



NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Eighty Fourth Annual General Meeting of VST INDUSTRIES LIMITED will be held at Hotel Taj Krishna, Road No. 1, Banjara Hills, Hyderabad - 500 034 on **Wednesday, 12th August, 2015 at 9.30 a.m.** for transacting the following business:

1. To consider and adopt the Audited Financial Statements of the Company for the year ended 31st March, 2015, and the Reports of the Board of Directors and Auditors thereon.
2. To declare a Dividend on the Equity Shares for the year ended 31st March, 2015.
3. To appoint Director in place of Mr. Raymond S. Noronha [DIN: 00012620] who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and, if thought fit, to pass with or without modification(s) the following Resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 139 and other applicable provisions of the Companies Act, 2013 read with Rules framed there under (including any statutory modification or re-enactment thereof for the time being in force) M/s. Lovelock & Lewes, Chartered Accountants, having ICAI Firm Registration Number 301056E be and are hereby re-appointed as the Statutory Auditors of the Company, who shall hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting at a remuneration of ₹30,00,000 (Rupees Thirty Lakhs only) payable in two equal instalments in addition to service tax as applicable, travelling and reimbursement of reasonable actual out-of-pocket expenses incurred".

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Ramakrishna Venkata Addanki [DIN: 07147591] a nominee of the Raleigh Investment Company Limited, a British American Tobacco group company who was appointed as a Director of the Company with effect from 21st April, 2015 in the place of Mr. James H. Yamanaka [DIN: 06739695] and who

vacates office at the ensuing Annual General Meeting pursuant to Section 161 of the Companies Act, 2013 and Article 98 of the Articles of Association of the Company and in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of Director be and is hereby appointed a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation."

6. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT in accordance with the provisions of Sections 196, 197 and 203 read with Schedule V and all other applicable provisions of the Companies Act, 2013 and the Rules framed there under (including any statutory modification(s) or re-enactment thereof for the time being in force), approval of the Company be and is hereby accorded to the re-appointment of Mr. N. Sai Sankar [DIN: 00010270] as Managing Director [MD] of the Company with effect from 1st January, 2016 to 27th November, 2017 [both days inclusive], being a director not liable to retire by rotation, on the terms and conditions including remuneration as set out in the Statement annexed to the Notice convening this Meeting, with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include Nomination and Remuneration Committee of the Board) to alter and vary the terms and conditions of the remuneration including the components of remuneration as it may deem fit and as may be acceptable to Mr. N Sai Sankar the incumbent Managing Director, subject to the same not exceeding the limits specified under Schedule V to the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof."

7. To consider and, if thought fit, to pass with or without modification(s) the following Resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 197 read with Schedule V of the Companies Act, 2013 and the Rules framed there under (including any statutory modification(s) or re-enactment thereof for the time being in force), consent of the Company be and is hereby



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accorded to the revised terms of appointment to Mr. Devraj Lahiri, [DIN: 03588071] Wholetime Director of the Company with effect from 1st April, 2014 as set out in the Statement annexed to the Notice convening this Meeting with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include Nomination and Remuneration Committee of the Board) to alter and vary the terms and conditions of the remuneration including the components of remuneration as it may deem fit and as may be acceptable to Mr. Devraj Lahiri, the incumbent Wholetime Director, subject to the same not exceeding the limits specified under the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof."

8. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED THAT in supersession of the Special Resolution passed through Postal Ballot on 13th December, 2011 and pursuant to the provisions of Section 94 and other applicable provisions, if any, of the Companies Act, 2013, approval of the Company

be and is hereby accorded to maintain Register of Members, Index of Members, Register of Renewed and Duplicate Shares and copies of annual returns, together with the copies of certificates and documents required to be annexed thereto and other related books or any one or more of them be kept at the office of the Company's Registrar & Transfer Agent viz., Karvy Computershare Private Limited, Karvy Selenium Tower B, Plot No. 31 & 32, Gachibowli, Financial District, Nanakramguda, Serilingampally, Hyderabad - 500 032 or any other place within the local limits of the city of Hyderabad instead of their office at Plot No. 17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081."

By Order of the Board
VST INDUSTRIES LIMITED

NITESH BAKSHI
Company Secretary

Dated this 21st day of April, 2015.
Azamabad, Hyderabad - 500 020

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/HERSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. The instrument of proxy in order to be effective, must be duly stamped, signed, completed and received at the Registered Office of the Company not less than 48 hours before the commencement of the Annual General Meeting.**

A person can act as a proxy on behalf of Members not exceeding fifty and holding in the aggregate not more than 10% of the total equity share capital of the Company carrying voting rights. A Member holding more than 10% of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or Member.

2. The Register of Members of the Company shall remain closed from Thursday, 6th August, 2015 to Wednesday,

12th August, 2015 (both days inclusive) for payment of dividend, if declared.

Valid transfer of shares received at the office of Registrar and Transfer Agents of the Company, M/s. Karvy Computershare Private Limited, before the close of business hours on 5th August, 2015 will be registered in time for the transferees to become eligible for dividend, if declared.

Dividend, if declared, will be paid on 31st August, 2015 to those Members whose names appear in the Register of Members of the Company on 12th August, 2015 or to their mandatees, subject however to the provisions of Section 126 of the Companies Act, 2013 or any amendment thereto or re-enactment thereof. In respect of dematerialised shares the dividend will be payable on the basis of beneficial ownership as on 5th August, 2015, as per details to be furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for this purpose.



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3. In accordance with Section 102 of the Companies Act, 2013, Statement setting out the material facts in respect of items 5 to 8 being items of Special Business is annexed to the Notice of the Meeting.
4. Corporate members are requested to send, a duly certified copy of the board resolution pursuant to Section 113 of the Companies Act, 2013 authorising their representative to attend and vote at the Annual General Meeting.
5. A brief profile of the Directors proposed to be appointed/re-appointed is given in the Directors' Report. None of the Directors is related to each other inter-se.
6. Members holding shares in physical form should inform the Company's Registrar and Transfer Agents, M/s. Karvy Computershare Private Limited of any change in their registered address, mandate/bank details/e-mail address. Similarly, Members holding shares in electronic form should inform their Depository Participants (DP) of any change in their registered address, mandate/bank details/e-mail address.
7. The shares of the Company are under compulsory demat trading. Members holding shares in physical form are requested to convert their shares into dematerialised form in their own interest and for their convenience.
8. SEBI has directed listed companies to use electronic payment modes such as NEFT, RTGS, ECS etc., for payment to investors. Members are requested to update their bank details such as MICR, IFSC code etc., with the Registrar and Transfer Agents, M/s. Karvy Computershare Private Limited by submitting a cancelled cheque, while Members holding shares in electronic form are requested to update such bank details with their respective Depository Participants.
9. Members who have multiple folios in identical names or joint names in the same order are requested to intimate to the Registrar and Transfer Agents, M/s. Karvy Computershare Private Limited about these folios to enable consolidation of all such shareholdings into one folio.
10. Members are requested to refer to the 'Shareholder Referencer' of the Report on Corporate Governance which inter-alia contains details regarding unclaimed dividend and unclaimed share certificates.
11. Members are requested to bring their copy of the Annual Report to the Meeting.
12. For the convenience of Members and for proper conduct of the Meeting, entry to the venue of the Meeting will be regulated by Attendance Slip, which is enclosed with this notice. Members are requested to sign at the place provided on the Attendance Slip and hand it over at the entrance to the venue.
13. The documents referred to in this notice are open for inspection at the Registered Office of the Company on all working days, except Saturdays, between 11.00 a.m. and 1.00 p.m. up to the date of Annual General Meeting.
14. Pursuant to Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended, it is mandatory to extend to the Members of the Company, the facility to vote by electronic means and at the AGM. The Company is providing facility for voting by electronic means and the Members of the Company can transact all the items of the business through electronic voting system as contained in the Notice of the Meeting.
15. The facility for voting, either through electronic voting system or ballot or polling paper shall also be made available at the meeting and members attending the meeting who have not already cast their vote by remote e-voting shall be able to exercise their right at the meeting.
16. The Members who have cast their vote by remote e-voting prior to the meeting may also attend the meeting but shall not be entitled to cast their vote again.

The Company has appointed Mr. Tumuluru Krishnamurthy, Company Secretary in practice, who in the opinion of the Board is a duly qualified person, as a Scrutinizer who will scrutinise the electronic voting process in a fair and transparent manner. The Scrutinizer shall within a period of three days from the date of conclusion of the meeting, submit his report of the votes cast in favour or against, if any, to the Chairman of the Company and the result of the same will be disclosed forthwith. The Company has appointed Karvy Computershare Private Limited as the Agency for the purpose of facilitating the electronic voting.



NOTICE OF MEETING

INSTRUCTION FOR E-VOTING

1. Use the following URL for e-voting from Karvy website: <http://evoting.karvy.com>
2. Members of the Company holding shares either in physical form or in dematerialised form, as on 5th August, 2015, the cut off date (Record Date), may cast their vote electronically or in the general meeting.
3. Enter the login credentials [i.e. user ID and password mentioned in the Attendance Slip enclosed with this notice]. Your Folio No/DP ID Client ID will be your user ID.
4. After entering the details appropriately, click on LOGIN.
5. You will reach the password change menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. The system will prompt you to change your password and update any contact details like mobile, email etc on first login. You may also enter the secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
6. You need to login again with the new credentials.
7. On successful login, the system will prompt you to select the EVEN i.e. VST Industries Limited.
8. On the voting page, enter the number of shares as on the cut off date under FOR/AGAINST or alternately you may enter partially any number in FOR and partially in AGAINST but the total number in FOR/AGAINST taken together should not exceed the total shareholding. You may also choose the option ABSTAIN.
9. Members holding multiple folios/demat account shall choose the voting process separately for each folio/demat account.
10. Cast your vote by selecting an appropriate option and click on SUBMIT. A confirmation box will be displayed. Click OK to confirm else CANCEL to modify. Once you confirm, you will not be allowed to modify your vote. During the voting period, Members can login any number of times till they have voted on the resolution.
11. Once the vote on the resolution is cast by the Member, he/she shall not be allowed to change it subsequently.
12. The portal will be open for voting from 9.00 a.m. on 8th August, 2015 to 5.00 p.m. on 11th August, 2015.
13. Members of the Company who have purchased their shares after the despatch of the notice but before the cut off date (i.e. 5th August, 2015) may contact Karvy Computershare Private Limited at Telephone No. 1800 345 4001 (toll free) or Email at evoting@karvy.com to obtain login ID and password.
14. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and e-voting User Manual for Members available at the download section of <http://evoting.karvy.com> or contact Karvy Computershare Private Limited at Telephone No. 1800 345 4001 (toll free).

Statement pursuant to Section 102 of the Companies Act, 2013

In accordance with Section 102(1) of the Companies Act, 2013, the following material facts are given in explanation of the items of Special Business set out in the attached Notice of the Eighty Fourth Annual General Meeting of the Company to be held at Hotel Taj Krishna, Road No. 1, Banjara Hills, Hyderabad - 500 034 on **Wednesday, 12th August, 2015 at 9.30 a.m.**

Item No. 5

Mr. Ramakrishna Venkata Addanki who was appointed as a Director of the Company with effect from 21st April, 2015 at

the Board Meeting held on 21st April, 2015 to fill the casual vacancy caused by the resignation of Mr. James H. Yamanaka in terms of Section 161(4) of the Companies Act, 2013 and Article 98 of the Articles of Association of the Company, vacates office at this Annual General Meeting.

A notice has been received by the Company along with a deposit of ₹1,00,000 from a Member under Section 160 of the Companies Act, 2013, proposing the appointment of Mr. Ramakrishna Venkata Addanki as a Non-Executive Director of the Company. The consent pursuant to Section



ANNEXURE TO NOTICE OF MEETING

152(5) of the Companies Act, 2013 to act as Director if appointed, has been received from Mr. Addanki. Mr. Addanki does not hold any shares in the Company.

Mr. Addanki is a Commerce graduate from Osmania University and an associate member of the Institute of Cost Accountants of India and has over 20 years of experience in the tobacco industry. Having started his career in India, Mr. Addanki for the past 16 years has been with British American Tobacco Group in different countries with experiences in finance and general management. Mr. Addanki is currently the Finance Director for the Group's subsidiary in Turkey and prior to this he was the CEO for the group's business in the Czech Republic and responsible for the Czech Cluster as a whole. He specialises in finance and general management functions.

None of the Directors or Key Managerial Personnel or their relatives other than Mr. Ramakrishna Venkata Addanki has any concern or interest, financial or otherwise in this Resolution.

The Board commends this item of business for your approval.

Item No. 6

The Members at their meeting held on 30th July, 2013 approved the appointment of Mr. N. Sai Sankar as Managing Director of the Company to hold office from 3rd September, 2012 to 31st December, 2015 (both days inclusive).

Mr. Sai Sankar's period of office is due to expire on 31st December, 2015. The Board of Directors of your Company ("the Board") at its meeting held on 21st April, 2015 on the recommendation of Nomination & Remuneration Committee approved the re-appointment of Mr. N. Sai Sankar as Managing Director of the Company, with effect from 1st January, 2016 to 27th November, 2017 (both days inclusive), on the following remuneration, subject to the approval of the Members. The Managing Director shall also be a Key Managerial Personnel under Section 203 of the Companies Act, 2013.

Particulars of the appointment of Mr. N. Sai Sankar, Managing Director are set out below:

I. **Consolidated Salary:** At the rate of ₹10,20,133 per month subject to such increases as the Board of Directors of the Company and/or the Nomination and Remuneration Committee of the Board may determine in the consolidated salary from time to time during the tenure

of office as Managing Director having regard to the annual performance of Mr. N. Sai Sankar and to cover the Consumer Price Index.

II. **Performance Bonus:** Payable annually for each financial year ending 31st March, 2016 and thereafter, not exceeding 150% of the Consolidated Salary per annum after approval of the accounts as may be determined by the Board of Directors of the Company and/or the Nomination and Remuneration Committee of the Board.

In addition to the aforesaid Consolidated Salary and Performance Bonus, Mr. N. Sai Sankar shall be entitled to perquisites like gas, electricity, water, furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance etc., in accordance with the Rules of the Company, the monetary value of such perquisites being limited to ₹10,00,000 per annum, for the purposes of which limit perquisites shall be evaluated as per Income Tax Rules, wherever applicable, and in absence of any such Rule, perquisites shall be evaluated at actual cost. However, the following shall not be included in the aforesaid perquisite limit:

- a. Rent free furnished accommodation owned/leased/rented by the Company or Housing Allowance in lieu thereof, as per the Rules of the Company.
- b. Contribution to Provident Fund and Superannuation Fund upto 27% of salary and contribution to Gratuity Fund upto 8.33% of salary as defined in the Rules of the respective Funds, or upto such other limit as may be prescribed under the Income Tax Act, 1961 and the Rules there under for this purpose.
- c. Use of Company car for official purposes and telephone at residence (including payment for local calls and long distance official calls).
- d. Encashment of unavailed leave as per the Rules of the Company at the time of retirement/cessation of service.
- e. Long service award as per the Rules of the Company.
- f. Costs and expenses incurred by the Company in connection with joining/transfer from one location to another as per the Rules of the Company.



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III. **Minimum Remuneration:** Notwithstanding anything to the contrary contained herein, where, in any financial year during the currency of the tenure of Mr. N. Sai Sankar, the Company has no profits or its profits are inadequate, the Company will pay salary and perquisites as laid down in Part II of Schedule V to the Companies Act, 2013 as Minimum Remuneration and subject to the provisions thereof.

Mr. N. Sai Sankar satisfies all the conditions set out in Part-I of Schedule V of the Companies Act, 2013 and also conditions set out in sub-section (3) of Section 196 of the Companies Act, 2013 for being eligible for re-appointment. The above may be treated as written memorandum setting out the terms of re-appointment of Mr. N. Sai Sankar under Section 190 of the Companies Act, 2013.

Mr. Sai Sankar is a Commerce Graduate from St. Xavier's College, Kolkata and is a Fellow Member of the Institute of Chartered Accountants of India, Fellow Member of the Institute of Cost Accountants of India and Fellow Member of the Institute of Company Secretaries of India. He has about 35 years of experience in finance, accounting and secretarial field and specialises in finance and taxation. He is a member of the CSR Committee, Committee of Directors and Stakeholders Relationship Committee of the Company and is also a director on the board of the Tobacco Institute of India. Mr. Sai Sankar does not hold any shares in the Company and is not related to any other Director of the Company.

Apart from Mr. N. Sai Sankar, Managing Director who would be interested in his re-appointment and remuneration, none of the Directors and Key Managerial Personnel of the Company or their respective relatives is, in any way, concerned or interested financially or otherwise in this item of business.

The Board commends this item of business for your approval.

Item No. 7

The Board of Directors of your Company ("the Board") at its meeting held on 12th August, 2014 on the recommendation of Nomination and Remuneration Committee, approved modification in the terms of appointment of Mr. Devraj Lahiri, Wholetime Director, a Key Managerial Personnel of the Company with effect from 1st April, 2014 as set out below, subject to the approval of the Members.

- I. **Consolidated Salary:** At the rate of ₹3,50,000 per month subject to such increases as the Board of Directors of the Company and/or the Nomination and Remuneration Committee of the Board may determine in the consolidated salary during the tenure of office as Wholetime Director having regard to the annual performance of Mr. Devraj Lahiri and to cover the Consumer Price Index.
- II. **Other Allowance:** ₹1,00,000 per month.
- III. **Performance Bonus:** Payable annually for each financial year ending 31st March, 2015 and thereafter, not exceeding 100% of the consolidated salary per annum after approval of the accounts as may be determined by the Board.
- IV. **Perquisites:** In addition to the aforesaid consolidated salary, other allowance and performance bonus, Mr. Devraj Lahiri shall be entitled to perquisites like gas, electricity, water, furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance etc., in accordance with the rules of the Company, the monetary value of such perquisites being limited to ₹4,00,000 per annum, for the purposes of which limit perquisites shall be evaluated as per Income Tax Act/Rules, wherever applicable, and in absence of any such Rule, perquisites shall be evaluated at actual cost. However, the following shall not be included in the aforesaid perquisite limit:
 - a. Rent free furnished accommodation owned/leased/rented by the Company or housing allowance in lieu thereof, as per the rules of the Company.
 - b. Contribution to Provident Fund and Superannuation Fund upto 27% of salary and contribution to Gratuity Fund upto 8.33% of salary as defined in the rules of the respective funds, or upto such other limit as may be prescribed under the Income Tax Act, 1961 and the Rules thereunder for this purpose.
 - c. Use of Company car for official purposes, telephone at residence and cell phone (including payment for local calls and long distance official calls).
 - d. Encashment of unavailed leave as per the rules of the Company at the time of retirement/cessation of service.

**ANNEXURE TO NOTICE OF MEETING**

- e. Long service award as per the rules of the Company.
- f. Costs and expenses incurred by the Company in connection with joining/transfer from one location to another as per the rules of the Company.

The aggregate of the remuneration and perquisites/benefits, including contribution towards Provident Fund, Superannuation Fund and Gratuity Fund, payable to Mr. Devraj Lahiri as such shall always be subject to the overall ceilings laid down under the Companies Act, 2013 or any amendment or re-enactment thereof.

Minimum Remuneration: Notwithstanding anything to the contrary contained herein, where, in any financial year during the currency of the tenure of Mr. Devraj Lahiri as Wholetime Director, the Company has no profits or its profits are inadequate, the Company will pay salary and perquisites to Mr. Devraj Lahiri as laid down in Part II of Schedule V to the Companies Act, 2013, as minimum remuneration and subject to the provisions thereof.

