68	-
Add : Transferred from Profit and Loss account	(566,643.01)	1,658,664.68
	1,092,021.67	1,658,664.68
<u>SCHEDULE -H: INCOME FROM OPERATIONS:</u>		
Interest on Loans	4,051,407.00	1,416,134.00
Group Mentoring & Monitoring Charges	191,414.00	140,750.00
Total	4,242,821.00	1,556,884.00
<u>SCHEDULE -I: OTHER INCOME</u>		
Interest on Fixed Deposits	22,019.21	335,839.00
Miscellaneous Income	157.00	47.00
Profit on Sale of Vehcile	9,970.60	-
Interest on Income Tax Refund	223.00	-
Total	32,369.81	335,886.00
<u>SCHEDULE-J: FINANCIAL COSTS</u>		
Interest on Loan	300,246.00	-
Interest On Vehicle Loan	45,818.00	36,479.00
Total	346,064.00	36,479.00

<u>SCHEDULE -K: ESTABLISHMENT CHARGES:</u>		
Directors Remuneration	40,000.00	240,000.00
Salary & Allowance	1,905,339.00	850,883.00
Staff Welfare Expenses	24,579.25	20,030.00
Total	1,969,918.25	1,110,913.00
<u>SCHEDULE -L: ADMINISTRATION AND OTHER EXPENSES:</u>		
<u>(i) Administrative Expenses</u>		
Auditors Remuneration:		
- Audit Fees	39,708.00	39,708.00
- Taxation and Company Law Matters	13,236.00	13,236.00
Bank Charges	13,193.00	7,149.00
Travelling and Conveyance	342,229.00	146,814.50
Legal & Professional Charges	-	51,060.00
Meeting & Training Expenses	17,622.00	6,356.25
Miscellaneous Expenses	9,762.00	11,995.50
Postage & Courier Charges	15,426.00	6,645.00
Printing & Stationary	58,519.70	82,988.50
Rates & Taxes	-	4,084.00
Grading fees	93,000.00	175,050.00
Rent & Electricity Charges	167,403.92	79,733.00
Secretarial Fees	5,000.00	5,000.00
Telephone & Internet charges	71,986.00	43,163.00
Insurance Charges	33,103.00	13,346.00
Books And Periodicals	2,716.50	2,145.00
R.O.C. Fees	4,000.00	13,000.00
Provision for Standard Assets	60,891.95	-
Service charges paid	104,893.00	137,583.00
	1,052,690.07	839,056.75
<u>(ii) Repairs & Maintenance</u>		
For Office	10,558.00	5,038.00
For Computer	4,130.00	1,225.00
For Vehicle	29,919.00	34,637.50
	44,607.00	40,900.50
Total (i+ii)	1,097,297.07	879,957.25
<u>ANNEXURE - I: PRE-OPERATIVE EXPENSES</u>		
Salaries & Allowances	-	432,934.00
Rent & Electricity Charges	-	12,500.00
Printing & Stationary	-	81,045.25
Postage & Telegram	-	2,543.00
Telephone Charges	-	6,845.00
Travelling & Conveyance	-	96,891.27
Bank Charges	-	1,479.00
Professional charges	-	273,956.00
Audit Fees	-	-
Meeting Expenses	-	-
Fringe Benefit Tax	-	-
Books & Periodicals	-	194.00
Miscellaneous Expenses	-	1,354.00
Computer Maintenance	-	200.00
Staff Welfare Expenses	-	2,301.00
Office Maintenance	-	1,750.00
TOTAL	-	913,992.52
Less : Interest Accrued on Fixed Deposit	-	-
	-	913,992.52

