

DIRECTOR'S REPORT TO THE MEMBERS

The Board of Directors is pleased to present the 4th Annual Report together with the Audited Balance Sheet and Profit & Loss accounts for the year ended 31st March, 2012. The working of the company for the period ended 31st March, 2012 has been satisfactory.

WORKING RESULT

Your Company was incorporated in July 2008 and the Certificate of Registration was issued by RBI in August, 2009. During this year your company earned an income of Rs.84.66 lakhs and incurred an expenditure of. Rs.65.34 lakhs. The net profit is Rs.19.32 lakhs (before taxation & provisions).

FUND RAISING

In this year (2011-12), your Company approached a number of financial institutions. SIDBI and TMB are our main fund contributors and other financial institutions are expected to release funds to the company for on lending to SHGs. The company is hopeful that during the ensuing year (2012-2013) 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 seven NGOs. During the year the company entered into a MOU with five other NGOs called VEMBU, Bell Education&Women Welfare Society(BELL), Bon Secours Social Service Security(BSSS), Makkal Sakthi Sangamam Trust (MASS) and Human Formation Organisation (HFO). Now totally Twelve NGOs are in MOU with the company. They are

1. STAR Trust - Jeyankondam, Ariyalur District
2. Virutcham Trust - Mannarpuram, Tuticorin District
3. WED Trust - Tiruchendur, Tuticorin District
4. IRCDS - Tiruvallur, Tiruvallur District
5. FSJ Women Development Trust -Mugalivakkam,Kancheepuram District
6. WEEDS Trust - Mudalur, Tuticorin District
7. SEDO - Tuticorin, Tuticorin District
8. VEMBU - Vilathikulam, Tuticorin District
9. Bell Education&Women Welfare Society (BELL)- Tuticorin, Tuticorin District
10. Bon Secours Social Service Security(BSSS) - Dindigul, Dindigul District
11. Makkal Sakthi Sangamam Trust (MASS) - Madurai, Madurai District
12. Human Formation Organisation (HFO) - Tuticorin, Tuticorin District.

As on date, these twelve NGOs have a combined strength of 5,329 SHGs with a membership of 83,761 women. Out of these the company has lent to 1,065 SHGs involving 15,512 individual women members to the extent of Rs.14.01 crores. The portfolio outstanding as on 31.03.12 was Rs.3.52 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.5,000, Rs.10,000, Rs.15,000, Rs.20,000 and also Educational Loan repayable in 10 to 24 instalments. Based on this 1,765 members received loans for agri activity, 4,270 members received loans for animals & husbandry, 484 members received for dairy purpose, 8,297 members for small & tiny industries and 696 members for hand made products. Thus by involving in income generation activities, the SHG members improved their economic status. The other loan products will be introduced in the forthcoming year based on the availability of additional funds.

Your company is very strict in following the guidelines of RBI. The rate of interest, procedure for loan sanction, disbursement of loan, recovery of loan, documentation and other terms of the loan 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 31.03.12

Name of the NGO	Total No. of Groups	Total Borrowers	Total Disbursement (Rs.)	Active Borrowers	Loan Outstanding (Rs.)
STAR	276	4,140	42,265,000.00	1,478	93,61,302.68
Bon Secours	10	1,006	1,210,000.00	121	1,210,000.00
IRCDS	395	5,830	37,675,000.00	1,301	8,037,500.00
FSJ	178	2,391	21,885,000.00	798	7,317,334.35
WED	41	668	9,330,000.00	123	1,866,332.00
VIRUTCHAM	47	765	8,810,000.00	271	1,775,446.00
WEEDS	77	1,041	13,215,000.00	354	2,931,861.96
SEDO	26	353	3,760,000.00	225	1,312,517.00
VEMBU	10	131	1,310,000.00	131	695,445.00
BELL	5	72	720,000.00	72	720,000.00
TOTAL	1065	15,512	140,180,000.00	4,874	3,52,27,738.99

RECOVERY PERFORMANCE

Your company which has completed 32 months of operation has achieved 100% loan recovery in all the three branches. Both in urban and rural areas the recovery rate is 100%. This Credit goes to the system which we follow in VML and also the responsibility shown by our partner NGOs.

NEW BRANCH

The fourth branch of your company was opened at Madurai in the DACA Campus of Mandela Nagar, Madurai on 31.03.12.

TRAINING

All the employees of your company have been imparted training in the area of accounting, Internal Auditing, Branch level reports, Rating of SHGs, Loan Documentation, Repayment Capacity Assessment, Asset verification, Reserve Bank guidelines and etc. Training on Apparent Microfinance Manager software was given to your company employees by the software team. Training on Insurance was conducted for your company employees and partner NGO staff members by the Max New York Life Insurance Company. Newly recruited staff members of your company and also staff members of partner NGOs like VEMBU, BELL & Bon Secours were trained by the company staff on VML operation, Rating methodology, Loan Documentation, Loan Disbursement Procedure, Loan Utilization and Repayment process. SHG members of partner NGOs are also trained on VML concept and VML Methodology by the company staff at the time of Rating and Loan disbursement. The company aims to train more number of SHGs and staff in the various aspects of MFI in the ensuing year.