The Consolidated Salary of Mr. Devraj Lahiri was increased by ₹24,150 to ₹3,74,150 per month with effect from 1st April, 2015. The above may be treated as written memorandum setting out the revised terms of Mr. Devraj Lahiri under Section 190 of the Companies Act, 2013.

Apart from Mr. Devraj Lahiri, Wholetime Director who would be interested in his revision of terms and remuneration, none of the Directors and Key Managerial Personnel of the Company or their respective relatives is in any way, concerned or interested financially or otherwise in this item of business.

The Board commends this item of business for your approval.

Item No. 8

Under the provisions of the Companies Act, 2013 (the "Act") certain documents such as the Register of Members and Index of Members for equity shares, register of renewed and duplicate shares, copies of all annual returns prepared, together with copies of certificates and documents required to be annexed thereto under Section 92 of the Act, and other related books or any one or more of them are required to be maintained at the registered office of the Company unless a special resolution is passed in a general meeting authorising the keeping of the register at any other place within the city, town or village in which the registered office is situated or

any other place in India, in which more than one-tenth of the total members entered in the register of members reside.

Your Company has obtained approval of the Members through Postal Ballot by way of special resolution under Section 163 of the Companies Act, 1956 on 13th December, 2011 to maintain the above registers and records with its Registrar & Transfer Agents - Karvy Computershare Private Limited situated at Plot No. 17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081.

For operational convenience, the above Registrar & Transfer Agent is moving to a new premises and in view of the enabling provisions of the Companies Act, 2013 as stated above, it is necessary to seek the consent of the Members by way of special resolution to maintain the registers and records in the new premises of Karvy Computershare Private Limited, Karvy Selenium Tower B, Plot No. 31 & 32, Gachibowli, Financial District, Nanakramguda, Serilingampally, Hyderabad - 500 032 instead of Plot No. 17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081 and accordingly all the above documents would be kept at the new premises of the Registrar and Transfer Agents viz., Karvy Computershare Private Limited or any other place within the local limits of the city of Hyderabad where their office may shift.

Since more than one-tenth of the total members entered in the register of members reside in the city of Hyderabad, the proposal to maintain the registers and records in the new premises of Karvy Computershare Private Limited at Hyderabad would be in compliance with such requirement under Section 94 of the Companies Act, 2013.

None of the Directors and Key Managerial Personnel of the Company or their respective relatives is, in any way, deemed to be concerned or interested in this item of business.

The Board commends this item of business for your approval.

By Order of the Board
VST INDUSTRIES LIMITED

NITESH BAKSHI
Company Secretary

Dated this 21st day of April, 2015.
Azamabad, Hyderabad - 500 020



VST INDUSTRIES LIMITED

ANNUAL REPORT 2014-15





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BOARD OF DIRECTORS

Chairman

RAYMOND S. NORONHA

Managing Director

N. SAI SANKAR

Wholetime Director

DEVRAJ LAHIRI

Non-Executive Directors

S. THIRUMALAI

MUBEEN RAFAT

RAMAKRISHNA V. ADDANKI [w.e.f. 21st April, 2015]

JAMES H. YAMANAKA [upto 16th April, 2015]

Chief Financial Officer

ANISH GUPTA

Company Secretary

NITESH BAKSHI

Auditors

Lovelock & Lewes

Chartered Accountants

Hyderabad - 500 034

Registered Office

1-7-1063/1065, Azamabad

Hyderabad - 500 020

Phone : +91 40 2761 0460

Fax : +91 40 2761 5336

Email : investors@vstind.com

Website : www.vsthyd.com

CIN : L29150TG1930PLC000576

Registrar & Transfer Agents

Karvy Computershare Private Limited

Plot Nos.17 to 24, Vittal Rao Nagar

Madhapur, Hyderabad - 500 081

Phone : +91 40 2342 0815 to 24

Fax : +91 40 2342 0814

Email : einward.ris@karvy.com

Website : www.karvy.com



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3. To appoint Director in place of Mr. Raymond S. Noronha [DIN: 00012620] who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and, if thought fit, to pass with or without modification(s) the following Resolution as an Ordinary Resolution:

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SPECIAL BUSINESS

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6. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT in accordance with the provisions of Sections 196, 197 and 203 read with Schedule V and all other applicable provisions of the Companies Act, 2013 and the Rules framed there under (including any statutory modification(s) or re-enactment thereof for the time being in force), approval of the Company be and is hereby accorded to the re-appointment of Mr. N. Sai Sankar [DIN: 00010270] as Managing Director [MD] of the Company with effect from 1st January, 2016 to 27th November, 2017 [both days inclusive], being a director not liable to retire by rotation, on the terms and conditions including remuneration as set out in the Statement annexed to the Notice convening this Meeting, with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include Nomination and Remuneration Committee of the Board) to alter and vary the terms and conditions of the remuneration including the components of remuneration as it may deem fit and as may be acceptable to Mr. N. Sai Sankar the incumbent Managing Director, subject to the same not exceeding the limits specified under Schedule V to the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof."

7. To consider and, if thought fit, to pass with or without modification(s) the following Resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 197 read with Schedule V of the Companies Act, 2013 and the Rules framed there under (including any statutory modification(s) or re-enactment thereof for the time being in force), consent of the Company be and is hereby



NOTICE OF MEETING

accorded to the revised terms of appointment to Mr. Devraj Lahiri, [DIN: 03588071] Wholetime Director of the Company with effect from 1st April, 2014 as set out in the Statement annexed to the Notice convening this Meeting with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include Nomination and Remuneration Committee of the Board) to alter and vary the terms and conditions of the remuneration including the components of remuneration as it may deem fit and as may be acceptable to Mr. Devraj Lahiri, the incumbent Wholetime Director, subject to the same not exceeding the limits specified under the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof."

8. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED THAT in supersession of the Special Resolution passed through Postal Ballot on 13th December, 2011 and pursuant to the provisions of Section 94 and other applicable provisions, if any, of the Companies Act, 2013, approval of the Company

be and is hereby accorded to maintain Register of Members, Index of Members, Register of Renewed and Duplicate Shares and copies of annual returns, together with the copies of certificates and documents required to be annexed thereto and other related books or any one or more of them be kept at the office of the Company's Registrar & Transfer Agent viz., Karvy Computershare Private Limited, Karvy Selenium Tower B, Plot No. 31 & 32, Gachibowli, Financial District, Nanakramguda, Serilingampally, Hyderabad - 500 032 or any other place within the local limits of the city of Hyderabad instead of their office at Plot No. 17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081."

By Order of the Board
VST INDUSTRIES LIMITED

NITESH BAKSHI
Company Secretary

Dated this 21st day of April, 2015.
Azamabad, Hyderabad - 500 020

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/HERSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. The instrument of proxy in order to be effective, must be duly stamped, signed, completed and received at the Registered Office of the Company not less than 48 hours before the commencement of the Annual General Meeting.**

A person can act as a proxy on behalf of Members not exceeding fifty and holding in the aggregate not more than 10% of the total equity share capital of the Company carrying voting rights. A Member holding more than 10% of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or Member.

2. The Register of Members of the Company shall remain closed from Thursday, 6th August, 2015 to Wednesday,

12th August, 2015 (both days inclusive) for payment of dividend, if declared.

Valid transfer of shares received at the office of Registrar and Transfer Agents of the Company, M/s. Karvy Computershare Private Limited, before the close of business hours on 5th August, 2015 will be registered in time for the transferees to become eligible for dividend, if declared.

Dividend, if declared, will be paid on 31st August, 2015 to those Members whose names appear in the Register of Members of the Company on 12th August, 2015 or to their mandatees, subject however to the provisions of Section 126 of the Companies Act, 2013 or any amendment thereto or re-enactment thereof. In respect of dematerialised shares the dividend will be payable on the basis of beneficial ownership as on 5th August, 2015, as per details to be furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for this purpose.



NOTICE OF MEETING

3. In accordance with Section 102 of the Companies Act, 2013, Statement setting out the material facts in respect of items 5 to 8 being items of Special Business is annexed to the Notice of the Meeting.
 4. Corporate members are requested to send, a duly certified copy of the board resolution pursuant to Section 113 of the Companies Act, 2013 authorising their representative to attend and vote at the Annual General Meeting.
 5. A brief profile of the Directors proposed to be appointed/re-appointed is given in the Directors' Report. None of the Directors is related to each other inter-se.
 6. Members holding shares in physical form should inform the Company's Registrar and Transfer Agents, M/s. Karvy Computershare Private Limited of any change in their registered address, mandate/bank details/e-mail address. Similarly, Members holding shares in electronic form should inform their Depository Participants (DP) of any change in their registered address, mandate/bank details/e-mail address.
 7. The shares of the Company are under compulsory demat trading. Members holding shares in physical form are requested to convert their shares into dematerialised form in their own interest and for their convenience.
 8. SEBI has directed listed companies to use electronic payment modes such as NEFT, RTGS, ECS etc., for payment to investors. Members are requested to update their bank details such as MICR, IFSC code etc., with the Registrar and Transfer Agents, M/s. Karvy Computershare Private Limited by submitting a cancelled cheque, while Members holding shares in electronic form are requested to update such bank details with their respective Depository Participants.
 9. Members who have multiple folios in identical names or joint names in the same order are requested to intimate to the Registrar and Transfer Agents, M/s. Karvy Computershare Private Limited about these folios to enable consolidation of all such shareholdings into one folio.
 10. Members are requested to refer to the 'Shareholder Referencer' of the Report on Corporate Governance which inter-alia contains details regarding unclaimed dividend and unclaimed share certificates.
 11. Members are requested to bring their copy of the Annual Report to the Meeting.
 12. For the convenience of Members and for proper conduct of the Meeting, entry to the venue of the Meeting will be regulated by Attendance Slip, which is enclosed with this notice. Members are requested to sign at the place provided on the Attendance Slip and hand it over at the entrance to the venue.
 13. The documents referred to in this notice are open for inspection at the Registered Office of the Company on all working days, except Saturdays, between 11.00 a.m. and 1.00 p.m. up to the date of Annual General Meeting.
 14. Pursuant to Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended, it is mandatory to extend to the Members of the Company, the facility to vote by electronic means and at the AGM. The Company is providing facility for voting by electronic means and the Members of the Company can transact all the items of the business through electronic voting system as contained in the Notice of the Meeting.
 15. The facility for voting, either through electronic voting system or ballot or polling paper shall also be made available at the meeting and members attending the meeting who have not already cast their vote by remote e-voting shall be able to exercise their right at the meeting.
 16. The Members who have cast their vote by remote e-voting prior to the meeting may also attend the meeting but shall not be entitled to cast their vote again.
- The Company has appointed Mr. Tumuluru Krishnamurthy, Company Secretary in practice, who in the opinion of the Board is a duly qualified person, as a Scrutinizer who will scrutinise the electronic voting process in a fair and transparent manner. The Scrutinizer shall within a period of three days from the date of conclusion of the meeting, submit his report of the votes cast in favour or against, if any, to the Chairman of the Company and the result of the same will be disclosed forthwith. The Company has appointed Karvy Computershare Private Limited as the Agency for the purpose of facilitating the electronic voting.



NOTICE OF MEETING

INSTRUCTION FOR E-VOTING

1. Use the following URL for e-voting from Karvy website: <http://evoting.karvy.com>
2. Members of the Company holding shares either in physical form or in dematerialised form, as on 5th August, 2015, the cut off date (Record Date), may cast their vote electronically or in the general meeting.
3. Enter the login credentials [i.e. user ID and password mentioned in the Attendance Slip enclosed with this notice]. Your Folio No/DP ID Client ID will be your user ID.
4. After entering the details appropriately, click on LOGIN.
5. You will reach the password change menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. The system will prompt you to change your password and update any contact details like mobile, email etc on first login. You may also enter the secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
6. You need to login again with the new credentials.
7. On successful login, the system will prompt you to select the EVEN i.e. VST Industries Limited.
8. On the voting page, enter the number of shares as on the cut off date under FOR/AGAINST or alternately you may enter partially any number in FOR and partially in AGAINST but the total number in FOR/AGAINST taken together should not exceed the total shareholding. You may also choose the option ABSTAIN.
9. Members holding multiple folios/demat account shall choose the voting process separately for each folio/demat account.
10. Cast your vote by selecting an appropriate option and click on SUBMIT. A confirmation box will be displayed. Click OK to confirm else CANCEL to modify. Once you confirm, you will not be allowed to modify your vote. During the voting period, Members can login any number of times till they have voted on the resolution.
11. Once the vote on the resolution is cast by the Member, he/she shall not be allowed to change it subsequently.
12. The portal will be open for voting from 9.00 a.m. on 8th August, 2015 to 5.00 p.m. on 11th August, 2015.
13. Members of the Company who have purchased their shares after the despatch of the notice but before the cut off date (i.e. 5th August, 2015) may contact Karvy Computershare Private Limited at Telephone No. 1800 345 4001 (toll free) or Email at evoting@karvy.com to obtain login ID and password.
14. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and e-voting User Manual for Members available at the download section of <http://evoting.karvy.com> or contact Karvy Computershare Private Limited at Telephone No. 1800 345 4001 (toll free).

Statement pursuant to Section 102 of the Companies Act, 2013

In accordance with Section 102(1) of the Companies Act, 2013, the following material facts are given in explanation of the items of Special Business set out in the attached Notice of the Eighty Fourth Annual General Meeting of the Company to be held at Hotel Taj Krishna, Road No. 1, Banjara Hills, Hyderabad - 500 034 on **Wednesday, 12th August, 2015 at 9.30 a.m.**

Item No. 5

Mr. Ramakrishna Venkata Addanki who was appointed as a Director of the Company with effect from 21st April, 2015 at

the Board Meeting held on 21st April, 2015 to fill the casual vacancy caused by the resignation of Mr. James H. Yamanaka in terms of Section 161(4) of the Companies Act, 2013 and Article 98 of the Articles of Association of the Company, vacates office at this Annual General Meeting.

A notice has been received by the Company along with a deposit of ₹1,00,000 from a Member under Section 160 of the Companies Act, 2013, proposing the appointment of Mr. Ramakrishna Venkata Addanki as a Non-Executive Director of the Company. The consent pursuant to Section



ANNEXURE TO NOTICE OF MEETING

152(5) of the Companies Act, 2013 to act as Director if appointed, has been received from Mr. Addanki. Mr. Addanki does not hold any shares in the Company.

Mr. Addanki is a Commerce graduate from Osmania University and an associate member of the Institute of Cost Accountants of India and has over 20 years of experience in the tobacco industry. Having started his career in India, Mr. Addanki for the past 16 years has been with British American Tobacco Group in different countries with experiences in finance and general management. Mr. Addanki is currently the Finance Director for the Group's subsidiary in Turkey and prior to this he was the CEO for the group's business in the Czech Republic and responsible for the Czech Cluster as a whole. He specialises in finance and general management functions.

None of the Directors or Key Managerial Personnel or their relatives other than Mr. Ramakrishna Venkata Addanki has any concern or interest, financial or otherwise in this Resolution.

The Board commends this item of business for your approval.

Item No. 6

The Members at their meeting held on 30th July, 2013 approved the appointment of Mr. N. Sai Sankar as Managing Director of the Company to hold office from 3rd September, 2012 to 31st December, 2015 (both days inclusive).

Mr. Sai Sankar's period of office is due to expire on 31st December, 2015. The Board of Directors of your Company ("the Board") at its meeting held on 21st April, 2015 on the recommendation of Nomination & Remuneration Committee approved the re-appointment of Mr. N. Sai Sankar as Managing Director of the Company, with effect from 1st January, 2016 to 27th November, 2017 (both days inclusive), on the following remuneration, subject to the approval of the Members. The Managing Director shall also be a Key Managerial Personnel under Section 203 of the Companies Act, 2013.

Particulars of the appointment of Mr. N. Sai Sankar, Managing Director are set out below:

I. **Consolidated Salary:** At the rate of ₹10,20,133 per month subject to such increases as the Board of Directors of the Company and/or the Nomination and Remuneration Committee of the Board may determine in the consolidated salary from time to time during the tenure

of office as Managing Director having regard to the annual performance of Mr. N. Sai Sankar and to cover the Consumer Price Index.

II. **Performance Bonus:** Payable annually for each financial year ending 31st March, 2016 and thereafter, not exceeding 150% of the Consolidated Salary per annum after approval of the accounts as may be determined by the Board of Directors of the Company and/or the Nomination and Remuneration Committee of the Board.

In addition to the aforesaid Consolidated Salary and Performance Bonus, Mr. N. Sai Sankar shall be entitled to perquisites like gas, electricity, water, furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance etc., in accordance with the Rules of the Company, the monetary value of such perquisites being limited to ₹10,00,000 per annum, for the purposes of which limit perquisites shall be evaluated as per Income Tax Rules, wherever applicable, and in absence of any such Rule, perquisites shall be evaluated at actual cost. However, the following shall not be included in the aforesaid perquisite limit:

- a. Rent free furnished accommodation owned/leased/rented by the Company or Housing Allowance in lieu thereof, as per the Rules of the Company.
- b. Contribution to Provident Fund and Superannuation Fund upto 27% of salary and contribution to Gratuity Fund upto 8.33% of salary as defined in the Rules of the respective Funds, or upto such other limit as may be prescribed under the Income Tax Act, 1961 and the Rules there under for this purpose.
- c. Use of Company car for official purposes and telephone at residence (including payment for local calls and long distance official calls).
- d. Encashment of unavailed leave as per the Rules of the Company at the time of retirement/cessation of service.
- e. Long service award as per the Rules of the Company.
- f. Costs and expenses incurred by the Company in connection with joining/transfer from one location to another as per the Rules of the Company.



ANNEXURE TO NOTICE OF MEETING

III. **Minimum Remuneration:** Notwithstanding anything to the contrary contained herein, where, in any financial year during the currency of the tenure of Mr. N. Sai Sankar, the Company has no profits or its profits are inadequate, the Company will pay salary and perquisites as laid down in Part II of Schedule V to the Companies Act, 2013 as Minimum Remuneration and subject to the provisions thereof.

Mr. N. Sai Sankar satisfies all the conditions set out in Part-I of Schedule V of the Companies Act, 2013 and also conditions set out in sub-section (3) of Section 196 of the Companies Act, 2013 for being eligible for re-appointment. The above may be treated as written memorandum setting out the terms of re-appointment of Mr. N. Sai Sankar under Section 190 of the Companies Act, 2013.

Mr. Sai Sankar is a Commerce Graduate from St. Xavier's College, Kolkata and is a Fellow Member of the Institute of Chartered Accountants of India, Fellow Member of the Institute of Cost Accountants of India and Fellow Member of the Institute of Company Secretaries of India. He has about 35 years of experience in finance, accounting and secretarial field and specialises in finance and taxation. He is a member of the CSR Committee, Committee of Directors and Stakeholders Relationship Committee of the Company and is also a director on the board of the Tobacco Institute of India. Mr. Sai Sankar does not hold any shares in the Company and is not related to any other Director of the Company.

Apart from Mr. N. Sai Sankar, Managing Director who would be interested in his re-appointment and remuneration, none of the Directors and Key Managerial Personnel of the Company or their respective relatives is, in any way, concerned or interested financially or otherwise in this item of business.

The Board commends this item of business for your approval.

Item No. 7

The Board of Directors of your Company ("the Board") at its meeting held on 12th August, 2014 on the recommendation of Nomination and Remuneration Committee, approved modification in the terms of appointment of Mr. Devraj Lahiri, Wholetime Director, a Key Managerial Personnel of the Company with effect from 1st April, 2014 as set out below, subject to the approval of the Members.