SCHEDULE -C: DEPRECIATION AS PER COMPANIES ACT

PARTICULARS	RATE	GROSS BLOCK COST AS ON				DEPRECIATION				NET BLOCK	
		01.04.2010	ADDITION	(DELETION)	31.3.2011	UP TO	DURING	WITH	UP TO	AS ON	AS ON
						31.3.2010	THE YEAR	DRAWN	31.3.2011	31.03.2011	31.03.2010
Furniture and Fittings	6.33%	280,533.00	19,887.00	-	300,420.00	10,703.00	18,374.53		29,077.53	271,342.47	269,830.00
Computer	16.21%	394,162.00	10,000.00	-	404,162.00	42,889.13	64,248.95		107,138.08	297,023.92	351,272.87
Vehicle	9.50%	1,111,830.00	-	(1,111,830.00)	-	59,033.60	-	(59,033.60)	-	-	1,052,796.40
Air Conditioner	4.75%	25,500.00	-	-	25,500.00	972.32	1,211.25		2,183.57	23,316.43	24,527.68
Total		1,812,025.00	29,887.00	(1,111,830.00)	730,082.00	113,598.05	83,834.73		138,399.18	591,682.82	1,698,426.95
Previous Year		216,425.00	1,612,145.00	(16,545.00)	1,812,025.00	-	113,598.05		113,598.05	1,698,426.95	216,425.00

SCHEDULE -C: DEPRECIATION AS PER IT ACT

PARTICULARS	RATE	GROSS BLOCK COST AS ON					DEPRECIATION				NET BLOCK	
		01.04.2010	ADDITION	ADDITION	(DELETION)	31.3.2011	UP TO	DURING	WITH	UP TO	AS ON	AS ON
			1ST HALF	2ND HALF			31.3.2010	THE YEAR	DRAWN	31.3.2011	31.03.2011	31.03.2010
Furniture and Fittings	10%	280,533.00	12,137.00	7,750.00	-	300,420.00	22,388.00	27,415.70	-	49,803.70	250,616.30	258,145.00
Computer	60%	394,162.00	-	10,000.00		404,162.00	219,007.20	108,092.88	-	327,100.08	77,061.92	175,154.80
Vehicle	15%	1,111,830.00	-	-	(1,111,830.00)	-	166,774.50	-	(166,774.50)	-	-	945,055.50
Air Conditioner	15%	25,500.00	-	-		25,500.00	3,825.00	3,251.25	-	7,076.25	18,423.75	21,675.00
Total		1,812,025.00	12,137.00	17,750.00	(1,111,830.00)	730,082.00	411,994.70	138,759.83	(166,774.50)	383,980.03	346,101.97	1,400,030.30
Previous Year		216,425.00	1,440,539.00	171,606.00		1,812,025.00	-	411,994.70	-	411,994.70	1,400,030.30	216,425.00

Schedules to form part of the Audited Financial Statements for the Year ended March 31, 2011

I SIGNIFICANT ACCOUNTING POLICIES:

1.1 Basis of Preparation of Financial Statements

1.1.1 The financial statements are prepared under historical cost convention, on accrual basis of accounting and in accordance with the provisions of Companies Act, 1956. It is in compliance with the accounting standards issued by the Institute of Chartered Accountants of India from time to time. The company is maintaining consistency in the accounting policies applied in the last year with those in the year under consideration

1.2 Revenue Recognition:

1.2.1 Interest on loans is recognized on accrual basis.

1.2.2 Income on non performing assets is recognized only when realized and no interest, which has remained

overdue for more than six months at the end of the accounting period, is treated as income.

1.2.3 Dividend income is recognised only on actual receipt or when the company has a reason to believe that a right is established for its receipt in the period under consideration

1.3 Fixed Assets:

1.3.1 These are stated at cost.

1.3.2 Depreciation is provided on the Straight- Line Method at the following rates as prescribed under the Companies Act, 1956.