INTERNAL AUDIT

Internal Audit was carried out in all branches of your company at regular intervals. It was conducted to add value and efficiency within the company by mitigating the possibilities of mal practices. The internal audit system of your company broadly covered the organisational policies and procedures which includes financial reports and records, loan documents, client visits and other observations. Based on this a comprehensive audit report has been formatted. The system was well regulated.

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.

REGISTRATION WITH RESERVE BANK OF INDIA

As per current Reserve Bank guidelines, your company has to seek re-registration with Reserve Bank of India for which application should be submitted to RBI before 31.10.2012. Besides, the Company should ensure that its net owned funds (i.e. capital & reserves) are raised to Rs. 3 crores before 31.03.2013. and further to Rs. 5 Crores before 31.03.2014. Your company and promoters are taking all steps to reach this target.

ACTIVITIES OF THE AFFILIATED NGOS

Like your Company's vision, partner NGOs are also empowering the marginalized women socially and economically. With the support of Government and External Agencies they are also involved in many social activities like conducting Medical Camps, Short stay home for women in distress, Home for the abandoned children, Family Counseling Centre, HIV /AIDS Intervention Programme, Promoting Eco Friendly Tourism, Providing Quality Education for Dalit and Tribal children, Promoting Micro Enterprises

etc., The SHG members are motivated and encouraged to start many Micro Enterprises like Handmade works in Sarees (Embroidery), Honey bee rearing, Halwa preparation, Palm tree products, Hotels, Tea shops, Petty shops etc. All these activities are evaluated by the financial support extended by Virutcham Microfinance Ltd.,

Partner NGOs are imparting various skills for the SHG members to empower them.

Outreach Data of the Affiliated NGOs as on 31.03.12

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	2	44	209	1,441	21,194
2	Bon Secours	1	2	12	34	83	1,006
3	IRCDS	1	4	44	78	993	14,565
4	FSJ	1	2	10	12	226	3,415
5	WED	1	2	18	81	475	7,125
6	VIRUTCHAM	2	7	38	74	211	3,165
7	WEEDS	2	2	32	98	574	8,797
8	SEDO	1	1	4	32	117	1,755
9	VEMBU	1	3	22	50	86	1,118
10	BELL	1	1	4	60	130	1,690
11	MASS	6	78	230	271	368	5,300
12	HFO	1	2	28	140	625	14,631
TOTAL		19	106	486	1139	5,329	83,761

IRCDS – THIRUVALLUR

Home for the abandoned children:

The deserted children between the age group of 6 to 18 years are taken care of in the centre. They have been supported with educational guidance, personality development and boarding till they are united with families.

Short Stay Home for women in distress:

The women in distress are supported with psychological guidance, vocational training, legal assistance and boarding and accommodation till they are reunited with families.

Quality Education for Dalit and Tribal Children:

This project aims to empower the Village Education Committees and the community to ensure education for all children in the target villages. Enrollment, retention and quality of education will be improved with a focus on creating a recipe for sustained success. 1268 children in 20 villages are covered in this project.

FSJ Trust – MUGALIVAKKAM

FSJ Self Help Groups with the help of Lions Club and Dr. Agarwal Eye Hospital conducted an Eye Camp on 18.09.11 at David School of Mugalivakkam. Nearly 150 members participated and benefited by this camp.

On 16.10.2011, FSJ Self Help Groups conducted a blood donation camp at St.Thomas Mount Hospital, Mugalivakkam. 40 members have donated their blood. Blood donation Certificates are issued to them.

Mrs. G. Rajeswari, member of Annai Renuga SHG has expired on 25.05.12 and her life was covered under insurance scheme of Max Life Insurance by your Company. Insurance Claim was got from the insurance company with out any hindrance.

BON SECOURS SOCIAL SERVICE SOCIETY- DINDIGUL

The society has been promoting micro enterprises in garments and coir sector. A garment incubation centre operates at Sankari, which provides training to women in power machine tailoring, especially stitching shirts, encourages women to set up garment production units, guides them in every day management of enterprise, and facilitates job works to those units. So far, 41 women have been trained in garments production. Of the 41, 22 women are engaged in production. Two independent garment units have been set up with 16 women. The women are able to produce up to 100 shirts per day depending upon the availability of power. As a result of this intervention, the women were able to make an income of Rs 60 to 80 per day at their own village itself.

Similar to this, an incubation centre has been set up for coir yarn production in Tharamangalam. Two women have set up coir yarn spinning machines with assistance from the society and are producing two-ply yarn. They are earning about Rs 150 to 200 per day. Eight more women are waiting to be trained.

WEEDS TRUST – MUDALUR

Loans and skill trainings were given to SHGs through VML and NABARD 150 women were trained in Apiculture and 20% of them received loans from VML and engaged in Honey production, 25 women members were trained in embroidery and colours designing work in sarees by Magalir Thittam Project.