- I. **Consolidated Salary:** At the rate of ₹3,50,000 per month subject to such increases as the Board of Directors of the Company and/or the Nomination and Remuneration Committee of the Board may determine in the consolidated salary during the tenure of office as Wholetime Director having regard to the annual performance of Mr. Devraj Lahiri and to cover the Consumer Price Index.
- II. **Other Allowance:** ₹1,00,000 per month.
- III. **Performance Bonus:** Payable annually for each financial year ending 31st March, 2015 and thereafter, not exceeding 100% of the consolidated salary per annum after approval of the accounts as may be determined by the Board.
- IV. **Perquisites:** In addition to the aforesaid consolidated salary, other allowance and performance bonus, Mr. Devraj Lahiri shall be entitled to perquisites like gas, electricity, water, furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance etc., in accordance with the rules of the Company, the monetary value of such perquisites being limited to ₹4,00,000 per annum, for the purposes of which limit perquisites shall be evaluated as per Income Tax Act/Rules, wherever applicable, and in absence of any such Rule, perquisites shall be evaluated at actual cost. However, the following shall not be included in the aforesaid perquisite limit:
 - a. Rent free furnished accommodation owned/leased/rented by the Company or housing allowance in lieu thereof, as per the rules of the Company.
 - b. Contribution to Provident Fund and Superannuation Fund upto 27% of salary and contribution to Gratuity Fund upto 8.33% of salary as defined in the rules of the respective funds, or upto such other limit as may be prescribed under the Income Tax Act, 1961 and the Rules thereunder for this purpose.
 - c. Use of Company car for official purposes, telephone at residence and cell phone (including payment for local calls and long distance official calls).
 - d. Encashment of unavailed leave as per the rules of the Company at the time of retirement/cessation of service.

**ANNEXURE TO NOTICE OF MEETING**

- e. Long service award as per the rules of the Company.
- f. Costs and expenses incurred by the Company in connection with joining/transfer from one location to another as per the rules of the Company.

The aggregate of the remuneration and perquisites/benefits, including contribution towards Provident Fund, Superannuation Fund and Gratuity Fund, payable to Mr. Devraj Lahiri as such shall always be subject to the overall ceilings laid down under the Companies Act, 2013 or any amendment or re-enactment thereof.

Minimum Remuneration: Notwithstanding anything to the contrary contained herein, where, in any financial year during the currency of the tenure of Mr. Devraj Lahiri as Wholetime Director, the Company has no profits or its profits are inadequate, the Company will pay salary and perquisites to Mr. Devraj Lahiri as laid down in Part II of Schedule V to the Companies Act, 2013, as minimum remuneration and subject to the provisions thereof.

The Consolidated Salary of Mr. Devraj Lahiri was increased by ₹24,150 to ₹3,74,150 per month with effect from 1st April, 2015. The above may be treated as written memorandum setting out the revised terms of Mr. Devraj Lahiri under Section 190 of the Companies Act, 2013.

Apart from Mr. Devraj Lahiri, Wholetime Director who would be interested in his revision of terms and remuneration, none of the Directors and Key Managerial Personnel of the Company or their respective relatives is in any way, concerned or interested financially or otherwise in this item of business.

The Board commends this item of business for your approval.

Item No. 8

Under the provisions of the Companies Act, 2013 (the "Act") certain documents such as the Register of Members and Index of Members for equity shares, register of renewed and duplicate shares, copies of all annual returns prepared, together with copies of certificates and documents required to be annexed thereto under Section 92 of the Act, and other related books or any one or more of them are required to be maintained at the registered office of the Company unless a special resolution is passed in a general meeting authorising the keeping of the register at any other place within the city, town or village in which the registered office is situated or

any other place in India, in which more than one-tenth of the total members entered in the register of members reside.

Your Company has obtained approval of the Members through Postal Ballot by way of special resolution under Section 163 of the Companies Act, 1956 on 13th December, 2011 to maintain the above registers and records with its Registrar & Transfer Agents - Karvy Computershare Private Limited situated at Plot No. 17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081.

For operational convenience, the above Registrar & Transfer Agent is moving to a new premises and in view of the enabling provisions of the Companies Act, 2013 as stated above, it is necessary to seek the consent of the Members by way of special resolution to maintain the registers and records in the new premises of Karvy Computershare Private Limited, Karvy Selenium Tower B, Plot No. 31 & 32, Gachibowli, Financial District, Nanakramguda, Serilingampally, Hyderabad - 500 032 instead of Plot No. 17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081 and accordingly all the above documents would be kept at the new premises of the Registrar and Transfer Agents viz., Karvy Computershare Private Limited or any other place within the local limits of the city of Hyderabad where their office may shift.

Since more than one-tenth of the total members entered in the register of members reside in the city of Hyderabad, the proposal to maintain the registers and records in the new premises of Karvy Computershare Private Limited at Hyderabad would be in compliance with such requirement under Section 94 of the Companies Act, 2013.

None of the Directors and Key Managerial Personnel of the Company or their respective relatives is, in any way, deemed to be concerned or interested in this item of business.

The Board commends this item of business for your approval.

By Order of the Board
VST INDUSTRIES LIMITED

NITESH BAKSHI
Company Secretary

Dated this 21st day of April, 2015.
Azamabad, Hyderabad - 500 020



REPORT OF THE BOARD OF DIRECTORS & MANAGEMENT

DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31ST MARCH, 2015

VST Industries Limited

The Directors of your Company have pleasure in presenting before you the Annual Report together with the Audited Statements of Accounts for the year ended 31st March, 2015.

Financial Results

	₹ Lakhs	
	2014-15	2013-14
Revenue from Operations	171690	162672
Net Profit after Tax	15221	15015
Profit brought forward from previous year	11133	10274
Balance available for Appropriation	26354	25289
Amount transferred to General Reserve	1525	1510
Dividend proposed	10809	10809
Corporate Dividend Tax	2262	1837
Surplus in the Statement of Profit and Loss	11758	11133

KEY RATIOS

Earnings per Share (₹)	98.57	97.24
Dividend per Share (₹)	70.00	70.00

- **Value creation during the decade has been Compounded Annual Growth Rate (CAGR), 13.5% in Earnings Per Share (EPS) and 18.8% in Dividend Per Share (DPS).**

DIVIDEND

The Directors are pleased to recommend a dividend of 700% on the paid up equity share capital of the Company, which amounts to ₹70 per equity share of ₹10 each for consideration and approval of Members at the Annual General Meeting. The total outgo amounts to ₹130.72 crore including dividend distribution tax of ₹22.62 crore. It is proposed to carry forward an amount of ₹15.25 crore to General Reserve.

INDUSTRY STRUCTURE & DEVELOPMENT

The trend of frequent & steep tax increase continues with third consecutive

year of excise revision in the Union Budget presented in July 2014. This year the duty on most affordable 64mm cigarettes was disproportionately increased by 72% versus 17% for other key segment. This impacts your Company significantly more than competition.

In addition, frequent revision in state taxes continues to pose a challenge for the industry. Some key cigarette consuming states such as Tamil Nadu & Kerala increased tax rates from 20% to 30% in 2014-15.

This trend of succession tax hikes has led to pricing pressure on consumers resulting in another year of industry volume decline. The resultant increase

in price of legitimate cigarettes has led to the growth of tax inefficient non duty paid cigarettes thus hurting legitimate stakeholders further. The unpredictable tax regime poses varied challenges for the industry moving forward.

The government has also proposed stringent regulatory measures including 85% graphical health warning on both panels of cigarette packs, ban on sale of loose sticks & blanket ban on any kind of promotional activity. These measures, if enforced, would further inhibit an already highly regulated industry and significantly hinder legitimate competition.

SEGMENT WISE PERFORMANCE

Your Company largely operates in the value segment. Discriminatory & exponential excise hike in 64mm in 2014-15 affects your Company more than others since affordability driven 64mm segment contributes significantly to overall volumes.

Your Company's key trademarks such as Moments, Special & Charms have delivered superior performance in a challenging year thus helping to minimise volume drop in a declining industry. Your Company strives to cater to diverse consumer preferences through portfolio laddering of key trademarks, introducing new brands & entering new geographies.

Market Scenario

Cigarette volumes of your Company during 2014-15 stood at 7540 mns compared to 8100 mns in 2013-14. Though disproportionately affected by



REPORT OF THE BOARD OF DIRECTORS

excise hike, your Company's performance is in line with general industry trends.

Leaf Tobacco

Your Company has recorded leaf sales turnover of ₹256 crore, in the year 2014-15 leveraging its expertise in all varieties of tobacco. Your Company is continuing domestic sales in addition to exports for maximising turnover and profits.

The focus on the development of niche varieties of tobacco continued in view of the changing requirements of tobacco in the international market. Besides helping develop backward regions, it has also helped in improving the Company's profitability. The Oriental project continues with improved agronomic practices.

It is satisfying to note that your Company's farmers continue to grow tobacco with the lowest pesticide residue levels and low TSNAs (Tobacco Specific Nitrosamines) that are well within international standards.

Your Company's leaf tobacco function continues to be certified by Registro Italiano Navale, Genova, Italy for SA8000 reflecting Company's resolve to follow best international practices in its operations.

PRODUCTION AND PLANT MODERNISATION

In order to keep pace with the changing technology and give competitive edge to the Company's products in the market place, your company has offered

innovative products to consumers, which have been well received.

HUMAN RESOURCE DEVELOPMENT

Your Company's Human Resource Management focus continues to attract and retain the best talent, in an increasingly competitive market place. Development plans have been drawn up for key managers to assume higher responsibilities as well as to enhance their job effectiveness.

Your Company has constituted an Internal Complaints Committee as per the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules there under. No cases were filed during last year under the above Act.

As on 31st March, 2015, your Company had a strength of 858 employees, with 303 management staff and 555 workmen.

ENVIRONMENT, HEALTH & SAFETY (EHS) AND COMMUNITY SERVICES

Your Company continues to keep EHS squarely in the forefront. President Award for the year 2014 was presented to your Company by Royal Society for Prevention of Accidents (RoSPA), U.K. for maintaining the highest standards in Occupational, Health and Safety.

Safety Innovation Award for the year 2014 was awarded to your Company by Institution of Engineers India, New Delhi.

Environment, Health and Safety (EHS) in day-to-day business operations is given very high priority by your Company. 594 employees and 22 contractors have undergone EHS training and 525 employees have undergone fire fighting training programme. Mock fire drills were also conducted for workers and management during the period to comply with the Company's EHS guidelines.

Quarterly and annual EHS audits of the Company's operations were carried out to ensure compliance of EHS requirements.

Surveillance Audit of ISO 14001: 2004 & OHSAS 18001: 2007 for the year 2014-15 were conducted by Registro Italiano Navale India (RINA).

All statutory compliances are in place.

The thrust on EHS will continue while emphasising the focus on best international work practices.

FINANCE

a. Profits

The Profit after Tax of your Company for the year is ₹152.21 crore.

The continuous increase in taxation over the last several years has brought about increased pressure on margins.

b. Treasury Operations

Your Company follows a SLR model (Safety, Liquidity and Return) in deployment of earmarked funds.



REPORT OF THE BOARD OF DIRECTORS

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The Company has not taken any loans or given guarantees or made investments in any other company.

RATING

The Credit Rating Information Services India Limited (CRISIL) has re-affirmed the rating of your Company to 'FAAA/Stable' for Fixed Deposit Schemes, 'AA+/Stable' for Long Term Non-convertible Debentures and 'A1+' for non-fund based liabilities (Letter of Credit and Bank Guarantee). Your Company has stopped accepting fresh deposits for the past several years.

UNCLAIMED DIVIDENDS

Pursuant to the provisions of Sections 205A(5) and 205C of the Companies Act, 1956, the Company has transferred on due dates, the unpaid or unclaimed dividends for the financial year ended 31st March, 2007 to the Investor Education and Protection Fund (IEPF) established by the Central Government.

Further, as per the provisions of Investor Education and Protection Fund (Uploading of Information regarding unpaid and unclaimed amounts lying with Companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on 12th August, 2014 (date of the last Annual General Meeting) on the website of the Company (www.vsthyd.com), and also on the website of the Ministry of Corporate Affairs, Government of India.

The details of the dividend due for transfer to IEPF as on 31st March, 2015 is given in the Report on Corporate Governance.

UNCLAIMED SHARE CERTIFICATES

Your Company has communicated to the Members whose share certificates have been returned undelivered to the Company that these would be transferred to the Unclaimed Suspense Account if not claimed by them, as required under Clause 5A of the Listing Agreement with stock exchanges.

The status of unclaimed shares as on 31st March, 2015 is given in the Report on Corporate Governance.

CORPORATE GOVERNANCE

The Company's Report on Corporate Governance is annexed to this Report as '**Annexure A**'.

Certificate of the Statutory Auditors of your Company regarding compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with stock exchanges is annexed to this Report.

Your Company has taken adequate steps for strict compliance with the Corporate Governance guidelines, as amended from time to time.

MEETINGS

The Board and Committee meetings are pre-scheduled and a tentative calendar of the meetings finalised in consultation of the Directors are circulated to them in advance to facilitate them to plan their schedule. However, in case of special and urgent business needs, approval is

taken by passing resolutions through circulation. During the year four Board Meetings and four Audit Committee Meetings were convened and held. The details of the meetings including composition of Audit Committee are given in the Corporate Governance Report. During the year, all the recommendations of the Audit Committee were accepted by the Board.

INTERNAL FINANCIAL CONTROLS

Your Company remains committed to improve effectiveness of internal financial controls and processes which would help in efficient conduct of its business operations, ensure security to its assets and timely preparation of reliable financial information.

The policies and procedures laid out by your Company capture the control environment prevalent in the organisation. Over a period of three years, the business processes of your Company is reviewed through an internal audit process which reviews the systems on a continuous basis. The objective is to identify potential risk areas and come up with a comprehensive risk mitigation plan.

The Audit Committee of your Board met four times during the year. Review of audit observations covering the operations, consideration of accounts on a quarterly basis and monitoring the implementation of audit recommendations were some of the key areas which were dealt with by the Committee. The Statutory Auditors/Internal Auditors



REPORT OF THE BOARD OF DIRECTORS

were invited to attend the Audit Committee meetings and make presentations covering their observation on adequacy of internal financial controls and the steps required to bridge gaps, if any.

Risk Management

Your Company has always endeavored to bring together elements of best practices for risk management in relation to existing and emerging risks faced by it at both strategic level and in operations. The Company faces a variety of risks from external and internal sources, however, the objective is to be aware of different kinds of risks affecting the business. Rather than eliminating these risks, the decision making process at your Company considers sensible risk taking and thereby proactive steps are taken to ensure that business is undertaken in an environment which encourages a reasonable amount of risk taking and enables the company to leverage market opportunities effectively.

The Board is responsible for determining the nature and extent of the principal risks that your Company is willing to take to achieve its strategic objectives and for maintaining sound risk management system. With the support of the Audit Committee, it carries out a review of the effectiveness of your company's risk management process covering all material risks including strategic, financial, operational and compliance.

Your Company has substantial operations all over the country and competes on basis of brand appeal and

loyalty, product quality and taste, packaging, marketing and price. This competitive position is influenced by the economic, regulatory and political situations both on an all India basis as well as that prevailing at the state level, and actions of the competitors. The principal risks impacting your Company's business and steps undertaken to mitigate them are as under:

- (i) **Regulatory restrictions** could have an impact on long term revenue growth of the Company.

The Company operates under increasingly stringent regulatory regime (COTPA guidelines on packaging and labelling, advertising and promotion). This further gets complicated with adoption of differing regulatory regime in different states and/or lack of consensus on interpretation/application.

Such restrictive regulations which are subjected to interpretation could result in not only penalties being imposed/loss of reputation, but also impair the Company's ability to communicate with adult smokers and/or to meet consumer expectations through new/innovative brand launches or geographic expansion.

The Company addresses this risk by engaging in continuous social dialogue with stakeholders and regulatory community through industry bodies. At the same time it works on developing strategies and

capabilities to be able to launch competitive and consumer acceptable brands within the changing regulatory environment.

- (ii) **Taxation changes** could have an impact on short term revenue growth of the Company.

The Company's business is subjected to substantial central and state level taxes whereby due to differential increase in excise duties in various segments; change in length of cigarette stick on which excise duty is payable; and tax (VAT) rate differential between various states particularly if it is in case of adjoining states could result in cross border movement of goods, could require the Company to take up product prices and in absence such action, impact its business. The impact increases when due to change in economic situation, consumers disposal income reduces resulting in down-trading to cheaper cigarettes or alternative tobacco products.

Such risks are addressed by the Company through (a) engagement with tax authorities both at centre as well as state level where appropriate; (b) regular management review to build a brand portfolio across segments as well as across geographies and focus on new brand creation; and (c) capability build-up through investments in distribution infrastructure to increase geographical spread.



REPORT OF THE BOARD OF DIRECTORS

- (iii) **Regional disruptions** could have an impact on short-term revenue growth of the Company as well as reputation.

Regional disturbances through state level restriction on trade or through terrorism and political violence including bandhs, strikes, has the potential to disrupt the Company's business operations. Such disruptions result in potential loss of assets and increased costs due to more complex supply chain arrangements and/or maintaining inefficient facilities.

The Company addresses this risk through developing secure multiple sourcing/delivery (supply chain) strategy and through insurance cover and business continuity planning.

- (iv) **Counter party risk** could have a potential impact on Company's capital and profitability

The Company generates positive cash flows which are predominantly invested with financial institutions and mutual funds. Delay in settlement on maturity of such investments could result in liquidity and financial loss to the Company.

Such risks are mitigated through investment based on principle of safety, liquidity & returns and with institutions having strong short-term and long term ratings assigned by CRISIL.

- (v) **Data risks**

The loss or misuse of sensitive

information, or its disclosure to outsiders, including competitors and trading partners, could potentially have a significant adverse impact on the Company's business operations and/or give rise to legal liability. For this purpose, the Company has put in place information technology policies and procedures which are reviewed regularly. Further, information technology controls like data back-up mechanism, disaster recovery center, authorisation verification, etc. have also been established.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Your Company has formulated a Corporate Social Responsibility policy with the objective to promote inclusive growth and equitable development of identified areas by contributing back to the society. Over the years, your Company has been involved in social activities like provision of clean water, construction of school buildings etc.

Your Company has been actively discouraging child labour involvement in tobacco growing/processing. Your Company has also facilitated installation of solar lights in the tobacco growing areas in association with the village panchayats in the tobacco growing areas.

Pursuant to the provisions of Section 135 and Schedule VII of the Companies Act, 2013, the Corporate Social Responsibility (CSR) Committee of the

Board of Directors was formed to recommend the policy on Corporate Social Responsibility and monitor its implementation. The CSR policy is available on the Company's website at: www.vsthyd.com/i/CSRPoly.pdf. Your Company has initially decided to focus on 'sanitation' as a key area which requires attention as it believes improving sanitation has a direct impact on health which in turn has an impact on overall productivity and the quality of life of the common people, thereby making a positive impact on society.

Evaluation of projects and finalisation of competent agencies is a time consuming process. This has taken some time since this is the first year of such initiative and hence your Company has been able to spend part of the stipulated two percent of the average net profit of the last three financial years. The CSR Policy and the Annual Report on CSR activities is annexed herewith as **'Annexure B'**.

RELATED PARTY TRANSACTIONS

There were no related party transactions during the year except that in the ordinary course of business and on arms length basis. There were no materially significant related party transactions between your Company and the Directors, Promoters, Key Managerial Personnel and other designated persons which may have a potential conflict with the interest of your Company at large.

Form AOC-2 for disclosure of particulars of contracts/arrangements, entered into by your Company with related parties is attached herewith as **'Annexure C'**.



REPORT OF THE BOARD OF DIRECTORS

BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the performance evaluation of the Board, the Committees of the Board and individual Directors has been carried out. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report.