Category of Asset	Rate of depreciation
Furniture and Fittings	6.33%
Computer	16.21%
Vehicle	9.50%
Air Conditioner	4.75%

1.3.3 In respect of addition of assets the depreciation is provided prorata from the date the assets are put into use.

1.4 Loans and Advances & Loan Loss Provision

1.4.1 Apart from the Staff loans and Staff Vehicle loans, the company is not providing any kind of loans to its employees and Directors. On the Staff loans and Staff vehicle loans, the company is charging a rate of

1.4.2 Provisioning Norms

Asset Classification	Period of overdues	Provision Policy of the Company	Provision as per RBI Prudential Norms
Standard Assets	Less than 12 weeks	0.25	0.25
Sub Standard Assets	Over 12 - 25 weeks	10	0.25
Sub Standard Assets	Over 25 - 50 weeks	50	10
Doubtful Assets	Over 50 weeks past due	100	100
Loss Assets	As estimated	100	100

1.4.3 Asset Classification

	Nature of Asset	Loan outstanding without Provision			Provision		
		Amount	Totals	%	Rate	Amount	Totals
1	Standard						
	a) Regular	24,356,780.00	24,356,780.00	100	0.25%	60,891.95	60,891.95
2	Sub standard						
	a) Three months to Six Months	-	-	0	10%	-	-
	b) Above Six Months	-	-	0	50%	-	-
3	Doubtful	NIL	NIL				-
4	Additional Provision	As provided by the Management			0.00%		-
	Totals		24,356,780	100			60,891.95
5	Add: Staff Loans		-				
	Total Portfolio		24,356,780				
6	Less: Managed Loans		-				
	Net Portfolio		24,356,780				

1.5 Write-Off Policy:

1.5.1 Loans are written off when the management has exhausted all options for recovery of Principal and interest on the loan which are overdue for a period of more than 3 years. There are no loans written off

1.6 Accounting for Taxes on Income:

1.6.1 Taxes on income have been accounted in accordance with Accounting Standards-22 of the ICAI. Deferred Tax assets are recognised only to the extent that there is a reasonable certainty about the availability of the future incomes which will aid for the realisation of such deferred tax assets. The

1.7 Going Concern Assumption

1.7.1 The financial statements are prepared under the going concern concept where it is assumed by the management, that the organization will continue its operations in the foreseeable future with neither the intention nor the necessity to discontinue its operations under any circumstances.

1.8 Preliminary Expenses

1.8.1 Preliminary expenses are written off in five year from commencement of commercial operation

1.9 Pre-operative Expenses

1.9.1 Pre-operative expenses are written off fully in the year /period of commencement of commercial

II NOTES ON ACCOUNTS:

2.1 Notes on Operations

2.1.1 The Company is engaged in micro finance activities with the ultimate objective of benefiting the poor and downtrodden, mostly women (organized in the form of Self Help Groups) for enhancement of their livelihoods in a financially viable manner.

2.1.2 The operations of the Company is mostly concentrated within the State of Tamilnadu.

2.1.3 The company provides only Financial Services and does not have any other segment of business. So the segmental reporting regulations are not applicable to the Company.

2.2 SHARE CAPITAL:**2.2.1 Categories of Capital**

SHARE CAPITAL:	31-Mar-11	31-Mar-10
Authorized:		
Equity Shares:		
30,00,000 (Nos.) Equity Shares of Rs.10/- each	30,000,000	30,000,000
Total	30,000,000	30,000,000
Issued Subscribed and Paid up:		
22,42,370 (Nos.) Equity shares of Rs.10/- each fully paid up in Cash	22,423,700.00	22,081,700
(Previous Year: (Nos.) 22,08,170 Shares)		
Share Application Money	-	-
Total	22,423,700	22,081,700

2.2.2 Share holding Pattern

Equity Shares of Rs 10 each			31-Mar-11			31-Mar-10		
SL. No	Shareholder's Name	No` s	Rs.	%	No.'s	Rs.	%	
1	Individuals	1,495,000	14,950,000	66.67	1,362,700	13,627,000	61.71	
2	Mutual Benefit Trust	747,370	7,473,700	33.33	845,470	8,454,700	38.29	
	Total	2,242,370	22,423,700	100	2,208,170	22,081,700	100	

