

VIRUTCHAM MICROFINANCE LIMITED
HEAD OFFICE, MADURAI

DIRECTORS' REPORT TO THE MEMBERS

The Board of Directors has great pleasure to present the 5th Annual Report together with the Audited Balance Sheet and Profit & Loss accounts for the year ended 31st March, 2013. The working of the Company for the period ended 31st March, 2013 has been satisfactory.

SHARE CAPITAL

The paid-up Capital of your company has increased from Rs 237.50 lakhs as on 31.03.2012 to Rs 292.12 lakhs as on 31.03.2013. The net worth of your company has reached 306.92 lakh from 243.20 lakhs in the last financial year. Thus we have achieved the level of net owned fund stipulated by RBI. In the ensuing year we have to reach Rs 5 cores as directed by RBI.

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.82.73 lakhs and incurred an expenditure of. Rs 68.93 lakhs. The net profit is Rs12.80 lakhs before taxation & provisions as against Rs 19.32 lakhs in the last year. During the year there was no flow of funds from external sources due to uncertainties prevailing in the microfinance sector. This affected the volume of business and consequently the profit.

WORKING OF THE COMPANY

The company lends small amounts ranging from Rs.10,000/- to Rs.30,000/- to individual members of the women's Self Help Groups [SHGs]. These groups have been organized and nurtured by NGOs who are also share-holders of the company. A part of the interest income derived from the lending business is shared with the NGOs. These NGOs form the back-bone of the company as they identify the eligible borrowers, collect loan applications and help in recovering the amounts lent. Till now, the company has disbursed Rs.19.76. cores as loans to 19048 members of 1317 groups. Repayment of loans has been 100%

FUND RAISING

During the year 2012-13, your company approached a number of financial institutions. We have applied for a loan of Rs 2 crores for on lending to SHGs with Tamilnadu Mercantile Bank Ltd. The proposal is in process. The company is hopeful that during the ensuing year 2013-14 the volume of business will increase considerably and along with it the income and profit are also expected to increase.

NGO-PARTNERS

So far the company has entered into a Memorandum of Understanding (MOU) with twelve NGOs. The affiliated NGOs are listed here under:

S.No	Agreement Date	Affiliated NGOs
1	10.08.2009	STAR Jeyamkondam
2	12.08.2009	WED, Tiruchendur
3	17.08.2009	FSJ, Chennai
4	20.08.2009	IRCDS, Thiruvallur
5	28.09.2009	Virutcham, Tirunelveli
6	16.12.2009	WEEDS, Tuticorin
7	22.01.2011	SEDO, Tuticorin
8	07.07.2011	VEMBU, Vilathikulam
9	21.01.2012	BELL, Tuticorin
10	17.02.2012	BON SECOURS, Dindigul
11	25.02.2012	MASS, Madurai
12	21.03.2013	NEED, Tuticorin

The outreach coverage of NGOs is set out hereunder.

Outreach details as on 31.03.13

S. No	Name of the NGO	No. of District	No. of Blocks Covered	Panchayats	No. of Villages Covered	Total No. of Groups	Total Members
1	STAR	1	2	42	209	1,527	22,482
2	Bon Secours	2	2	12	34	86	1,051
3	IRCDS	1	4	44	78	993	14,565
4	FSJ	1	2	10	12	226	3,415
5	WED	1	2	26	85	484	7,224
6	VIRUTCHAM	2	7	38	74	211	3,165
7	WEEDS	2	2	32	98	574	8,797
8	SEDO	1	1	6	34	124	1,843
9	VEMBU	1	3	22	50	86	1,118
10	BELL	1	1	4	60	130	1,690
11	MASS	6	78	230	271	370	4,426
12	NEED	1	2	5	10	20	347
TOTAL		20	106	471	1,0155	4,831	70,123

Our affiliated NGOs have covered a number of villages and groups. We have yet to disburse loans to all eligible groups. Hence, demand is on the higher side.

Our loan disbursal status is given below.

NGO- wise Loan Disbursement – Portfolio Details as on 31.03.2013

S No	Name of the NGO	No.of Villages	Total Groups Financed	Total Beneficiaries till 31-03-2012	Cumulative Disbursement (Rs in lac)	Loan out standing (Rs in lac)
1	STAR	42	318	4,777	509.10	75.76
2	BON SECOURS	2	39	461	46.10	23.45
3	IRCDS	46	460	6,749	547.00	93.86
4	FSJ	12	210	2,887	313.20	66.25
5	WED	18	59	924	135.20	32.62
6	VIRUTCHAM	10	47	765	88.10	0.40
7	WEEDS	24	85	1,190	160.95	18.84
8	SEDO	34	41	545	61.45	17.25
9	VEMBU	1	7	93	23.25	-
10	BELL	60	5	72	20.80	-
11	MASS	33	46	585	71.00	33.92
12	NEED	10	-	-	-	-
	TOTAL	292	1,317	19,048	1976.15	362.35

BRANCH EXPANSION

We have 4 branches at present and plan to open Tuticorin and Tirunelveli branches in the month of May and June 2013. A few more branches will be opened within the next financial year.

TRAINING

We are imparting training to all our employees and NGOs at regular intervals. In the coming year, we plan to impart regular training to our various constituents on matters related to RBI compliance, Standard Operating Procedures, Business Promotion Tools and Techniques, Entrepreneurship Development Training for women in SHGs, Group Animation Skills for Field Staff, Managerial Skills for the Managers and Leadership for NGO leaders.

INTERNAL AUDIT

The internal audit system of your company broadly covered the organizational policies and procedures which include financial reports and records, loan documents, client visits and other observations. Based on this a comprehensive audit report has been formatted. Internal audits of branches are carried out once in three months. Internal control system is well regulated.

REMUNERATION ASPECTS AS PER COMPANY LAW

There was no employee who was or is in receipt of remuneration prescribed under section 217 (2A) of the Companies Act 1956 or more.

REGISTRATION WITH RESERVE BANK OF INDIA

As per current Reserve Bank directions your company has reached the stipulated net owned fund of Rs. 3 crores by 31.03.2013. Further, we have to reach Rs.5 crores of net owned funds before 31.03.2014. Your company and promoters are taking all the best efforts to reach the target well on time. The company has applied to Reserve Bank for re-registration and reclassification as NBFC – MFI.

MEETINGS

The Board of Directors met seven times during the year. The executive committee of the Board met one time. Audit committee met one time during this year.

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 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.

FIXED DEPOSIT

Your company has not accepted any deposit from the public as defined under section 58A of the Companies Act, 1956 and Rules made thereunder.

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 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.

SECRETARIAL COMPLIANCE CERTIFICATE

The compliance certificate from a secretary in whole time practice as required under section 383 A of the Companies Act 1956 read with Sub-Rule (i) of Rule of 3 of the Companies (Compliance Certificate) Rules 2001 is attached.

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 and the support extended by shareholders.

For and on behalf of Board

Place : Madurai
Date : 01.07.2013

(L. ISITHORE)
Managing Director