REMUNERATION POLICY

Nomination and Remuneration Committee has formulated a policy relating to remuneration of directors, key managerial personnel and other employees which has been approved by the Board. The remuneration policy and the criteria for determining qualification, position attributes and independence of a director are stated in the Corporate Governance Report.

MEETING OF INDEPENDENT DIRECTORS

The performance of the individual directors and the Board and the Committees thereof is done by the Board and the Independent Directors in their exclusive meeting as per the policy formulated by the Board in this regard.

VIGIL MECHANISM

In terms of Section 177 of the Companies Act, 2013, the Company has formulated a Whistle Blower Policy as a vigil mechanism to encourage all employees and directors to report any unethical behavior, actual or suspected

fraud or violation of the Company's 'Code of Conduct and Ethics Policy' which also provides for adequate safeguard against victimisation of person who use such mechanism and there is a provision for direct access to the chairman of the Audit Committee in appropriate/exceptional cases. The details of the Whistle Blower Policy is given in the Corporate Governance Report and also posted on the Company's website at: [www.vsthyd.com/i/Whistle Blower Policy.pdf](http://www.vsthyd.com/i/Whistle%20Blower%20Policy.pdf).

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Directors retiring by rotation

Mr. Raymond S. Noronha

In accordance with Article 93 of the Articles of Association of your Company, Mr. Raymond S. Noronha retires from the Board and being eligible, offers himself for re-election. Your Board recommends his re-appointment.

Mr. Noronha was re-appointed at the Annual General Meeting held on 12th August, 2014.

Mr. Noronha is a B.A. (Hons.) from St. Stephen's College, Delhi and attended the Wharton Advanced Management Program (1995) at Philadelphia, USA. He has had over 40 years of varied experience in the cigarette business both international and domestic and has held several top level positions for over a decade. He specialises in the marketing and general administration functions. He is a Member of the Audit Committee,

CSR Committee, Committee of Directors, Nomination & Remuneration Committee and Stakeholders Relationship Committee of your Company and is not a director of any other company in India. Mr. Noronha does not hold any shares in the Company and is not related to any other Director of the Company.

Directors' Resignation/ Appointment

Mrs. Asha Nair

Mrs. Asha Nair resigned as a Director of your Company with effect from 21st October, 2014 due to the reason that your Company continues to be a pure tobacco company while the Government has been issuing regulation for discouraging tobacco and she represented a Government controlled PSU insurance company. The Board of Directors place on record their deep appreciation of the contribution made to your Company by Mrs. Asha Nair.

Mr. James H. Yamanaka

Mr. James H. Yamanaka who was appointed as a Director by the Members in the Annual general Meeting of the Company held on 12th August, 2014 has resigned with effect from close of business on 16th April, 2015 as the Raleigh Investment Company Limited, a British American Tobacco Group company which had nominated him on the Board of your Company resolved to appoint Mr. Ramakrishna V. Addanki in his place. The Board of Directors place on record the deep appreciation of the contribution made to your Company by Mr. James H. Yamanaka.



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Mr. Ramakrishna V. Addanki

Mr. Ramakrishna V. Addanki was nominated by the Raleigh Investment Company Limited, a British American Tobacco group company as a Director of your Company with effect from 21st April, 2015 in place of Mr. James H. Yamanaka.

Mr. Addanki is a Commerce graduate from Osmania University and an associate member of the Institute of Cost Accountants of India and has over 20 years of experience in the tobacco industry. Having started his career in India, Mr. Addanki for the past 16 years has been with British American Tobacco Group in different countries with experiences in finance and general management. Mr. Addanki is currently the Finance Director for the Group's subsidiary in Turkey and prior to this he was the CEO for the group's business in the Czech Republic and responsible for the Czech Cluster as a whole. He specialises in finance and general management functions.

He is not a member of any Committee of the Board and is not a director of any other company in India. Mr. Addanki does not hold any shares in the company and is not related to any other director of the Company.

A suitable resolution is being put up for your approval.

Ms. Mubeen Rafat and Mr. S. Thirumalai

At the last Annual General Meeting held on 12th August, 2014, the Members of your Company appointed Ms. Mubeen Rafat and Mr. S.

Thirumalai as Independent Directors under the Companies Act, 2013 for a period of five years with effect from 12th August, 2014 and 1st October, 2014 respectively.

All Independent Directors have given declarations as required under Section 149(7) that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013. None of the Independent Directors are related to any other director of the Company.

Mr. N. Sai Sankar

At the Annual General Meeting held on 30th July, 2013, the Members approved the appointment of Mr. N. Sai Sankar as Managing Director with effect from 3rd September, 2012 for the period from 3rd September, 2012 to 31st December, 2015 (both days inclusive).

The Board of Directors at their meeting held on 21st April, 2015 have subject to the approval of the Members at the Eighty fourth Annual General Meeting, re-appointed Mr. N. Sai Sankar as Managing Director for further period from 1st January, 2016 to 27th November, 2017.

Mr. Sai Sankar is a Commerce Graduate from St. Xavier's College, Kolkata and is a Fellow Member of the Institute of Chartered Accountants of India, Fellow Member of the Institute of Cost Accountants of India and Fellow Member of the Institute of Company Secretaries of India. He has about 35 years of experience in finance, accounting and secretarial field and

specialises in finance and taxation. He is a member of the CSR Committee, Committee of Directors and Stakeholders Relationship Committee of the Company and is also a director on the board of the Tobacco Institute of India. Mr. Sai Sankar does not hold any shares in the Company and is not related to any other director of the Company.

A suitable resolution is being put up for your approval.

Key Managerial Personnel

Mr. Anish Gupta

During the year, the Board of your Company has appointed, the existing Vice-President-Finance Mr. Anish Gupta as Chief Financial Officer, as Key Managerial Personnel with effect from 23rd April, 2014 which was approved by the Audit Committee on such terms and conditions including remuneration.

Mr. Nitesh Bakshi

The Board of your Company has also fixed the terms and conditions including the remuneration of the Company Secretary.

In addition to the Managing Director and Wholetime Director, the Chief Financial Officer, Mr. Anish Gupta and the Company Secretary, Mr. Nitesh Bakshi are the Key Managerial Personnel as per provisions of the Companies Act, 2013.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134 of the Companies Act, 2013 your Directors confirm that:

**REPORT OF THE BOARD OF DIRECTORS**

1. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
2. appropriate accounting policies have been selected and applied consistently. Judgement and estimates which are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of your Company as at the end of the financial year and of the profit of your Company for the period;
3. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
4. the annual accounts have been prepared on a going concern basis;
5. proper internal financial controls have been laid down to be followed by your Company and such internal financial controls are adequate and were operating effectively; and
6. proper systems to ensure compliance with the provisions of all applicable laws have been devised, and such systems were adequate and operating effectively.

SIGNIFICANT & MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS

TAXATION

i. Income Tax

a. Financial Services Business

Your Company had diversified into financial services business and foods business in the early nineties. Subsequently in the year 1998-99, your Company incurred a total loss of ₹38.67 crore in the financial services business of which ₹29.70 crore was claimed as loss under the head 'Income from Business' and ₹8.97 crore was claimed as a capital loss under the provisions of the Income Tax Act.

The Income Tax Appellate Tribunal allowed the entire amount of ₹38.67 crore as a capital loss. It may be noted that the department had treated the entire loss as a 'Speculation Loss'.

Your Company has filed an appeal before the Hon'ble High Court of Andhra Pradesh which has been admitted. The matter is yet to be heard.

Further in connection with its divestment from the foods business in the financial year 1999-00, your Company had

incurred a total loss of ₹53.68 crore, of which ₹44.18 crore was claimed as a loss under the head 'Income from Business' and ₹9.50 crore was claimed as a capital loss under the provisions of the Income Tax Act. The Income Tax Department has disallowed the entire amount excepting ₹5.70 crore which was allowed as a capital loss. The Commissioner of Income Tax (Appeals) further allowed ₹11.24 crore out of the balance amount of ₹47.98 crore, on appeal before him and the same was upheld by the Income Tax Appellate Tribunal. Your Company has preferred an appeal against the above order and the matter is now before the Hon'ble High Court of Andhra Pradesh.

Consequent to the above orders, the Income Tax Department had issued consequential orders under Section 154 of the Income Tax Act demanding ₹28.86 crore (revised) which was paid by your Company.

b. North East

Pursuant to the withdrawal of exemption notification for manufacture of cigarettes in the North Eastern region in terms of Supreme Court judgement of 19th September, 2005, your Company had



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paid an amount of ₹31.20 crore towards principal and provided an amount of ₹12.69 crore towards interest.

In the income tax return filed by your Company for the relevant year, this amount was considered as an allowable expenditure in the assessment for the year 2006-07. However, subsequently the Income Tax department has sent a demand notice seeking payment of ₹19.30 crore being tax payable along with interest which was paid by your Company. Your Company had contested the same and Hon'ble Income Tax Appellate Tribunal has in principle held the matter in favour of your Company.

ii. Luxury Tax

The Hon'ble Supreme Court by its judgement dated 20th January, 2005 set aside levy of Luxury Tax on tobacco products by various states. The Court had also directed the companies to pay back to the State any amount of luxury tax recovered from the customers after obtaining Stay orders from the Court. The Department has alleged that your Company has failed to pay an amount of ₹34.86 crore being the Luxury Tax collected from customers by your Company after passing of the interim order dated 1st June, 1999, but not paid to the State of Andhra Pradesh which is in violation of the said judgement

dated 20th January, 2005 and filed the contempt petition against the Managing Director of your Company. An amount of ₹29.81 crore also was claimed as interest thereon @24% per annum. The contempt charges against the Managing Director of your Company were dismissed by the Hon'ble Supreme Court on 19th March, 2010.

The State of Andhra Pradesh decided to continue with the legal proceedings for recovery of Luxury Tax from your Company by substituting the Company's Managing Director with your Company as the Respondent. The Supreme Court by its Order dated 9th November, 2012 appointed an independent Auditor to examine and verify the accounts of your Company for the period 1st April, 1999 to 20th January, 2005 and submit their report as to whether any sum was collected by your Company towards luxury tax during the operation of the Stay Order dated 1st April, 1999. The Auditor forwarded its report to the Supreme Court giving a clean chit to your Company. The Supreme Court, after examining the report of the Auditor, disposed off the petition with an observation that no contempt lies against your Company. However, the State Government was given an opportunity to issue a show cause notice to your Company for refund of the luxury tax collected after obtaining interim order from the

Supreme Court. Show cause notice should be backed and supported by the evidence the department wishes to rely upon in support of its case and is subject to contest by the parties as per law.

The Commercial Tax Department has issued a show cause notice on the basis of the Order of the Supreme Court. Your Company will take adequate steps to defend this case.

iii. Entry Tax

Several High Courts in the country including those of Andhra Pradesh, Kerala, Tamilnadu and Assam have struck down the levy of Entry Tax on the ground that it is violative of Article 301 and not saved under Article 304(b) of the Constitution, as it is not compensatory in the manner required in terms of the Supreme Court judgement in the case of M/s. Jindal Stainless Limited. Thereafter, several states such as Uttar Pradesh, Bihar, Haryana and Assam have attempted to re-introduce Entry Tax by amending the original Acts, sparking a fresh round of legal challenges in the High Courts. Most of the appeals filed by the various states, and individual companies have been clubbed together.

The Hon'ble Supreme Court in the batch of cases headed by Jai Prakash Associates vs the State of MP has referred a number of vital questions on levy of Entry Tax, to the Constitutional Bench in terms



REPORT OF THE BOARD OF DIRECTORS

of Article 145(3) of the Constitution which are still pending adjudication.

The Single Bench of Hon'ble High Court of Calcutta struck down the levy of Entry Tax imposed by the State Government of West Bengal in one of the matters and aggrieved by the same, the State Government has preferred an appeal before the Division Bench. On identical grounds, your Company also filed a writ before the Single Bench of the High Court of Calcutta which was allowed in favour of your company with a direction to file implead petition and an early hearing petition before the division bench.

Your Company, as directed, has filed an implead petition and an early hearing petition which are pending before the Division Bench of High Court of Calcutta.

iv. Excise

a. Wrapping Materials

The Excise Department claimed a sum of ₹3.62 crore (including penalty and interest @24%) on the ground that gay wrappers (printed paper used for wrapping cigarette packets) had been manufactured and consumed by your Company without payment of duty during the period April 1996 to March 2002. The Customs, Excise and Service Tax Appellate Tribunal (CESTAT), Bangalore

had allowed your Company's appeal against the said demand and set aside the demand of the Excise Department. An appeal against the said Order has been filed by the Excise Department and is presently pending in the Hon'ble Supreme Court.

b. Cigarette manufacture in North Eastern states

The Excise Department had demanded a sum of ₹31.20 crore along with interest of ₹12.69 crore from the Company's former contract manufacturers consequent upon the judgement of the Hon'ble Supreme Court upholding the withdrawal of exemptions granted in the North Eastern states. Thereafter, a total sum of ₹36.14 crore was paid to the Department. A Division Bench of the Gauhati High Court confirmed the judgement of the single judge and held that interest was also payable for the period 1st August, 2003 to 7th February, 2006 on the principal amount already repaid. Appeals have been filed in the Supreme Court against the said judgements of the Gauhati High Court which were admitted but no stay of the said judgements was granted. A sum of ₹2.92 crore was paid to the department

during the current financial year.

c. Tobacco Refuse

Your Company has been receiving periodical show cause notices demanding recovery of duty amounting to ₹17.05 crore on cut tobacco used in the manufacture of tobacco refuse and interest and penalty thereon from January 2005 to October 2014. All the pending appeals before CESTAT in this matter until the period October 2013 were allowed in favour of your Company. An appeal for the period November 2012 to October 2013 on same matter was filed before CESTAT along with early hearing application. The early hearing application has been allowed and the matter is yet to be heard.

d. Service Tax

Your Company has received show cause notices from the Excise Department seeking to deny CENVAT credit availed on service tax paid by various service providers on the ground that the same are not in relation to the manufacture of final products. They are all pending adjudication at various levels. Total amount involved is approximately ₹6.63 crore excluding interest and penalty. One of the



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appeals filed by your company was heard by CESTAT, Bangalore and it was allowed by way of remand to the original authority to be decided in light of earlier judicial pronouncements and to be disposed off within two months from the receipt of the order.

PUBLIC INTEREST LITIGATION (PIL)

- i. The two PILs filed in the Madras High Court and the Andhra Pradesh High Court against the Central Government and the cigarette manufacturers including your Company, seeking strict implementation of Cigarettes and Other Tobacco Products (Prohibition of Advertisement And Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003 (COTPA Act) and Rules, are pending.
- ii. Your Company has been impleaded in the Petition filed in the Supreme Court by an NGO called 'Centre for Transforming India' against the Union of India along with other cigarette manufacturers, Tobacco Institute of India, bidi manufacturers and bidi manufacturers' association seeking prohibition/ban of the manufacture, storage and sale of all forms of tobacco within the territory of India.
- iii. A PIL filed was filed before the Uttarakhand High Court in India

relating to printing of Tar-Nic contents on cigarette packets. An Order dated 3rd June, 2014 was passed allowing the petition and directing ban on sale of loose cigarettes without printing health warning. The Court has also ordered ban on sale of cigarettes in the State of Uttarakhand after expiry of one year if the union does not prescribe safe or maximum permissible limit of nicotine & tar contents in each cigarettes or label or package.

A review petition was filed by your Company along with others against the Order and is pending before the High Court of Uttarakhand.

INTELLECTUAL PROPERTY

The suit for infringement and passing off filed by ITC Limited against your Company alleging that your Company had violated ITC Limited's 'Gold Flake' trade mark by using a deceptively similar get up and trade dress consisting of a combination of red and gold colors, on its 'Special' brand of cigarettes is still pending in the Hon'ble Calcutta High Court and the trial is yet to begin. ITC's application for temporary injunction was refused by the single bench of the Hon'ble Calcutta High Court. The appeal was filed by ITC and the Division Bench without allowing the appeal directed the hearing of the suit to be expedited. Your Company, however, has been directed to submit the sales figures of the 'Special' brand of cigarettes every month to the Court.

FINANCIAL SERVICES BUSINESS

The Company Petition filed by the Official Liquidator in the Hon'ble High Court of Andhra Pradesh seeking directions against some of the Ex-Directors of ITC Agro Tech Finance and Investments Limited (ITCATF), the Company in liquidation, into which one of the subsidiaries of your Company, viz., VST Investments Limited was amalgamated, to file a Statement of Affairs is still pending.

In terms of the Order dated 10th July, 2007 the Division Bench had directed the Regional Director, Department of Corporate Affairs, Chennai to conduct an investigation and submit a report showing the persons who promoted ITCATF and the persons who were responsible in conducting its affairs until its winding up. A comprehensive report was prepared and filed in the Court by the Regional Director in July 2008. Further the Division Bench against the appeal filed by one of the Ex-Directors of ITCATF, remanded the matter to the Company Judge to decide afresh keeping in view the report submitted by the Regional Director. The matter is still pending for final adjudication.

THE CIGARETTES AND OTHER TOBACCO PRODUCTS (PROHIBITION OF ADVERTISEMENT AND REGULATION OF TRADE AND COMMERCE, PRODUCTION, SUPPLY AND DISTRIBUTION) ACT, 2003 (COTPA)

- i. In view of the provisions of COTPA various restrictions such as ban on advertising in print and visual



- media, ban on outdoor advertising, regulation of in-store advertising, prohibition of sale of cigarettes to persons below the age of 18 years, etc. have been in force. Printing of pictorial warnings on cigarette packets, which came into effect from 31st May, 2009 was further revised with effect from 1st December, 2011. A new set of pictorial warnings were notified to come into force with effect from 1st April, 2013. In October, 2014 the Government notified a new set of Graphical Health Warning covering 85% of the front and back side of the packets with effect from 1st April, 2015. However, the date of implementation has been kept on hold as per gazette notification dated 26th March, 2015.
- ii. Some tobacco manufacturers have challenged various provisions of COTPA and Rules made there under in different High Courts across the country. The Union Government filed transfer petitions in the Hon'ble Supreme Court seeking to transfer 31 pending writ petitions from various High Courts to the Hon'ble Supreme Court. All the transfer petitions were allowed and the writ petitions have thus been moved to the Hon'ble Supreme Court, for final adjudication.
- iii. Your Company had also filed a writ petition in the Hon'ble High Court of Andhra Pradesh challenging the Cigarettes and Other Tobacco Products (Packaging & Labelling) Rules, 2006 and the Amendment Rules 2008, on the grounds inter alia that they are ultra vires of COTPA and therefore the Notifications issued there under (including those seeking implementation of graphic health warnings) should be quashed. The said writ petition has been admitted but no interim orders were passed by the Hon'ble Court.
- iv. A ban on smoking in public places as envisaged under COTPA, came into effect on 2nd October, 2008, under which smoking has been banned in virtually all public places including courts, public buildings, restaurants, bars, cinema halls etc. A batch of writ petitions challenging this was filed in the Hon'ble Delhi High Court and transferred to the Hon'ble Supreme Court, which was admitted by the Hon'ble Supreme Court in 2008. However, interim relief prayed for by the petitioners seeking to postpone implementation of the ban on smoking in public places was declined.
- v. The Government of India, Ministry of Health and Family Welfare on 13th January, 2015 as part of pre-legislative consultation invited views and comments from the stakeholders and the public on the proposed Cigarettes and Other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Amendment Bill, 2015 which proposes further restrictions on the industry and more stringent penalty provisions.