2.2.3 CASH AND BANK BALANCES:

Particulars	31-Mar-11	31-Mar-10
Cash in hand	8,936	16,806
Cash at Bank	545,682	1,263,771
Fixed Deposits:-		
Unencumbered	600,000	-
Encumbered	550,000	-
Total	1,704,618	1,280,577

III SUPPLEMENTARY INFORMATION:**3.1 Auditors' remuneration:**

This includes:

Particulars	31-Mar-11	31-Mar-10
Audit Fees	39,708	39,708
Taxation & Company Law Matters	13,236	13,236
Total	52,944	52,944

3.2 Managerial Remuneration:

	31-Mar-11	31-Mar-10
a) Salaries	40,000	240,000
b) Expenses Reimbursed	-	-
c) EPF Employers contribution	-	-
Total	40,000	240,000

3.3 Earnings Per Share

Particulars	31-Mar-10	31-Mar-09
Net Profit attributable to equity Shareholders (Amount Rs.) (A1)	708,303.76	(1,658,664.68)
Net Profit attributable to equity Shareholders and all dilutive potential equity shareholders(Amount Rs.) (A1)	708,303.76	(1,658,664.68)
Weighted Average Equity Shares outstanding during the year.(Nos.) (B1)	2,211,020.00	1,971,397.50
Basic earnings per share Rs. (A1/B1)	0.32	(0.84)
Convertible Equity Warrants issued (C1)	-	-
Weighted Average Equity Shares outstanding for Diluted Earnings per Share.(Nos.) (D1= B1+C1))	2,211,020.00	1,971,397.50
Diluted earnings per share Rs. (A2/D1)	0.32	(0.84)
Nominal Value per share Rs.	10.00	10.00

3.4 Capital to Risk Assets Ratio (CRAR)

As a prudent practice Company is maintaining a CRAR/CAR is 84.58% which is more than the RBI requirement of 12% for NBFCs even though it is not applicable to NBFC's with asset size is less

3.5 Miscellaneous:

- 1 No amount is due to any small-scale industrial undertaking by the Company.
- 2 The Company was not able to identify any small, medium and micro enterprises, covered by the Micro, Small and Medium Enterprises Development Act, 2006, as most of the suppliers of products and services have not registered with appropriate
- 3 Earnings and Outgo in Foreign Currency is Nil.
- 4 Balance sheet abstract and Company's general business profile, pursuant to Part IV to Schedule VI is separately attached
- 5 Additional information pursuant to paragraph 4-C and 4-D of Part B to Schedule VI of the Companies Act, 1956 – None other than stated above.
- 6 All loans are rupee denominated and no currency mismatches are expected out of any transactions.
- 7 Previous Year figures have been regrouped and rearranged wherever necessary

*for VIRUTCHAM MICROFINANCE
LTD.,*

As per our report of even date
*for A. JOHN MORIS & CO.,
Chartered Accountants
FRN. 007220S*

Sd/-
(M. JESUDASAN)
Chairman

Sd/-
(M. ARUMAI RAJ)
Managing Director

Sd/-
(P. GANESAN)
Partner, M.No. 214065

Trichy
April 21, 2010

Calculation of Captial Adequacy Ratio as on 31st March 2011

Particulars	Sub totals	Totals	Totals
Tier I Capital			
Add:			
1.Paid up equity capital	22,423,700		
2.Convertible preference shares			
3.Free reserves	141,661		
4.Share premium (balance in the account)			
5.Capital reserve (rep. sur+ of sale proceeds of asset)		22,565,361	
Less:			
1.Accumulated loss in balance sheet	1,092,022		
2.Book value of intangible assets	-		
3.Deferred revenue expenditure	207,680	1,299,702	
Net owned fund		21,265,659	
Less:			
1. Shares in other NBFC`s		-	
2. Shares, debentures, bonds, outstanding loans and advances including hire purchase and lease finance made to and deposits with subsidiaries and companies in the same group exceeding 10% of owned fund.		-	
Tier I Capital		21,265,659	
Tier II Capital			
Add:			
1. Non convertible preference shares	-		
2. revaluation reserve at discounted rate of 55%	-		
3. General provisions and loss reserves to the extent of (1&1/4)% of risk weighted assets.	60,892		
4. Hybrid debt and capital instruments	-		
5. Subordinated debt	-		
To the extent the discounting value does not exceeding 50% of Tier-I Capital	-		
	60,892		