VEMBU – VILATHIKULAM

There are 121 women SHGs in the project area. Women groups' total saving is Rs 30, 27, 876 /-. They hold regular monthly meetings, cluster meetings and federation meetings with help of VEMBU personnel. The government used to grade the SHGs and according to its quality they offer loan in the forms of (RF) revolving fund, Economical Activity loan (E.A) and loan through direct bank linkage. In this particular period of time 3 groups received R.F loan 180,000/- and 3 groups received E.A loan Rs 12,74,900/-. The SHG women are doing economical activity such as goat raring, vegetable vending, bricks making ,petty shop business and have bought tailoring machines.

The marginalized women are always seen as labourers in the society not as the owners. The self help groups are empowering them to be the owners of some small scale enterprises. To build their capacity and knowledge on the entrepreneurship, an exposure program was organized on 18.02.11 for the SHG women about goat rearing. They went to Namakkal and visited the special variety of goats which were kept in the special shed. Director, Assistant director and SHG coordinator went along with the Self help group Members.

BELL EDUCATION&WOMEN WELFARE SOCIETY (BELL) - TUTICORIN

Free tuition centers were conducted by "**Bell Education&Women Welfare Society**" in five areas. More than 250 children were benefited by this scheme.

Two Child Care Centres were formed for poor children and 75 children were enrolled in it. Adult education centres are run by "**Bell Education&Women Welfare Society**" in five places with the help of Seva Bharath NGO. Under the Indian Govt. Child Labour Elimination programme, **Bell Education&Women Welfare Society** is conducting two special school for Child Labours, Rag Pickers and Begging Children. Everymonth Regular Medical checkup was conducted for them with the help of primary health centre team. Women members of 20 SHGs were engaged in readymade garment works and other EDP activities with the help of loans available from VML and Banks.

SOCIAL ECONOMIC DEVELOPMENT ORGANIZATION (SEDO)- TUTICORIN

Loans were sanctioned to 30 SHGs through Indian Bank and VML. They were running 4 readymade garment units and power laundry. Trainings on saree printing and footmat making were given to 15 members. Evening Tuition Centers were conducted in three areas. 9 dropout children were enrolled in Hr. Sec. School with the help of SEDO. Awareness on free legal aid and workshop on Women & Diseases were conducted for the SHG members.

MASS (DACA) – MADURAI

DACA provided micro credit to Women SHG members of six districts through their SMS Scheme. 832 women members became entrepreneurs with the help of this scheme.

In Madurai city DACA identified 20 slum areas under the scavenger's rehabilitation project and conducting evening coaching classes for 150 children. Suba Mathi SHGs were formed for the women members.

English coaching class, Social awareness education, Computer education, Tailoring Training, Folk Arts Training, Dealership Training, Personality Development Courses and Other Skills Development Trainings were given to dalit children who were unable to continue their studies after the completion of 12th std.

Evening study centers were going on in 280 villages of six districts.

STAR TRUST – JAYANKONDAM

MICRO CREDIT AND MICRO-ENTERPRISES ACTIVITIES:

Realizing the felt need of the marginalized women members, STAR Trust provided the credit linkage with the local bank to the tune of Rs.8 crores to 750 women groups. STAR Trust also provided micro-loan through HDFC Bank, Indian Bank and Virutcham Micro Finance to 8,000 women members for their economic activities. STAR with the help of AGAPE, Italy, provided Micro Loan for Milk animals.

Micro-enterprises are being used as an omnipotent tool for the empowerment of women.

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 PREVENTION AND SUPPORT PROGRAM:

Gauging the seriousness of the HIV spread among the rural women, STAR with the support of IL&FS, Chennai is implementing the Prevention of Parents to Child Transmission (PPTCT) programme in the highly HIV infection districts of Perambalur and Ariyalur districts. Star Trust through its Out Reach Workers mobilizing the ANC mothers for testing in the nearby hospitals. STAR is also taking a major part through its out reach worker for mobilizing the ANC mothers to near by integrated counseling and testing centre. STAR is able to mobilize more members by networking with local NGOs.

Nearly 11880 members have been benefited through this program. Besides awareness creation by STAR in the two districts, the prevention program carried out by STAR has given 100% success. Every month 20 to 25 new born children are prevented from infecting with HIV. STAR also takes care of the HIV/AIDS inflicted children and adults by providing Nutrias support and forming support groups.

TUBERCULOSIS PREVENTION AND AWARENESS PROGRAMME:

STAR TRUST is implementing the T.B.Awareness and prevention Program with the support of CHAI in the highly infected districts Perambalur and Ariyalur districts. Every month STAR TRUST have conducted T.B Awareness program for the students of Schools, colleges, members of SHGs and Youth Groups. After the meeting STAR has referred the TB Symptom cases to the Governmental Hospital. For the current period STAR have identified 800 cases and collected 280 sputum samples in Ariyalur and Perambalur districts. Thereby, STAR is helping the T.B.Department of Govt.of Tamil Nadu in making Ariyalur and Perambalur Districts free from the prevalence of T.B.

MEETINGS:

The Board of Directors met 4 times during the year. The Executive Committee of the Board met 2 times and audit committee met one time 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

Mr. P. Titus who retires by rotation is 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

Place : Trichy
Date : 28.08.12

(Dr. M. ARUMAIRAJ)
Managing Director.