REAL ESTATE

The Government of Andhra Pradesh had filed a land grabbing case against your Company in 1991 in relation to a piece and parcel of vacant land which has been under possession and occupation by your Company for over 45 years. By its judgement dated 28th July, 2010, the Special Court had held that your Company is not a land grabber but had given the State Government the right to initiate proceedings to recover possession of the land at some future date. Against this part of the judgement, your Company had filed a writ petition in the Hon'ble High Court of Andhra Pradesh to expunge that part of the order giving such liberty to the Department despite the fact that your Company has already been declared not to be a land grabber. The writ petition is still pending. The State Government has also filed a writ petition in the Hon'ble High Court of Andhra Pradesh seeking to set aside the said judgement of the Land Grabbing Court. An interim Order was passed restraining your Company from changing the status of the land or creating any third party interest therein. Your Company has taken all the necessary steps for speedy disposal of the above writ petitions which are pending before the Court.



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PARTICULARS OF EMPLOYEES

The information required pursuant to Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company, are annexed herewith as **'Annexure D'**. The statement containing particulars of employees as required under Section 197 of the Act read with Rule 5(2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided in a separate annexure forming part of this report. However, in terms of Section 136 of the Act, the Report and Accounts are being sent to the Members and others entitled thereto, excluding the information on employees' particulars which is available for inspection by the Members at the Registered Office of the Company during business hours on working days of the Company up to the date of the ensuing Annual General Meeting. In case any Member is interested in obtaining a copy thereof, such Member may write to the Company Secretary of the Company.

The Nomination and Remuneration Committee of the Company has affirmed that the remuneration is as per the Remuneration Policy of the Company.

Your Directors take this opportunity to

record their deep appreciation of the continuous support and contribution from all employees of your Company.

Extract of Annual Return

As required under Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of Annual Return in Form MGT-9 forms part of this report as **'Annexure E'**.

AUDITORS

Statutory Auditors

The Auditors, Messrs. Lovelock & Lewes, Chartered Accountants, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

There are no specifications, reservations, adverse remarks on disclosure by the Statutory Auditors in their report. They have not reported any incident of fraud to the Audit Committee of the Company during the year under review.

Secretarial Audit

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Dr. K.R. Chandratre, Company Secretary in Wholtime Practice, to undertake the Secretarial Audit of the Company for the financial

year 2014-15. The Secretarial Audit Report is annexed herewith as **'Annexure F'**.

There are no qualifications, reservations or adverse remarks in the Secretarial Audit Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Information in accordance with clause (m) of sub-section (3) of Section 134 of the Companies Act, 2013 is annexed herewith as **'Annexure G'** to this Report.

Deposits

Your Company has stopped accepting fresh deposits for several years now. As on 31st March, 2015, your Company does not have any deposits for the purpose of its business.

THE FUTURE

Despite adverse market conditions, your Company is well placed to exploit opportunities through innovative new brand launches, coupled with expansion of operational areas.

On behalf of the Board,

RAYMOND S. NORONHA

Chairman

DIN: 00012620

Dated this 21st day of April, 2015.
Azamabad, Hyderabad - 500 020



ANNEXURE - A

REPORT ON CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement entered into with stock exchanges, the Directors present the Company's Report on Corporate Governance for the year ended 31st March, 2015.

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Your Company considers good Corporate Governance a pre-requisite for meeting the needs and aspirations of its Members and other stakeholders in the Company. The Board of Directors of your Company firmly believes that the same could be achieved by maintaining transparency in its dealings, creating robust policies and practices for key processes and systems with clear accountability, integrity, transparent governance practices and the highest standard of compliance.

2. BOARD OF DIRECTORS

(a) Composition and category of Directors

Name of the Director	Category	No. of outside directorships held*	No. of memberships/ chairmanships of board committees of other companies#
Mr. Raymond S. Noronha	Chairman - Non-Executive Director	Nil	Nil
Mr. N. Sai Sankar	Managing Director	1	Nil
Mr. S. Thirumalai	Independent - Non-Executive Director	Nil	Nil
Mr. James H. Yamanaka ¹	Non-Executive Director	Nil	Nil
Ms. Asha Nair ²	Non-Executive Director	2	Nil
Mr. Devraj Lahiri	Wholtime Director	1	Nil
Ms. Mubeen Rafat	Independent - Non-Executive Director	Nil	Nil

* Other directorships exclude foreign companies, private limited companies and alternate directorship.

Only membership in Audit Committee and Stakeholders Relationship Committee have been reckoned for other committee memberships.

¹ Representing equity interest of promoter group - British American Tobacco, U.K.

² Representing equity interest of General Insurers' (Public Sector) Association of India. Ceased to be a director of the Company with effect from 21st October, 2014.

**(b) Attendance of each director at the Board meetings and the last Annual General Meeting (AGM)**

Name of the Director	No. of Board Meetings held	Attendance at the Board Meetings held on				Attendance of each Director at last AGM held on
		April 22, 2014	August 12, 2014	October 28, 2014	January 22, 2015	
Mr. Raymond S. Noronha	4	Yes	Yes	Leave of absence	Yes	Yes
Mr. N. Sai Sankar	4	Yes	Yes	Yes	Yes	Yes
Mr. S. Thirumalai	4	Yes	Yes	Yes	Yes	Yes
Mr. James H. Yamanaka ¹	4	Yes	Yes	Yes	Leave of absence	Yes
Ms. Asha Nair ²	4	Yes	Leave of absence	NA	NA	No
Mr. Devraj Lahiri	4	Yes	Yes	Yes	Yes	Yes
Ms. Mubeen Rafat	4	Yes	Yes	Yes	Yes	Yes

¹ Representing equity interest of promoter group - British American Tobacco, U.K.

² Representing equity interest of General Insurers' (Public Sector) Association of India. Ceased to be a director of the Company with effect from 21st October, 2014.

None of the Independent Non-Executive Directors has any pecuniary relationship or transactions with the Company, its promoters or its senior management which in the judgement of Board may affect the independence of the Director except receiving sitting fees for attending Board/Committee meetings and commission from the Company.

(c) Other details

The Board of Directors of your Company is routinely presented with all requisite information inter alia as required under the Companies Act, 2013 and the Listing Agreement. Detailed agenda notes containing details required for decision making are circulated to the Directors in advance. Those that could not be included in the agenda are tabled/placed during the course of the Board Meeting. The meetings are held as per the calendar finalised in consultation with the Board Members and the notice and agenda of the meetings are circulated well in advance.

The Board exercises its powers subject to the provisions of the Companies Act, Memorandum & Articles of Association, the Listing Agreement and other statutory provisions. The Board reviews the performance and takes on record the actions taken by the Company/Management on its suggestions. The Board meets at least four times a year and the gap between two meetings is not more than 120 days.

None of the Directors on the Board is a Member of more than ten committees or a Chairman of more than five such committees, across all the companies in which he/she is a Director as required under Clause 49 of the Listing Agreement.

(d) Familiarisation Program for Independent Directors

In order to familiarise the independent directors with the Company and to inform them about their rules, rights and responsibilities, the Company conducts orientation programs by various departmental heads such as legal & secretarial, marketing, finance, technical, etc. The independent director is also taken for a market visit, visit to tobacco growing areas, leaf division and tour of the plant. In addition to the above, any other detail which the director wants or any other department or function which the director wants to meet is also arranged. The Policy on Familiarisation Program for Independent Directors and the details of such familiarisation programmes are available on the Company's website at: [www.vsthyd.com/i/Familiarisation Program.pdf](http://www.vsthyd.com/i/Familiarisation%20Program.pdf).



3. AUDIT COMMITTEE

(a) Terms of Reference

The primary objective of the committee is to monitor and provide an effective supervision of the financial reporting process, to ensure accurate and timely disclosures with highest level of transparency, integrity and quality of financial reporting. The terms of reference of the Audit Committee covers all the matters specified under Section 177 of the Companies Act, 2013 and those enumerated in Clause 49 of the Listing Agreement. The terms of reference of the Audit Committee are as under:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013;
 - b. Changes, if any, in accounting policies and practices and reasons for the same;
 - c. Major accounting entries involving estimates based on the exercise of judgement by management;
 - d. Significant adjustments made in the financial statements arising out of audit finding;
 - e. Compliance with listing and other legal requirements relating to financial statements;
 - f. Disclosure of any related party transactions;
 - g. Qualifications in the draft audit report;
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
6. Reviewing with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in the matter;
7. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
8. Approval or any subsequent modification of transactions of the Company with related parties;
9. Scrutiny of inter-corporate loans and investments;
10. Valuation of undertakings or assets of the Company, wherever it is necessary;
11. Evaluation of internal financial controls and risk management systems;
12. Reviewing with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;



14. Discussion with internal auditors of any significant findings and follow up thereon;
15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud of irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
18. To review the functioning of the Whistle Blower mechanism;
19. Approval of appointment of CFO (i.e. the wholetime Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
20. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

(b) Composition, Meetings and Attendance during the financial year

Name of the Member	Category	Attendance at the Audit Committee Meetings held on			
		April 21, 2014	August 11, 2014	October 27, 2014	January 21, 2015
Mr. S. Thirumalai	Independent Non-Executive Director [Chairman]	Yes	Yes	Yes	Yes
Mr. Raymond S. Noronha	Non-Executive Director	Yes	Yes	Leave of absence	Yes
Ms. Mubeen Rafat	Independent Non-Executive Director	Yes	Yes	Yes	Yes

The representatives of the statutory auditors and internal auditors are the permanent invitees and they have attended all the meetings held during the year. The CFO has attended all the Audit Committee meetings. The Company Secretary is the Secretary to the Committee. Minutes of the Audit Committee Meetings are circulated to the Members of the Board of Directors and taken note of.

4. NOMINATION AND REMUNERATION COMMITTEE

(a) Terms of Reference

In compliance with the provisions of Section 178 of the Companies Act, 2013 the Nomination and Remuneration Committee has been constituted during the financial year and their terms of reference are as under:

- (a) Identify persons who are qualified to become Directors in accordance with the criteria laid down;
- (b) Lay down the criteria for appointment at senior management level;
- (c) Recommend to the Board, appointment and removal of Directors;
- (d) To vet and approve recommendations from the Executive Directors for the appointment and succession of senior managers;
- (e) Formulate a criteria for evaluation of every Director's performance;
- (f) Formulate criteria for determining qualifications, positive attributes and independence of a Director;



- (g) Recommend to the Board a policy relating to remuneration for Directors, Key Managerial Personnel & other employees;
- (h) Assess, approve or recommend the training and development requirements of Directors and senior management as recommended by the Executive Directors;
- (i) Devising a policy on Board diversity.

(b) Composition, Meetings and Attendance during the financial year

Name of the Member	Category	Attendance at the Nomination & Remuneration Committee Meetings held on		
		April 21, 2014	August 11, 2014	January 21, 2015
Mr. S. Thirumalai	Independent Non-Executive Director [Chairman]	Yes	Yes	Yes
Mr. Raymond S. Noronha	Non-Executive Director	Yes	Yes	Yes
Ms. Mubeen Rafat	Independent Non-Executive Director	Yes	Yes	Yes

The Company Secretary acts as Secretary to the Committee.

(c) Remuneration Policy

Purpose

The remuneration policy defines the compensation or remuneration philosophy of the organisation. It specifies about the drivers of the philosophy, where the Company positions itself in the overall industry/market related percentile, who are the comparators for the purpose of remuneration.

Scope

It covers the executive directors and management level employees of the Company comprising of senior management, middle management and junior management.

Compensation Philosophy

The Company's compensation philosophy is driven by:

- Business performance
- Ability to pay
- Market/industry positioning *vis-a-vis* our relevant competitors

For determining the market/industry positioning, FMCG, manufacturing and other sector companies form the basket of comparators with primary focus on FMCG sector. The list of the comparators and the positioning of the remuneration structure is reviewed periodically in tune with the requirement of the Company.

Employee compensation positioning is determined by his/her performance as assessed on the basis of the applicable performance management system, as in vogue from time to time.



Policy Definition

- Remuneration policy of the Company has been designed to attract, retain and motivate the employees and directors of the quality required to run the Company successfully.
- The remuneration is directly linked to the individual performance and is measurable on specified benchmarks as set by the Company.
- The remuneration is an optimum mix of fixed and variable pay and comprises of the components as mentioned under:
 - a. Fixed components:
Comprising of
 - (i) Basic salary;
 - (ii) Fixed allowances & perquisites;
 - (iii) Retiral benefits.
 - b. Variable components:
Comprising of performance linked bonus, paid annually.

Individual compensation fixation is as under:

- Executive directors & senior management: Compensation fitment for executive directors is in the top quartile or thereabout and for others, above the median of the market/industry positioning depending upon the ability/capability of individual.
- Middle & junior management: Individual compensation fitment in this category is around the median of the market/industry positioning depending on the ability/capability of the individual.

The variable component of the salary goes up to 35% of the total cost to the Company for senior management. The variable component for the executive directors is subject to statutory provisions and approval of the Members.

The Company's performance management system differentiates the executives under four categories and they are accordingly rated based on the agreed key result areas. The reward is linked to the performance rating.

Exemplary performance during the performance period is recognised by a onetime award which can be in cash or kind.

The review of the compensation structure in line with the market is done periodically as may be required but at least once in three years. All other perquisites and benefits is reviewed at least once in three years.

Remuneration of Non-Executive Directors

Non-executive directors of the Company are paid sitting fees for attending Board & Committee meetings, reimbursement of expenses for attending the meetings and commission as a percentage of net profit as approved by the Members within the overall limit prescribed under the law and are not eligible for any fixed remuneration or stock options.



Criteria for selection and appointment of directors

The Nomination and Remuneration Committee is responsible for identifying, screening, recommending to the board a candidate for appointment as director. Based on the recommendation of the Committee, the Board identifies the candidate for the position of director. While identifying the candidate, inter alia the following are taken into consideration:

- Qualification, experience and expertise;
- Skills, abilities and personal contribution;
- Commitment to spare time to attend board/committee and other meetings as may be necessary;
- Diversity of perspectives brought to the existing board;
- Existing composition of the board.

The qualification of the candidate is scrutinised by the Committee taking into account educational degree, college/institution, professional qualification if any, etc. In addition, there is also a criteria regarding minimum work experience and the positive attributes such as leadership quality, level of maturity, management capabilities, strategy vision, past records of misconduct, problem solving abilities, etc., on which the candidate is judicially scrutinised.

In case of an internal candidate, the senior management employee is also evaluated on the above criteria before being recommended for promotion as a director. While considering re-appointment of the directors, their performance evaluation report is taken into account.

In case of independent director, the independence, integrity, expertise, experience and interest pecuniary or otherwise as per the statutory provisions are also assessed before appointment.

Criteria for performance evaluation

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, criteria for performance evaluation of individual directors, Board as a whole as well as the Board Committees has been formulated.

Performance of the Directors were evaluated on broad criteria such as contribution and value addition to the Board and Committees thereof; contribution to the Company and management to achieve its plans, goals, corporate strategy and risk mitigation; level of preparedness; level of participation in the Board and Committee meetings etc. In addition to the above parameters, the performance of Executive Directors was also evaluated against their Key Responsibility Areas (KRAs). The Chairman's performance was evaluated by Independent Directors on above parameters after taking into account the views of Executive and Non-Executive Directors. Independent Directors were also assessed based on their performance vis-à-vis Code for Independent Directors under Schedule IV of the Companies Act, 2013. A structured format for evaluation of the Directors on the above parameters has been prepared for the purpose. Director being evaluated does not participate in the evaluation process.

The performance of Board Committees was evaluated by the Board on the basis of their achievement of charter and role of each Committee. The performance of Board as a whole was evaluated by the Independent Directors on the basis of its duties and responsibilities as per terms of reference. The evaluation also assesses the Board composition, need for induction/change in Directors, Board's role in contributing to the growth and progress of the Company, etc.

The overall outcome from the evaluation was that the Board and its individual director are performing effectively and that the Board is well supported to focus on strategy, governance and compliance.

**(d) Details of remuneration paid to all the Directors for the financial year ended 31st March, 2015**

Name	Position	Salary ₹	Benefits and contributions to Provident/ Pension and Other Funds ₹	Performance Linked Bonus ₹	Commission ₹	Sitting Fees ₹	Total ₹
Mr. R.S. Noronha	Chairman - Non-Executive Director	-	-	-	50,00,000	3,70,000	53,70,000
Mr. N. Sai Sankar	Managing Director	1,15,16,088	71,70,876	1,54,31,558	-	-	3,41,18,522
Mr. S. Thirumalai	Independent Non-Executive Director	-	-	-	24,00,000	4,50,000	28,50,000
Mr. James H. Yamanaka	Non-Executive Director	-	-	-	-	@	-
Mrs. Asha Nair ¹	Non-Executive Director	-	-	-	-	^ 35,000	35,000
Mr. Devraj Lahiri	Wholetime Director	42,00,000	43,09,966	39,48,000	-	-	1,24,57,966
Ms. Mubeen Rafat	Independent Non-Executive Director	-	-	-	18,00,000	4,50,000	22,50,000

¹ Ceased to be Director of the Company with effect from 21st October, 2014.

^ ₹35,000 sitting fees paid to United India Insurance Company Limited represented by its Director Mrs. Asha Nair.

@ Waived entitlement to sitting fees.

The Company has no stock option scheme and hence no stock options have been granted to the Directors.

Benefits include gas, electricity, water, furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance, etc. in accordance with the rules of the Company, the monetary value of such perquisites being limited to ₹10,00,000 per annum for Managing Director and ₹4,00,000 per annum for Wholetime Director. In addition, the following perquisites/benefits are provided which are not included in the above monetary limit:

- Rent free furnished accommodation owned/leased/rented by the Company or Housing Allowance in lieu thereof, as per the rules of the Company;
- Contribution to Provident Fund and Superannuation Fund up to 27% of salary and contribution to Gratuity Fund up to 8.33% of salary as defined in the Rules of the respective Funds, or up to such other limit as may be prescribed under the Income Tax Act, 1961 and the Rules there under for this purpose;
- Use of Company car for official purposes and telephone at residence (including payment for local calls and long distance official calls);



- d. Encashment of unavailed leave as per the Rules of the Company at the time of retirement/cessation of service;
- e. Long service award as per the Rules of the Company;
- f. Costs and expenses incurred by the Company in connection with joining/transfer from one location to another as per the Rules of the Company.

The appointment of Executive Directors is governed by resolutions passed by the Board of Directors and the Members of the Company, which cover the terms and conditions of such appointment, read with the service rules of the Company. The notice period for Executive Directors is six months as per Article No.101 of Articles of Association of the Company. No significant material transactions have been made with the Non-Executive Directors vis-a-vis the Company.

(e) Criteria for making payments to Non-Executive Directors

The Board periodically reviews the criteria for making payments to Non-Executive Directors. The Non-Executive Directors are paid sitting fees for attending each meeting of the Board or its Committee as per the details given below:

Board Meeting	-	₹35,000
Audit Committee	-	₹25,000
Stakeholders Relationship Committee	-	₹20,000
Nomination & Remuneration Committee	-	₹15,000
Corporate Social Responsibility Committee	-	₹20,000
Committee of Directors	-	₹15,000

Members of the Company have approved payment of commission not exceeding one percent of the net profits to the Non-Executive Directors of the Company for each of the five financial years commencing from 1st April, 2013.

Commission paid to Non-Executive Directors is determined based on their performance evaluation and on the basis of their memberships in various committees of the Board.

(f) Number of shares and convertible instruments held by Non-Executive Directors

None of the Non-Executive Directors hold any share in the Company except Mr. S. Thirumalai, who holds 25 equity shares of ₹10 each.

There are no convertible instruments issued by the Company and hence none held by the Non-Executive Directors during the year ended 31st March, 2015.

5. STAKEHOLDERS RELATIONSHIP COMMITTEE

In terms of Section 178 of the Companies Act, 2013 and the Listing Agreement, the Board has renamed the existing Shareholders Grievance Committee as Stakeholders Relationship Committee. The Committee inter alia looks after the redressal of investors complaints, issue of duplicate shares, reviews the work of Registrar and Share Transfer Agents, etc.