Limited to the extent of Tier I and II for the pupose of capital adequecy (the total tier II capital at any point of time shll not exceed 100% of tier I)			60,892
	Tier II Capital		60,892
	Total of Tier I & Tier II Capital		21,326,551
Asset particulars	Amount	% of weight	Risk adjusted amount
Cash and Bank balances including fixed deposits and certiftices of deposits with bank	1,704,618	0%	-
Investments	-	100%	-
Loans and advances	24,356,780	100%	24,356,780
Fixed assets net of depreciation	591,683	100%	591,683
Other assets			
a) TDS-income tax (net of provision)	34,590	0%	-
b) Advance tax paid (net of provision)	-	0%	-
C) Staff Advance	278,080	0%	-
C) Others to be specified	122,048	100%	122,048
	Total risk weighted assets		25,070,511
	CAR		85.07%

COMPLIANCE CERTIFICATE

NAME OF THE COMPANY : **VIRUTCHAM MICROFINANCE LIMITED**
REGISTRATION NUMBER : U65929TN2008PLC068502
AUTHORIZED CAPITAL : Rs.3,00,00,000/-
PAID UP SHARE CAPITAL : Rs.2,24,23,700/-

To,
The Members,
VIRUTCHAM MICRO FINANCE LIMITED.

I have examined the Registers, Records, Books and Papers of **M/s VIRUTCHAM MICROFINANCE LIMITED** (Company Registration No. U65929TN2008PLC068502) having its registered office at 19, Balaji Avenue, 5th Cross, Melachinthamani, Old Karur Road, Trichy – 620 002, (the Company) as required to be maintained under the Companies Act 1956 (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended 31st March 2011.

I have relied and based on the Audited Financial Statements of the Company for financial details stated if any in the Compliance Certificate and not accountable for any misstatements or material mis-facts in the financial statements.

This Compliance Certificate states only the details of the statutory compliance complied by the Company as per the records and details made available during examination as required or as applicable to the company under Companies Act, 1956.

In my opinion and to the best of my information and according to the examinations carried out by me and other relevant information and explanation furnished to me by the company and its officers, I certify that in respect of the aforesaid financial year.

1. The company has kept and maintained all registers as stated in Annexure `A` to this certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
2. The company has duly filed the forms and returns as stated in Annexure `B` to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder.
3. The company being a Public Limited Company comments are not required.
4. The Board of Directors duly met 5 times on 21/04/2010, 26/05/2010, 15/09/2010, 28/12/2010 and 18/03/2011, in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions, if any, passed in the Minutes Book maintained for the purpose.
5. The company has not closed its Register of Members during the year under review.
6. The Annual General meeting for the financial year ended on 31.03.2010 was held on 26.05.2010 after giving due notice to the members of the company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No extra ordinary meeting was held during the financial year under scrutiny.
8. The company has not advanced loan to its directors and/or persons or firms or companies.
9. As per the information made available and explanation given for the purpose of issuing this certificate the company has no contract to be entered into contracts falling within the purview of section 297 of the Act during the financial year under review.
10. As per the declarations given by the company, no entry is made in the register maintained under section 301 of the Act since there is no related party transaction.
11. As there were no instances falling within the purview of section 314 of the Act, the company has not obtained any approvals from Board of Directors, Members or Central Government for the year under review.
12. The Company has not issued any duplicate share certificates during the financial year.