**Composition, meetings and attendance during the financial year**

Name of the Member	Category	Attendance at the Stakeholders Relationship Committee held on			
		April 21, 2014	August 11, 2014	October 27, 2014	January 21, 2015
Ms. Mubeen Rafat	Independent Non-Executive Director (Chairman)	Yes	Yes	Yes	Yes
Mr. Raymond S. Noronha	Non-Executive Director	Yes	Yes	Leave of Absence	Yes
Mr. S. Thirumalai	Independent Non-Executive Director	Yes	Yes	Yes	Yes
Mr. N. Sai Sankar	Managing Director	Yes	Yes	Yes	Yes
Mr. Devraj Lahiri	Wholetime Director	Yes	Yes	Yes	Yes

The Company Secretary acts as the Secretary to the Committee.

- (i) Name and designation of the Compliance Officer: Mr. M. Vaidyanathan, Assistant Company Secretary.
- (ii) Number of shareholders' complaints received and attended during the financial year ended 31st March, 2015:

Nature of complaints/queries	Received	Attended	Pending
Non-receipt of annual reports	26	26	Nil
Non-receipt of dividend warrants	88	88	Nil
Non-receipt of share certificates	1	1	Nil
Letters from stock exchanges/SEBI	14	14	Nil

The shareholders/investors complaints and other complaints are normally responded to as prescribed by SEBI under general norms for processing documents, transfers etc., except where constrained by disputes or legal impediments. There are some pending cases relating to disputes over the title to shares in which the Company has been made a party. However, these cases are not material in nature.

6. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

In compliance with the provisions of Section 135 of the Companies Act, 2013, Corporate Social Responsibility Committee has been constituted during the financial year.

The terms of reference of the Committee as under:

- Identify the areas for carrying out the activities and formulate policy to undertake the same;
- Identify the projects, programs for specific area of activity, finalise the budget and earmark the expenditure for each activity and recommend the same to the Board every year;
- To determine the location where CSR activities shall be undertaken;
- To monitor the progress of the projects/activities from time to time;
- To nominate employees who shall be responsible for implementation, execution and monitoring of CSR activities;
- To hire services of external service providers, Non-Governmental Organisations (NGOs), volunteers, professionals, consultants, specialised agencies, etc., if required, to undertake such activities.

**Composition, Meetings and Attendance during the financial year**

Name of the Member	Category	Attendance at the CSR Committee Meetings held on	
		August 11, 2014	January 21, 2015
Ms. Mubeen Rafat	Independent Non-Executive Director [Chairman]	Yes	Yes
Mr. Raymond S. Noronha	Non-Executive Director	Yes	Yes
Mr. S. Thirumalai	Independent Non-Executive Director	Yes	Yes
Mr. N. Sai Sankar	Managing Director	Yes	Yes
Mr. Devraj Lahiri	Wholetime Director	Yes	Yes

The Company Secretary acts as the Secretary to the Committee.

7. INDEPENDENT DIRECTORS MEETING

During the year, the Independent Directors met on 22nd January, 2015 without the attendance of non-independent directors and management team, inter alia to discuss their roles and responsibilities about the process of evaluation of non-executive directors, Board as a whole and the Chairman.

They also assessed the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform its duties and found them to be satisfactory. The said meeting was attended by all the Independent Directors.

8. SUBSIDIARY COMPANY

The Company does not have any material non-listed subsidiary company as defined in Clause 49 of the Listing Agreement with the stock exchanges. Hence, no policy for determining material subsidiaries is required to be framed.

9. RISK MANAGEMENT

The Company has laid down procedures to inform Board members about the risk assessment and minimisation procedures. The Company is not required to constitute a separate Risk Management Committee in terms of SEBI circular No.CIR/CFD/POLICY CELL/2/2014 dated 17th April, 2014.

10. GENERAL BODY MEETINGS

(i) Location and time of last three Annual General Meetings were as under:

Year	Venue	Date	Time
2013-14	Hotel Trident, Hitech City, Hyderabad	12.8.2014	9.30 a.m.
2012-13	Hotel Taj Krishna, Banjara Hills, Hyderabad	30.7.2013	9.30 a.m.
2011-12	Hotel Taj Krishna, Banjara Hills, Hyderabad	12.7.2012	10.30 a.m.

(ii) The following Special Resolutions were passed by the members at the last three Annual General Meetings:

Annual General Meeting held on 12th August, 2014

- No special resolutions were passed

Annual General Meeting held on 30th July, 2013

- Payment of commission to Non-Executive Directors

Annual General Meeting held on 12th July, 2012

- No special resolutions were passed



(iii) The following special resolution was passed through postal ballot:

- Alteration of Article 93 of Articles of Association of the Company relating to determination of directors whose period of office shall be subject to retirement of directors by rotation, which was approved by the Members through postal ballot/e-voting.
- Details of voting pattern:

Promoter/Public	No. of shares held	No. of votes polled	% of votes polled on outstanding shares	No. of votes - in favour	No. of votes - against	% of votes in favour on votes polled	% of votes against on votes polled
	(1)	(2)	(3)=[(2)/(1)] * 100	(4)	(5)	(6)=[(4)/(2)] * 100	(7)=[(5)/(2)] * 100
Promoter and Promoter Group	49,65,902	49,65,902	100	49,65,902	-	100	-
Public - Institutional holders	38,22,658	38,22,658	100	38,22,658	-	100	-
Public - Others	51,005	49,981	97.99	49,387	594	98.81	1.19
Total	88,39,565	88,38,541	99.99	88,37,947	594	99.99	0.00

Invalid votes: 922; Abstained: 102

Mr. Tumuluru Krishnamurthy, Company Secretary in Practice was appointed as Scrutinizer to conduct the postal ballot process in a fair and transparent manner.

Procedure as laid down under Sections 108, 110 of the Companies Act, 2013 read with Rule 22 of the Companies (Management & Administration) Rules, 2014 and Clause 35B of the Listing Agreement were followed for conduct of postal ballot. The postal ballot was conducted by way of electronic voting as well as voting through physical postal ballots. Your Company had availed the services of Karvy Computershare Private Limited to provide the platform for electronic voting. The notice of postal ballot containing draft of the resolution, explanatory statement, voting instructions and other details, along with login ID, password and physical ballot papers were sent to the Members. The voting, both in electronic and physical form, was open for 30 days from 17th February, 2014 to 18th March, 2015. After end of the voting period, the Scrutinizer, Mr. Tumuluru Krishnamurthy, Company Secretary in Practice, presented a consolidated report containing details of electronic and physical voting to the Chairman/ Managing Director of your Company which was declared on 23rd March, 2015.

11. DISCLOSURES

(i) Related Party Transactions

There were no materially significant transactions with related parties during the financial year which were in conflict with the interest of the Company as contained under Section 188 of the Companies Act, 2013. Suitable disclosures as required by the Accounting Standards [AS18] have been made in the notes to the financial statements.

The Company has also formulated a policy for determining the material related party transactions and the details of such policy are available on the Company's website at: www.vsthyd.com/i/VST_RPT_Policy1.pdf.

The details of transactions with related parties were placed before the Audit Committee and the Committee has reviewed the same for the year ended 31st March, 2015. The details of related party transactions are disclosed in Note No. 29 of Notes on Financial Statements to the Accounts in the Annual Report and also in Form AOC-2 attached with the Boards' Report.



(ii) Strictures and Penalties

No strictures or penalties have been imposed on the Company by the stock exchanges or by the Securities and Exchange Board of India [SEBI] or by any statutory authority on any matters related to capital markets during the last three years.

(iii) Vigil Mechanism/Whistle Blower Policy

In terms of Section 177(9) and 177(10) of the Companies Act, 2013 and Clause 49 of the Listing Agreement, a Whistle Blower Policy is formulated to encourage all employees & directors of the Company to report any unethical behaviour, actual or suspected fraud or violation of the 'Code of Conduct and Ethics Policy' of the Company. The said policy also has provisions for providing a secure environment to such employees acting in good faith and safeguarding them from any adverse action by the management.

The Policy ensures that strict confidentiality is maintained whilst dealing with concerns and also that no discrimination will be meted out to any person for a genuinely raised concerns. A Committee has been constituted which looks into the complaints raised. The Committee reports to the Audit Committee. Any matter can be reported at Email ID: whistleblower@vstind.com.

In case of disclosure against any director or in case of no corrective action or non-receipt of response on the disclosure within 30 days, the whistle blower has the right to directly approach the Chairman of the Audit Committee. No personnel have been denied access to the Audit Committee in this regard.

(iv) Code of Conduct

Your Board of Directors has laid down Code of Conduct & Ethics Policy which is applicable to all Board Members and senior management of the Company. This is also posted on the website of the Company [www.vsthyd.com]. The Code lays down the standard of conduct to be followed by all the Directors and designated employees in their business dealings and in particular on matters relating to integrity in the work place, in business practices and in dealing with the stakeholders. The Code also contains the duties of Independent Directors as laid down in the Companies Act, 2013.

Declaration

As provided under Clause 49 of the Listing Agreement with the stock exchanges, this is to confirm that all the Board Members and senior management personnel have affirmed compliance with the Code of Conduct for the year ended 31st March, 2015.

For VST INDUSTRIES LIMITED

N. SAI SANKAR
Managing Director

Hyderabad, 21st April, 2015.

(v) Accounting Treatment

In preparation of the financial statements, the Company has followed the accounting principles generally accepted in India, including Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014. The accounting policies which are consistently applied have been set out in the Notes to the Financial Statements.



(vi) Management

- (a) The Management Discussion and Analysis is part of Directors' Report to the Members is provided elsewhere in the Annual Report
- (b) For the year ended 31st March, 2015 your Company's Board has obtained declarations from the senior management relating to any material, financial and commercial transactions where they have personal interest that may have a potential conflict with the interests of the Company at large.

(vii) Shareholders' Information

The quarterly results are sent to the stock exchanges on which the Company's shares are listed so as to display the same on its own web-site. During the year there were no presentations made by the Company to analysts.

To expedite the process of share transfers, your Board has delegated the power to Registrar and Transfer Agents - M/s. Karvy Computershare Private Limited.

(viii) Prohibition of Insider Trading

In compliance with the provisions of SEBI (Prohibition of Insider Trading) Regulations, 1992 (as amended from time to time) the Company has adopted a Policy for prohibition of Insider Trading for Directors and specified employees. The Policy provides for periodic disclosures and pre-clearance for dealing in Company's shares and prohibits such transaction by the Directors and specified employees while in possession of unpublished price sensitive information in relation to the Company and during the period when the Trading Window is closed.

(ix) CEO/CFO CERTIFICATION

The CEO [Managing Director]/CFO certification for the year ended 31st March, 2015 has been attached at the end of this report. Similarly, the CEO [Managing Director]/CFO have also given quarterly certification on financial results while placing the quarterly financial results before the Board in terms of Clause 41 of the Listing Agreement entered into with stock exchanges.

(x) Adoption of Mandatory and Non-Mandatory Requirements of Clause 49

The Company has complied with all the mandatory requirements of Clause 49. As part of non-mandatory requirements, the Non-Executive Chairman is allowed to maintain a Chairman's office at the Company's expense and also allowed reimbursement of expenses incurred in performance of his duties. Also, the post of Chairman and Managing Director/CEO is held by separate persons.

Other non-mandatory requirements are being reviewed for implementation.

12. MEANS OF COMMUNICATION

- (i) The quarterly/half yearly financial results are announced within 45 days of close of each quarter. The annual results are announced within 60 days from the close of the financial year as per the requirements of the Listing Agreement with the stock exchanges. The aforesaid financial results are disclosed to BSE Limited [BSE] and the National Stock Exchange of India Limited [NSE] where the Company's securities are listed. The quarterly, half yearly and annual results are published in Business Standard and in a vernacular newspaper i.e., Andhra Prabha. The results are also posted on the Company's website viz., www.vsthyd.com. During the year, there were no presentations made to institutional investors or to the analysts.
- (ii) In compliance with Clause 52 of the Listing Agreement, all the compliances under the Listing Agreement with stock exchanges are filed electronically with NSE through NSE's NEAPS portal and with BSE through BSE's online portal.

**13. GENERAL SHAREHOLDER INFORMATION****Date, Time and Venue of the Annual General Meeting**

12th August, 2015 at 9.30 a.m. at Grand Ball Room, Hotel Taj Krishna, Road No. 1, Banjara Hills, Hyderabad - 500 034, Telangana.

Financial calendar 2015-16 (Tentative)

First quarter results	August, 2015
Second quarter and half yearly results	November, 2015
Third quarter results	January, 2016
Annual results	April, 2016

Dates of Book Closure

6th August, 2015 to 12th August, 2015 (both days inclusive)

Dividend Payment Date

31st August, 2015

Listing on Stock Exchanges with Stock Code

S.No.	Name of the Stock Exchange	Stock Code
1.	BSE Limited (BSE) 25th Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001	509966
2.	National Stock Exchange of India Limited (NSE) Exchange Plaza, C-1, Block G, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051	VSTIND

Listing fees have been paid to the above stock exchanges.

Market Price Data: High/Low during each month in the last financial year (2014-15)

₹

Period	¹ BSE Limited		² National Stock Exchange of India Limited	
	High	Low	High	Low
April, 2014	2004.50	1621.10	2006.00	1619.00
May, 2014	1985.00	1790.00	1989.95	1792.55
June, 2014	1925.40	1745.00	1915.00	1741.10
July, 2014	1819.90	1435.00	1820.00	1417.15
August, 2014	1602.00	1503.00	1610.00	1503.00
September, 2014	1711.00	1527.00	1714.00	1528.00
October, 2014	1824.00	1619.45	1823.90	1625.00
November, 2014	1899.40	1773.75	1899.00	1770.10
December, 2014	1991.60	1591.50	1988.00	1825.05
January, 2015	1969.00	1800.20	1969.95	1835.00
February, 2015	1867.00	1665.00	1867.95	1665.00
March, 2015	1739.85	1526.20	1746.00	1506.10

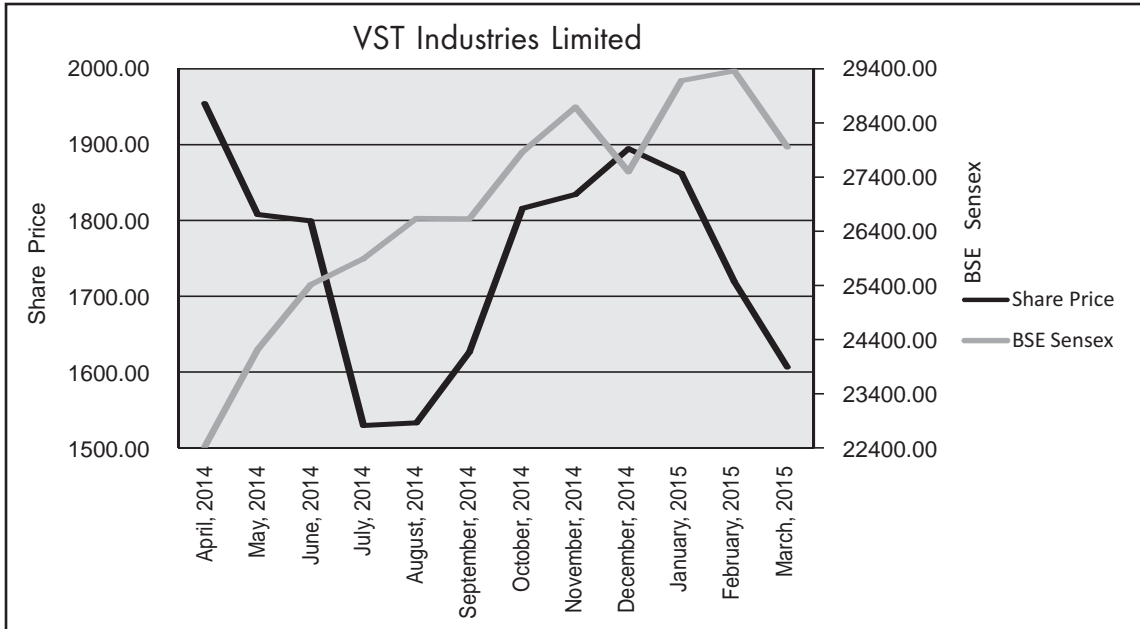
¹ Source: www.bseindia.com

² Source: www.nseindia.com



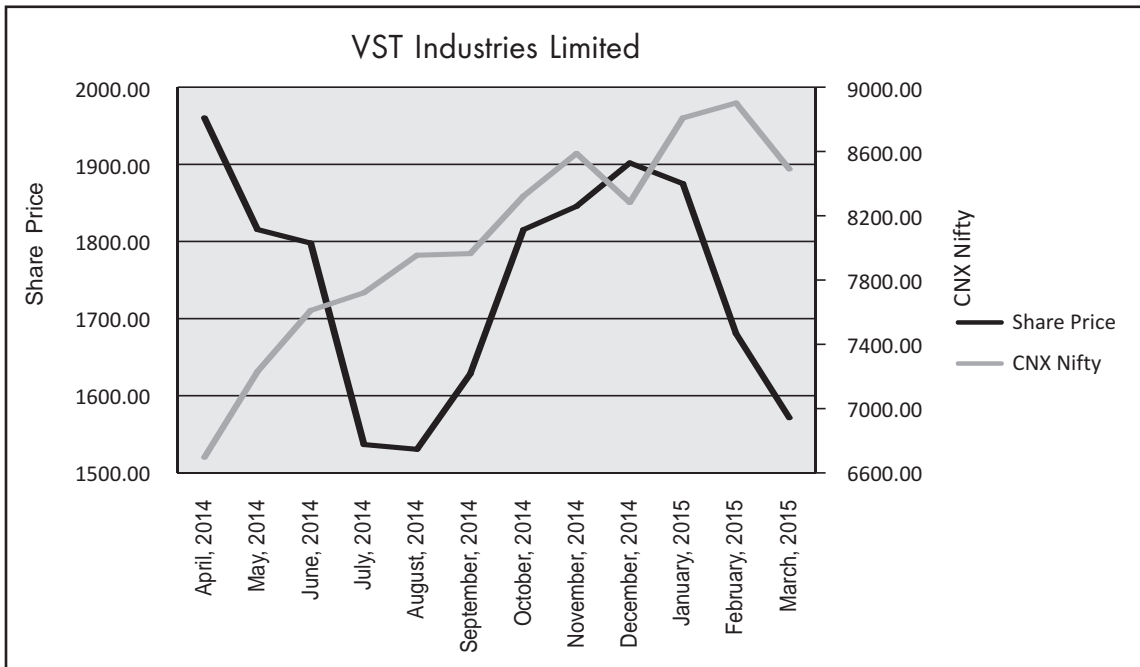
Performance in comparison with BSE Sensex

(based on closing price/Sensex) [Source www.bseindia.com]



Performance in comparison with CNX Nifty

(based on closing price/CNX Nifty) [Source: www.nseindia.com]





Registrar and Transfer Agents

As a Member of the Company, you are encouraged to contact the Registrar and Transfer Agents for all your shares related services and queries at the below address:

Karvy Computershare Private Limited
 Plot No.17 to 24, Vittal Rao Nagar,
 Madhapur, Hyderabad - 500 081, Telangana
 Phone : +91 40 4465 5208, 4465 5269
 Fax : +91 40 2342 0814
 Email : einward.ris@karvy.com
 Contact Person: Mr. Praveen Chaturvedi, General Manager - Corporate Registry
 Mr. R. Chandra Sekher, Senior Manager [Registrar in Securities]

Share Transfer System

The share transfers which are received in physical form are registered and returned in the normal course within an average period of 15 days from the date of receipt, if the documents are clear in all respects. The Board has delegated the authority for approving transfer, transmission etc., of the Company's securities to the Managing Director and Wholetime Director. A summary of transfer and transmission of shares of the Company approved is placed at meeting of the Stakeholders Relationship Committee.

Requests for dematerialisation of shares are processed and confirmation is given to the respective depositories i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within 2 working days from the date of receipt of request. There are no pending share transfers as at 31st March, 2015.

Distribution of shareholding as on 31st March, 2015

Slab	No. of Shares	%	No. of Shareholders	%
1 - 500	9,85,200	6.38	13,403	93.97
501 - 1000	3,47,008	2.24	486	3.41
1001 - 2000	2,65,085	1.71	188	1.32
2001 - 3000	1,90,439	1.23	76	0.53
3001 - 4000	86,451	0.56	24	0.17
4001 - 5000	61,855	0.40	14	0.09
5001 - 10000	1,98,856	1.29	28	0.20
10001 and above	1,33,07,026	86.17	44	0.31
Total	1,54,41,920	100.00	14,263	100.00
Physical Mode	7,05,761	4.57	3,678	25.79
Demat Mode	1,47,36,159	95.43	10,585	74.21

Dematerialisation of shares and liquidity

With effect from 26th June, 2000, trading in the Company's shares was made compulsory in the dematerialised form. The Company's shares are available for trading in the depository systems of both National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).



As at 31st March, 2015, 1,47,36,159 equity shares of the Company constituting 95.43% of Issued and Subscribed Capital, were held in depository mode. The processing activities with respect to the requests received for dematerialisation are generally completed within two working days. Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE710A01016. The annual custody fee for the financial year 2015-16 will be remitted to NSDL and CDSL, the depositories before the due date.

The Company's shares are regularly traded both in BSE Limited (BSE) and National Stock Exchange of India Limited (NSE).

Categories of shareholding as on 31st March, 2015

Category	Number of Shares Held	Percentage of Shareholding
Promoters and associates	49,65,902	32.16
Foreign Institutional Investors	22,84,712	14.80
Insurance companies	4,07,876	2.64
Mutual Funds	13,80,959	8.94
Nationalised banks and other banks	14,887	0.10
NRIs and OCBs	87,218	0.56
Bodies corporate	41,80,048	27.07
Indian public and others	21,20,318	13.73
TOTAL	1,54,41,920	100.00

Reconciliation of Share Capital Audit

For each quarter of the financial year 2014-15, a qualified Company Secretary in Practice has carried out audit under Regulation 55A of SEBI (Depositories and Participants) Regulations, 1996, as amended to reconcile the total admitted capital with NSDL and CDSL and total issued and listed capital. The audit report confirms that the total issued/paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL and the same is filed with BSE & NSE.

Similarly, the Company obtains from a Company Secretary in Practice, half-yearly certificate of compliance with the share transfer formalities as required under Clause 47 (c) of the Listing Agreement with stock exchanges and copy of the same is filed with BSE and NSE.

Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, conversion date and likely impact on Equity

Not applicable, as the Company has not made any such issue.

Plant Location

1-7-1063/1065, Azamabad,
Hyderabad - 500 020
Telangana

**Address for correspondence****Registered Office**

VST Industries Limited

1-7-1063/1065, Azamabad

Hyderabad - 500 020

Phone : +91 40 2761 0460

Fax : +91 40 2761 5336

Email : investors@vstind.com

Mr. Nitesh Bakshi

Company Secretary

Mr. M. Vaidyanathan

Assistant Company Secretary &

Compliance Officer

14. AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

As required by Clause 49 of the Listing Agreement with the stock exchanges, the statutory auditor's certificate that the Company has complied with the conditions of corporate governance is given as an annexure to the Report of the Directors' & Management Discussion and Analysis. This certificate will be forwarded to the stock exchanges where the securities of the Company are listed, along with the Annual Report of the Company.

SHAREHOLDER REFERENCER

Pursuant to Section 205A(5) of the Companies Act, 1956, unclaimed dividends up to and including for the financial year 1994-95 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed their dividend warrant(s) relating to financial year(s) up to and including the financial year 1994-95 are requested to claim the amounts from the Registrar of Companies, Telangana, 2nd Floor, Kendriya Sadan, No. 3-5-998, Sultan Bazar, Hyderabad - 500 095 in the prescribed form, which can be furnished by the Company's Registrar on request. However, no claim shall lie either with the Company or Investor Education and Protection Fund (IEPF), in terms of Section 205C of the Companies Act, 1956, in respect of the unclaimed dividend transferred to IEPF for the financial year 1995-96 and thereafter. The dividend for the financial year 2006-07 viz., Dividend No. 172 has been transferred to Investor Education and Protection Fund Account on 22nd August, 2014.

The dividends for the following years remaining unclaimed for 7 years will be transferred on their respective due dates by the Company to the Investor Education and Protection Fund established by the Central Government pursuant to Section 205C of the Companies Act, 1956:

Financial Year	Dividend No.	Date of Declaration	Total Amount of Dividend ₹	Unclaimed Dividend as on 31.03.2015 ₹	Due for transfer to IEPF on
2007-08	173	17.07.2008	30,88,38,400.00	34,61,460.00	22.08.2015
2008-09	174	16.07.2009	46,32,57,600.00	52,23,030.00	21.08.2016
2009-10	175	16.07.2010	46,32,57,600.00	56,74,290.00	21.08.2017
2010-11	176	14.07.2011	69,48,86,400.00	61,51,095.00	18.08.2018
2011-12	177	12.07.2012	1,00,37,24,800.00	1,12,10,355.00	16.08.2019
2012-13	178	30.07.2013	96,51,20,000.00	1,32,87,187.50	04.09.2020
2013-14	179	12.08.2014	1,08,09,34,400.00	1,52,80,790.00	16.08.2021



REPORT ON CORPORATE GOVERNANCE

Members who have not so far encashed their dividend warrant(s) or have not received the same are requested to seek issue of duplicate warrant(s) by writing to the Company's Registrar & Transfer Agents confirming non-encashment/non-receipt of dividend warrant(s). Once the unclaimed dividend is transferred to Investor Education and Protection Fund, no claim shall lie in respect thereof against the Fund or the Company.

BANK DETAILS

Members holding shares in physical form are requested to notify the following to the Registrar & Transfer Agents, to facilitate electronic payment:

- particulars of their bank account - name of the bank, branch with complete postal address, account number, MICR and IFSC.

Members holding shares in dematerialised form and not opted for remittance of dividend through NECS are requested to notify the above details to their respective Depository Participants [DPs].

REMITTANCE OF DIVIDEND THROUGH NATIONAL ELECTRONIC CLEARING SERVICE [NECS]

The Company provides the facility of remittance of dividend through NECS to Members provided they maintain accounts with those branches of the banks which have implemented Core Banking System (CBS) and participated in the NECS facility extended by the Reserve Bank of India.

Members holding shares in physical form, who now wish to avail NECS facility, may send their NECS mandate in the prescribed form to the Company. The NECS mandate form can be furnished by the Registrars and Transfer Agents on request or can be downloaded from the Company's website www.vsthyd.com under the section Investor Relations - NECS Mandate Form. Members holding shares in demat form are requested to update their bank account details with their respective Depository Participants [DPs].

DEPOSITORY SERVICES

For guidance on depository services, Members may write to the Registrar and Transfer Agents or to the respective depositories:

National Securities Depository Limited

4th Floor, 'A' Wing, Trade World, Kamala Mills Compound,
Senapati Bapat Marg, Lower Parel,
Mumbai - 400 013
Phone : +91 22 2499 4200
Fax : +91 22 2497 6351
Email : info@nsdl.co.in
Website: www.nsdl.co.in

Central Depository Services (India) Limited

Phiroze Jeejeebhoy Towers,
17th Floor, Dalal Street,
Mumbai - 400 001
Phone : +91 22 2272 3333, 2272 3224
Fax : +91 22 2272 3199, 2272 2072
Email : investors@cDSLindia.com
Website : www.cdslindia.com

INVESTOR GRIEVANCES

As required under Clause 47(f) of Listing Agreement with stock exchanges, your Company has created an exclusive Email ID for redressal of investor grievances. The Members can send their queries to the Email ID: investors@vstind.com



REPORT ON CORPORATE GOVERNANCE

NOMINATION FACILITY

The facility of nomination can be availed by the Members holding the shares in single name. In cases where the shares are held in joint names, the nomination will be effective only in the event of the death of all the holders. Members are advised to avail of this facility by submitting the nomination in Form No. SH-13 which could be obtained from Registrars - Karvy Computershare Private Limited at the address mentioned above or can be downloaded from the Company's website www.vsthyd.com under the section Investor Relations.

Where the shares are held in dematerialised form, the nomination has to be conveyed by the Members to their respective Depository Participant directly, as per the format prescribed by them.

DETAILS OF UNCLAIMED SHARES

The details of shares remaining in the unclaimed suspense account are given below:

Particulars	No. of shareholders	No. of shares
Outstanding at the beginning of the year - 1st April, 2014	274	29,422
Members to whom shares were transferred - through rematerialisation	3	1,306
Outstanding shares lying at the end of the year - 31st March, 2015	271	28,116

The Members who have not claimed the shares still from the above returned undelivered cases are requested to contact the Registrar - Karvy Computershare Private Limited at the address given above.

The voting rights on the shares outstanding in the above suspense account as on 31st March, 2015 shall remain frozen till the rightful owner of such shares claims the shares.



Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification

We, N. Sai Sankar, Managing Director and Anish Gupta, Chief Financial Officer of VST Industries Limited, to the best of our knowledge and belief certify that:

1. We have reviewed the financial statements and the cash flow statement for the year ended 31st March, 2015 and that:
 - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) these statements together present a true and fair view of the state of affairs of the Company and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct and Ethics.
3. We are responsible for establishing and maintaining internal controls for financial reporting. We evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and steps taken or proposed to be taken for rectifying these deficiencies.
4. We have indicated to the Company's Auditors and to the Audit Committee that:
 - a) there are no significant changes in internal control over financial reporting during the year;
 - b) there are no significant changes in accounting policies during the year; and
 - c) there are no instances of significant fraud of which we have become aware of that involves management or other employees who have significant role in the Company's internal control system over financial reporting.

N. SAI SANKAR
Managing Director
DIN: 00010270

ANISH GUPTA
Chief Financial Officer

Hyderabad, 21st April, 2015.



Auditors' Certificate regarding compliance of conditions of Corporate Governance

To the Members of
VST Industries Limited

We have examined the compliance of conditions of Corporate Governance by VST Industries Limited, for the year ended 31st March, 2015, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For LOVELOCK & LEWES
Firm Registration Number: 301056E
Chartered Accountants

N. K. VARADARAJAN
Partner
Membership Number: 90196

Hyderabad, 21st April, 2015.



ANNEXURE - B CORPORATE SOCIAL RESPONSIBILITY POLICY

Purpose

The objective of this policy is to promote inclusive growth and equitable development of identified areas by contributing back to the society.

Functions

The main functions of the CSR Committee shall be as under:

- Identify the areas for carrying out the activities and formulate proposal/plan to undertake same;
- To identify the projects, programs for specific area of activity, finalise the budget and earmark the expenditure for each activity and recommend the same to the Board every year;
- To determine the location where the CSR activities shall be undertaken;
- To monitor the progress of the projects/activities from time to time;
- To nominate employees who will be responsible for implementation, execution and monitoring of the CSR activities;
- To hire services of external service providers, Non-Governmental Organisations, volunteers, professionals, consultants, specialised agencies etc., if required, to undertake the said activities;
- Such other functions as may be delegated by the Board.

Areas

The Corporate Social Responsibility (CSR) activities shall be undertaken by the Company in any one or more of the following areas, projects, programs or activities, either new or ongoing or such other areas/activities prescribed by the Companies Act, 2013 to take forward its commitment towards Social Responsibility:

- (i) Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water;
- (ii) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
- (iii) Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- (iv) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga;
- (v) Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art, setting up public libraries, promotion and development of traditional arts and handicrafts;
- (vi) Measures for the benefit of armed forces veterans, war widows and their dependents;
- (vii) Training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports;



- (viii) Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
- (ix) Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government; and
- (x) Rural development projects.

Investment

The Company shall invest at least two per cent of its average net profits during the three immediately preceding financial years, towards CSR activities. Any surplus arising out of the CSR activities or project or programs shall not form a part of business profit of the Company.

Executing Agencies

The Company may undertake the CSR activities either on its own or through a registered trust or a registered society, NGO or a Company established for this purpose. However, no Director or Key Managerial Personnel or their relatives shall have substantial interest in such, trust, society NGO or Company. The Company may also collaborate with other companies for undertaking the projects/programs in accordance with the Rules

Audit

The CSR activities and the expenditure thereon shall be audited by an external auditor who may be appointed by the Committee.

Reporting

The Committee may appoint any executive(s) to monitor the activities and report back to the Committee periodically. The executive(s) shall also ensure that the utilisation of funds on such projects and programs are in line with the agreed CSR activities and place its detailed report periodically before the CSR Committee. The Committee shall give a detailed report of the CSR activities to the Board of Directors every year. The Board shall disclose the details of the Policy in its report and the same shall also be placed on the Company's website.

**ANNUAL REPORT ON CSR ACTIVITIES**

1. The CSR Policy is given in Page No. 47-48. The web link to the CSR Policy is www.vsthyd.com/i/CSRPolicy.pdf.
2. The Composition of the CSR Committee: Ms. Mubeen Rafat (Chairman), Mr. Raymond S. Noronha, Mr. S. Thirumalai, Mr. N. Sai Sankar and Mr. Devraj Lahiri.
3. Average net profit of the Company for last three financial years: ₹20675.45 lakhs.
4. Prescribed CSR Expenditure: Two per cent of the amount as in item 3 above: ₹413.51 lakhs.
5. Details of CSR spent during the financial year:
 - (a) Total amount to be spent for the financial year: ₹413.51 lakhs.
 - (b) Amount unspent, if any: ₹206.51 lakhs.
 - (c) Manner in which the amount spent during the financial year is detailed below.

1	2	3	4	5	6	7	8
S.No.	CSR project or activity identified	Sector in which the Project is covered	Projects or Programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise (₹Lakhs)	Amount spent on the projects or Programs Subheads: (1) Direct Expenditure on projects or programs. (2)Overheads: (₹Lakhs)	Cumulative expenditure up to the reporting period (₹Lakhs)	Amount spent: Direct or through implementing agency
1.	Contribution to Swachh Bharat Kosh	Sanitation	NA	103.50	103.50	103.50	Direct
2.	Contribution to Prime Minister's National Relief Fund	Contribution to Prime Minister's National Relief Fund	NA	103.50	103.50	103.50	Direct
	TOTAL			207.00	207.00	207.00	

6. Reason for not spending part of the amount: Evaluation of projects and finalisation of competent agencies is time consuming process. This has taken some time since this is the first year of such initiative.

RESPONSIBILITY STATEMENT

The CSR Committee of the Company hereby confirms that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and policy of the Company.

MUBEEN RAFAT
Chairman
CSR Committee
DIN: 06776540

N. SAI SANKAR
Managing Director
DIN: 00010270



ANNEXURE - C

Form No. AOC-2

[Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014]

Disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto.

1. Details of contracts or arrangements or transactions not at arm's length basis: **Nil**
 - (a) Name(s) of the related party and nature of relationship
 - (b) Nature of contracts/arrangements/transactions
 - (c) Duration of the contracts/arrangements/transactions
 - (d) Salient terms of the contracts or arrangements or transactions including the value, if any
 - (e) Justification for entering into such contracts or arrangements or transactions
 - (f) Date(s) of approval by the Board
 - (g) Amount paid as advances, if any
 - (h) Date on which the special resolution was passed in general meeting as required under first proviso to Section 188
2. Details of material contracts or arrangement or transactions at arm's length basis: **Nil**
 - (a) Name(s) of the related party and nature of relationship
 - (b) Nature of contracts/arrangements/transactions
 - (c) Duration of the contracts/arrangements/transactions
 - (d) Salient terms of the contracts or arrangements or transactions including the value, if any
 - (e) Date(s) of approval by the Board, if any
 - (f) Amount paid as advances, if any

On behalf of the Board

RAYMOND S. NORONHA
Chairman
DIN: 00012620



ANNEXURE - D PARTICULARS OF EMPLOYEES

Particulars of employees pursuant to Section 134(3)(q) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

Requirements of Rule 5(1)	Details																						
(i) Ratio of remuneration of each director to the median remuneration of the employees of the Company for the financial year 2014-15	<table> <tr><td>Mr. Raymond S. Noronha</td><td>10:1</td></tr> <tr><td>Mr. N. Sai Sankar</td><td>61:1</td></tr> <tr><td>Mr. S. Thirumalai</td><td>5:1</td></tr> <tr><td>Ms. Mubeen Rafat</td><td>4:1</td></tr> <tr><td>Mr. Devraj Lahiri</td><td>22:1</td></tr> <tr><td>Mr. James H. Yamanaka</td><td>NA</td></tr> <tr><td>Mrs. Asha Nair</td><td>NA</td></tr> </table>	Mr. Raymond S. Noronha	10:1	Mr. N. Sai Sankar	61:1	Mr. S. Thirumalai	5:1	Ms. Mubeen Rafat	4:1	Mr. Devraj Lahiri	22:1	Mr. James H. Yamanaka	NA	Mrs. Asha Nair	NA								
Mr. Raymond S. Noronha	10:1																						
Mr. N. Sai Sankar	61:1																						
Mr. S. Thirumalai	5:1																						
Ms. Mubeen Rafat	4:1																						
Mr. Devraj Lahiri	22:1																						
Mr. James H. Yamanaka	NA																						
Mrs. Asha Nair	NA																						
(ii) The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year 2014-15	<table> <tr><td colspan="2">DIRECTORS</td></tr> <tr><td>Mr. Raymond S. Noronha</td><td>0.03%</td></tr> <tr><td>Mr. S. Thirumalai</td><td>0.13%</td></tr> <tr><td>Ms. Mubeen Rafat</td><td>3.5%</td></tr> <tr><td>Mr. James H. Yamanaka</td><td>NA</td></tr> <tr><td>Mrs. Asha Nair</td><td>NA</td></tr> <tr><td colspan="2">KEY MANAGERIAL PERSONNEL</td></tr> <tr><td>Mr. N. Sai Sankar</td><td>0.8%</td></tr> <tr><td>Mr. Devraj Lahiri</td><td>34.0%</td></tr> <tr><td>Mr. Anish Gupta</td><td>5.9%</td></tr> <tr><td>Mr. Nitesh Bakshi</td><td>9.2%</td></tr> </table>	DIRECTORS		Mr. Raymond S. Noronha	0.03%	Mr. S. Thirumalai	0.13%	Ms. Mubeen Rafat	3.5%	Mr. James H. Yamanaka	NA	Mrs. Asha Nair	NA	KEY MANAGERIAL PERSONNEL		Mr. N. Sai Sankar	0.8%	Mr. Devraj Lahiri	34.0%	Mr. Anish Gupta	5.9%	Mr. Nitesh Bakshi	9.2%
DIRECTORS																							
Mr. Raymond S. Noronha	0.03%																						
Mr. S. Thirumalai	0.13%																						
Ms. Mubeen Rafat	3.5%																						
Mr. James H. Yamanaka	NA																						
Mrs. Asha Nair	NA																						
KEY MANAGERIAL PERSONNEL																							
Mr. N. Sai Sankar	0.8%																						
Mr. Devraj Lahiri	34.0%																						
Mr. Anish Gupta	5.9%																						
Mr. Nitesh Bakshi	9.2%																						
(iii) The percentage increase in the median remuneration of employees in the financial year 2014-15	2.00%																						
(iv) The number of permanent employees on the rolls of Company as on 31st March, 2015	858																						
(v) The explanation on the relationship between average increase in remuneration and company performance	The Company's profit before tax for the year grew by 2.1% in comparison to a 2.7% average increase in remuneration of all employees of the Company. During the year there has been de-growth in the industry and therefore, no direct relationship can be established between the both.																						
(vi) Comparison of the remuneration of the Key Managerial Personnel against the performance of the Company	The Company's profit before tax for the year grew by 2.1% in comparison to 7.8% overall increase in remuneration of Key managerial Personnel of the Company. Keeping in view the leadership role played by them in prevailing tough market conditions where during the year there has been de-growth in the industry, no direct relationship can be established between the both.																						
(vii) Variations in the market capitalization of the company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase over decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer in case of listed companies	Market capitalisation of the Company as at 31st March, 2015 showed a decrease of 4.5% when compared to previous year; Price earnings ratio showed a decrease of 5.8%; The Company has not raised any capital from the market since 1975.																						