13. the Company has :
 - (i) Allotment of securities have been done during the year under review and transfer of shares complying the provisions of the Act and issued the share certificates but yet to file form 2.
 - (ii) No dividend has been declared and the compliance is not attracted.
 - (iii) Since there is no declaration of dividends there were no unclaimed/unpaid dividend.
 - (iv) Since the company has no unpaid dividend, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years, transfer of the same to Investor Education and Protection Fund does not arise.
 - (v) Duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the company is duly constituted and the appointment of directors, additional directors, alternate directors and directors to fill casual vacancies have been duly made.
15. The appointment of Director/Whole-time Director/Manager has been made during the year under review.
16. The company has not appointed any sole-selling agents during the financial year.
17. The company was not required to obtain any approval of the Central Government, Company Law Board, Regional Director, Registrar or such other authorities as may be prescribed under the various provisions of the Act.
18. The directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of section 299 of the Act and the rules made there under.
19. The company has issued 3,42,000 Equity shares but form 2 has not been filed during the financial year under review.
20. The company has not bought back any shares during the financial year ending under review.
21. The company does not hold any preference shares/debentures during the year under review.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. As per the declarations given by the Directors of the company, the Company has not invited/ accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year.

24. The amount borrowed by the Company from directors, members, public, financial institutions, banks and others during the financial year ending 31.3.2011 is/are within the borrowing limits of the company.
25. The company has not made loans and investments, or given guarantees or provided securities to other bodies corporate during the financial year and consequently no entries have been made in the register kept for the purpose.
26. The company has not altered the provisions of the memorandum with respect to situation of the company's registered office from one State to another during the year under scrutiny after complying with the provisions of the Act.
27. The company has not altered the provisions of the memorandum with respect to the objects of the company during the year under scrutiny.
28. The company has not altered the provisions of the memorandum with respect to name of the company during the year under scrutiny and complied with the provisions of the Act.
29. The company has not altered the provisions of the memorandum with respect to share capital of the company during the year under scrutiny and complied with the provisions of the Act.
30. The company has not altered its articles of association during the year under review.
31. There is no prosecution initiated against or show cause notice received by the company for alleged offenses under the Act and also the fines and penalties or any other punishment imposed on the company during the financial year.
32. The Company has not received any money as security from its employees during the financial year.
33. The Company has not registered itself as a member of Employees Provident Fund as the numbers of employees were less than the members prescribed by the PF Act.

Chennai : 600 014
Date : 29.04.2011



A handwritten signature in black ink, appearing to read "SRIDHARAN" with a long horizontal stroke underneath.

CS SRIDHARAN. C
Practicing Company Secretary.
C.P.No.8055

ANNEXURE – A

Name of the Company : **VIRUTCHAM MICROFINANCE LIMITED.**

Registration Number : U65929TN2008PLC068502

Authorized Capital : Rs 3,00,00,000/-

Registers as maintained by the Company

Sl. No.	Section Number	Name of the Register
1	108	Share Transfer Register
2	150	Register of Members
3	163	File regarding copies of Annual Returns
4	193	Minutes of all meetings of Board of Directors
5	193(1)	Minutes of General meetings
6	303	Register of Directors
7	307	Register of Director's Shareholding
8	---	Board Meeting Attendance Register
9		General meetings attendance register

ANNEXURE – B

Name of the Company : **VIRUTCHAM MICROFINANCE LIMITED**

Registration Number : U65929TN2008PLC068502

Authorized Capital : Rs. 3,00,00,000/-

Returns / Documents / Forms filed with the Register of Companies, Regional Director, Central Government or other authorities for the financial year ended 31st March 2010.

FOR THE YEAR 2010-2011 [01-04-2010 TO 31-03-2011]

REGISTRAR OF COMPANIES

Sl. No	Form No.	Relevant Section	Description	Date of Filing
1.	8	125	Creation of charge	21/09/2010
2.	32	303(2)	Resignation of Directors	18/06/2010
3.	66	383(A)	Compliance Report for the year ended 31.03.2010	09.08.2010
4.	23 AC &ACA	220	Balance Sheet for the year ended 31.03.2010	09.08.2010
5.	20B	159	Annual Return for the year ended 31.03.2010.	09.08.2010