(Contd.)



ANNEXURE - D

VST Industries Limited

(viii) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	Average increase in the salaries of employees other than the managerial personnel in the financial year 2014-15 was 2.8% in comparison with 2.2% increase in the managerial remuneration.		
(ix) Comparison of each remuneration of the Key Managerial Personnel against the performance of the Company	Key Managerial Personnel	Remuneration Increase %	Comparison [with respect to profit before tax] increase %
	Mr. N. Sai Sankar	0.8	2.1
	Mr. Devraj Lahiri	34.0	2.1
	Mr. Anish Gupta	5.9	2.1
Mr. Nitesh Bakshi	9.2	2.1	
(x) The key parameters for any variable component of remuneration availed by the Directors	Profit After Tax Brand Volumes Market Share Operating Cashflow		
(xi) The ratio of the remuneration of the highest paid Director to that of the employees who are not directors but receive remuneration in excess of the highest paid Director during the year	No employee received remuneration higher than the Managing Director.		
(xii) Affirmation that the remuneration is as per the remuneration policy of the Company.	Remuneration paid during the year ended 31st March, 2015 is as per the Remuneration Policy of the Company.		

**ANNEXURE - E**

Form No. MGT- 9
EXTRACT OF ANNUAL RETURN
As on the financial year ended on 31st March, 2015
of
VST Industries Limited

[Pursuant to Section 92(3) of the Companies Act, 2013
And

Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

(i)	CIN	L29150TG1930PLC000576
	Registration Date	November 10, 1930
(ii)	Name of the Company	VST Industries Limited
(iii)	Category of the Company	Public Company
(iv)	Sub Category of the Company	Company having share capital
(v)	Registered Office Address of the Company	
	Company Name	VST Industries Limited
	Address	1-7-1063/1065, Azamabad
	City	Hyderabad
	State	Telangana
	Pin Code	500 020
	Country Name	India
	Country Code	+91
	Telephone (With STD Area Code Number)	+40 2761 0460
	Fax Number	+40 2761 5336
	Email Address	investors@vstind.com
	Website, if any	www.vsthyd.com
(vi)	Whether listed company	Yes
(vii)	Name and address of Registrar & Transfer Agents (RTA)	
	Name of Registrar & Transfer Agents:	Karvy Computershare Private Limited
	Address	Plot No. 17 to 24, Vittal Rao Nagar, Madhapur,
	City	Hyderabad
	State	Telangana
	Pin Code	500 081
	Telephone	+91 40 4465 5269
	Email Address	einward.ris@karvy.com



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)

Sl. No.	Name and Description of main products/services	NIC Code of the Product/service	% to total turnover of the Company
1.	Cigarettes containing tobacco	12003	85.12
2.	Unmanufactured tobacco	46202	14.88

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and address of the Company	CIN/GLN	Holding/subsidiary/associate	% of shares held	Applicable Section
-	-	-	-	-	-

IV. SHARE HOLDING 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 at 1st April, 2014)				No. of shares held at the end of the year (As at 31st March, 2015)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
(a) Individual/HUF	-	-	-	-	-	-	-	-	-
(b) Central Government	-	-	-	-	-	-	-	-	-
(c) State Government(s)	-	-	-	-	-	-	-	-	-
(d) Bodies Corporate	-	-	-	-	-	-	-	-	-
(e) Banks/FI	-	-	-	-	-	-	-	-	-
(f) Any Other	-	-	-	-	-	-	-	-	-
Sub-total (A)(1)									
(2) Foreign									
(a) NRIs - Individuals	-	-	-	-	-	-	-	-	-
(b) Other - Individuals	-	-	-	-	-	-	-	-	-
(c) Bodies Corporate	49,65,902	-	49,65,902	32.16	49,65,902	-	49,65,902	32.16	-
(d) Banks/FI	-	-	-	-	-	-	-	-	-
(e) Any Other	-	-	-	-	-	-	-	-	-
Sub-total(A)(2)	49,65,902	-	49,65,902	32.16	49,65,902	-	49,65,902	32.16	-
Total shareholding of Promoter (A)=(A)(1)+(A)(2)	49,65,902	-	49,65,902	32.16	49,65,902	-	49,65,902	32.16	-
B. Public Shareholding									
1. Institutions									
(a) Mutual Funds	18,31,240	280	18,31,520	11.86	13,80,679	280	13,80,959	8.94	-2.92
(b) Banks/FI	9,454	4,594	14,048	0.09	10,293	4,594	14,887	0.10	0.01
(c) Central Governments	-	-	-	-	-	-	-	-	-
(d) State Government(s)	-	-	-	-	-	-	-	-	-
(e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
(f) Insurance Companies	4,51,935	9,750	4,61,685	2.99	3,98,126	9,750	4,07,876	2.64	-0.35

(Contd.)



Category-wise Shareholding (Contd.)

Category of shareholders	No. of shares held at the beginning of the year (As at 1st April, 2014)				No. of shares held at the end of the year (As at 31st March, 2015)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(g) FIs	17,87,395	50	17,87,445	11.58	22,97,247	50	22,97,297	14.88	3.30
(h) Foreign Venture Capital Funds	–	–	–	–	–	–	–	–	–
(i) Others	–	–	–	–	–	–	–	–	–
Sub-total (B)(1)	40,80,024	14,674	40,94,698	26.52	40,86,345	14,674	41,01,019	26.56	0.04
2. Non-Institutions									
(a) Bodies Corporate									
(i) Indian	41,45,781	4,203	41,49,984	26.88	41,75,845	4,203	41,80,048	27.07	0.19
(ii) Overseas	–	–	–	–	–	–	–	–	–
(b) Individuals									
(i) Individual shareholders holding nominal share capital upto ₹1 lakh	13,27,368	5,53,545	18,80,913	12.18	13,26,807	5,22,343	18,49,150	11.97	-0.21
(ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh	77,216	42,142	1,19,358	0.77	79,716	42,142	1,21,858	0.79	0.02
(c) Others	1,08,457	1,22,608	2,31,065	1.49	1,01,544	1,22,399	2,23,943	1.45	-0.04
Sub-Total(B)(2)	56,58,822	7,22,498	63,81,320	41.32	56,83,912	6,91,087	63,74,999	41.28	-0.04
Total Public Shareholding (B)=(B)(1)+(B)(2)	97,38,846	7,37,172	1,04,76,018	67.84	97,70,257	7,05,761	1,04,76,018	67.84	–
C. Shares held by Custodian for GDRs & ADRs	–	–	–	–	–	–	–	–	–
Grand Total (A+B+C)	1,47,04,748	7,37,172	1,54,41,920	100.00	1,47,36,159	7,05,761	1,54,41,920	100.00	–

(ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year (As at 1st April, 2014)			Shareholding at the end of the year (As at 31st March, 2015)			% change in share holding 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.	The Raleigh Investment Company Limited	36,20,420	23.45	–	36,20,420	23.45	–	–
2.	Tobacco Manufacturers (India) Limited	12,78,942	8.28	–	12,78,942	8.28	–	–
3.	Rothmans International Enterprises Limited	66,540	0.43	–	66,540	0.43	–	–
	TOTAL	49,65,902	32.16	–	49,65,902	32.16	–	–



(iii) Change in Promoters' Shareholding

	Shareholding at the beginning of the year (As at 1st April, 2014)		Cumulative shareholding during the year 1st April, 2014 to 31st March, 2015	
	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
At the beginning of the year	49,65,902	32.16	49,65,902	32.16
Datewise increase/decrease in promoters share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity, etc)	No change			
At the end of the year	49,65,902	32.16	49,65,902	32.16

(iv) Shareholding pattern of top ten shareholders (other than Directors, Promoters and holders of GDRs and ADRs)

Sl. No.	Name	Shareholding at the beginning of the year (As at 1st April, 2014)		Date	Increase/Decrease in shareholding	Reason	Cumulative shareholding during the year 1st April, 2014 to 31st March, 2015	
		No. of shares	% of total shares of the Company				No. of shares	% of total shares of the Company
1.	Bright Star Investments Private Limited	40,07,118	25.95	–	–	Nil Movement	40,07,118	25.95
2.	Matthews India Fund®	–	–	25.07.2014	98,819	Transfer	98,819	0.64
				01.08.2014	2,10,021	Transfer	3,08,840	2.00
				08.08.2014	21,160	Transfer	3,30,000	2.14
				15.08.2014	80,000	Transfer	4,10,000	2.66
				22.08.2014	80,000	Transfer	4,90,000	3.17
				29.08.2014	3,922	Transfer	4,93,922	3.20
				05.09.2014	13,011	Transfer	5,06,933	3.28
				19.09.2014	81,021	Transfer	5,87,954	3.81
				30.09.2014	85,437	Transfer	6,73,391	4.36
				10.10.2014	40,000	Transfer	7,13,391	4.62
				24.10.2014	18,000	Transfer	7,31,391	4.74
				07.11.2014	5,147	Transfer	7,36,538	4.77
				14.11.2014	13,453	Transfer	7,49,991	4.86
				21.11.2014	20,902	Transfer	7,70,893	4.99
				28.11.2014	5,750	Transfer	7,76,643	5.03
				05.12.2014	26,469	Transfer	8,03,112	5.20
				12.12.2014	5,583	Transfer	8,08,695	5.24
				31.12.2014	47,238	Transfer	8,55,933	5.54

(Contd.)



Shareholding pattern of top ten shareholders (other than Directors, Promoters and holders of GDRs and ADRs) (Contd.)

Sl. No.	Name	Shareholding at the beginning of the year (As at 1st April, 2014)		Date	Increase/Decrease in shareholding	Reason	Cumulative shareholding during the year 1st April, 2014 to 31st March, 2015	
		No. of shares	% of total shares of the Company				No. of shares	% of total shares of the Company
	Matthews India Fund (Contd.)			09.01.2015	12,475	Transfer	8,68,408	5.62
				16.01.2015	32,819	Transfer	9,01,227	5.84
				23.01.2015	932	Transfer	9,02,159	5.84
				30.01.2015	76,416	Transfer	9,78,575	6.34
				06.02.2015	33,129	Transfer	10,11,704	6.55
				13.02.2015	20,972	Transfer	10,32,676	6.69
				20.02.2015	10,000	Transfer	10,42,676	6.75
				27.02.2015	3,333	Transfer	10,46,009	6.77
				06.03.2015	21,774	Transfer	10,67,783	6.91
				13.03.2015	901	Transfer	10,68,684	6.92
				20.03.2015	5,756	Transfer	10,74,440	6.96
3.	Smallcap World Fund, Inc	10,03,400	6.50	–	–	Nil Movement	10,03,400	6.50
4.	SBI Emerging Business Fund [#]	3,70,000	2.40	25.04.2014	-1,82,799	Transfer	1,87,201	1.21
				02.05.2014	-48,017	Transfer	1,39,184	0.90
				23.05.2014	-1,03,184	Transfer	36,000	0.23
				30.05.2014	-3,600	Transfer	32,400	0.21
				06.06.2014	-25,000	Transfer	7,400	0.05
				13.06.2014	-7,400	Transfer	–	–
5.	HDFC Trustee Company Limited A/c HDFC Midcap Opportunities Fund	3,47,756	2.25	18.04.2014	20,000	Transfer	3,67,756	2.38
				25.04.2014	11,094	Transfer	3,78,850	2.45
				02.05.2014	13,010	Transfer	3,91,860	2.54
				09.05.2014	20,000	Transfer	4,11,860	2.67
				16.05.2014	30,500	Transfer	4,42,360	2.86
				23.05.2014	1,303	Transfer	4,43,663	2.87
				30.05.2014	80,337	Transfer	5,24,000	3.39
				06.06.2014	40,025	Transfer	5,64,025	3.65
				13.06.2014	30,000	Transfer	5,94,025	3.85
				20.06.2014	5,149	Transfer	5,99,174	3.88
				30.06.2014	17,166	Transfer	6,16,340	3.99
				04.07.2014	20,000	Transfer	6,36,340	4.12
				18.07.2014	45,000	Transfer	6,81,340	4.41
				01.08.2014	25,000	Transfer	7,06,340	4.57
				08.08.2014	35,000	Transfer	7,41,340	4.80
				06.02.2015	19,929	Transfer	7,61,269	4.93

(Contd.)



Shareholding pattern of top ten shareholders (other than Directors, Promoters and holders of GDRs and ADRs) (Contd.)

Sl. No.	Name	Shareholding at the beginning of the year (As at 1st April, 2014)		Date	Increase/Decrease in shareholding	Reason	Cumulative shareholding during the year 1st April, 2014 to 31st March, 2015	
		No. of shares	% of total shares of the Company				No. of shares	% of total shares of the Company
6.	The New India Assurance Company Limited	2,79,702	1.81	–	–	Nil Movement	2,79,702	1.81
7.	SBI Magnum Taxgain Scheme [#]	2,64,000	1.71	18.04.2014 25.04.2014 25.07.2014 01.08.2014	–4,725 –19,275 –83,320 –1,56,680	Transfer Transfer Transfer Transfer	2,59,275 2,40,000 1,56,680 –	1.68 1.55 1.01 –
8.	Government of Singapore Investment Corporation [#]	2,51,956	1.63	12.09.2014 09.09.2014 30.09.2014 10.10.2014	–2,350 –40,000 –75,300 –1,34,306	Transfer Transfer Transfer Transfer	2,49,606 2,09,606 1,34,306 –	1.62 1.36 0.87 –
9.	TVF Fund Limited [#]	1,66,496	1.08	30.06.2014 18.07.2014	–31,763 –1,34,733	Transfer Transfer	1,34,733 –	0.87 –
10.	HDFC Trustee Company Limited A/c HDFC [@]	1,08,445	0.70	18.07.2014 08.08.2014	25,000 25,000	Transfer Transfer	1,33,445 1,58,445	0.86 1.03
11.	The Oriental Insurance Company Limited [#]	1,21,459	0.79	12.12.2014 19.12.2014 31.12.2014	–4,571 –2,000 –2,693	Transfer Transfer Transfer	1,16,888 1,14,888 1,12,195	0.76 0.74 0.73
12.	Sultan Ahmed A/c Custodian of Enemy Property [#]	71,756	0.46	–	–	Nil Movement	71,756	0.46
13.	Birla Sun Life Trustee Company Private Limited [#]	77,000	0.50	09.05.2014	–7,000	Transfer	70,000	0.45
14.	Axis Mutual Fund Trustee Limited [#]	–	–	17.10.2014	70,000	Transfer	70,000	0.45

[@] Not in the list of Top 10 shareholders as on 1st April, 2014. The same has been reflected above since the shareholder was one of the Top 10 shareholders as on 31st March, 2015.

[#] Ceased to be in the list of Top 10 shareholders as on 31st March, 2015. The same is reflected above since the shareholder was one of the Top 10 shareholder as on 1st April, 2014.



(v) Shareholding of Directors and Key Managerial Personnel

Sl. No.	For each of the Directors and Key Managerial Personnel	Shareholding at the beginning of the year (As at 1st April, 2014)		Cumulative shareholding during the year 1st April, 2014 to 31st March, 2015	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
DIRECTORS					
1.	Mr. Raymond S. Noronha	–	–	–	–
2.	Mr. S. Thirumalai	25	–	25	–
3.	Ms. Mubeen Rafat	–	–	–	–
4.	Mr. James H. Yamanaka	–	–	–	–
5.	Mrs. Asha Nair ¹	–	–	–	–
KEY MANAGERIAL PERSONNEL					
1.	Mr. N. Sai Sankar [Managing Director]	–	–	–	–
2.	Mr. Devraj Lahiri [Wholetime Director]	–	–	–	–
3.	Mr. Anish Gupta [Chief Financial Officer]	–	–	–	–
4.	Mr. Nitesh Bakshi [Company Secretary]	–	–	–	–

¹Ceased to be Director of the Company with effect from 21st October, 2014

V. INDEBTEDNESS

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year	NIL	NIL	NIL	NIL
(i) Principal amount				
(ii) Interest due but not paid				
(iii) Interest accrued but not due				
Total (i+ii+iii)				
Change in indebtedness during the financial year				
• Addition				
• Reduction				
Net change				
Indebtedness at the end of the financial year				
(i) Principal amount				
(ii) Interest due but not paid				
(iii) Interest accrued but not due				
Total (i+ii+iii)				



VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Wholetime Director and/or Manager

Sl. No.	Particulars of Remuneration	Mr. N.Sai Sankar	Mr. Devraj Lahiri	Total amount
		Managing Director	Wholetime Director	
		₹	₹	
1.	Gross salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	2,96,65,240	94,70,020	3,91,35,260
	(b) Value of perquisites under Section 17(2) of the Income Tax Act, 1961	4,22,652	15,17,946	19,40,598
	(c) Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961	–	–	–
2.	Stock option	–	–	–
3.	Sweat equity	–	–	–
4.	Commission - as % of profit - others	–	–	–
5.	Others (Retirals)	40,30,630	14,70,000	55,00,630
	TOTAL (A)	3,41,18,522	1,24,57,966	4,65,76,488
	Ceiling as per the Act (@ 10% of profits calculated under Section 198 of the Companies Act, 2013)			23,51,26,300

B. Remuneration to other Directors

Sl. No.	Particulars of Remuneration	Name of Directors			Total amount
		Mr. S. Thirumalai	Ms. Mubeen Rafat		
1.	Independent Directors	₹	₹		₹
	Fee for attending board/committee meetings	4,50,000	4,50,000		9,00,000
	Commission	24,00,000	18,00,000		42,00,000
	Others	–	–		–
	TOTAL (1)	28,50,000	22,50,000		51,00,000
2.	Other Non-Executive Directors	Mr. Raymond S. Noronha	Mr. James H. Yamanaka	Mrs. Asha Nair	
		₹	₹	₹	₹
	Fee for attending board/committee meetings	3,70,000	–	35,000	4,05,000
	Commission	50,00,000	–	–	50,00,000
	Others	–	–	–	–
	TOTAL (2)	53,70,000	–	35,000	54,05,000
	TOTAL (B) = (1+2)	82,20,000	22,50,000	35,000[#]	1,05,05,000
	Total managerial remuneration (A+B)				5,70,81,488
	Overall ceiling as per the Act (@ 11% of profits calculated under Section 198 of the Companies Act, 2013)				25,86,38,930

[#] Sitting fee paid to United India Insurance Company Limited



C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		Total amount
		CFO	Company Secretary	
		Mr. Anish Gupta	Mr. Nitesh Bakshi	
1.	Gross salary	₹	₹	₹
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	44,37,824	28,44,000	72,81,824
	(b) Value of perquisites under Section 17(2) of the Income Tax Act, 1961	67,803	4,92,460	5,60,263
	(c) Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961	–	–	–
2.	Stock option	–	–	–
3.	Sweat equity	–	–	–
4.	Commission - as % of profit - others	– –	– –	– –
5.	Others (Retirals)	3,51,778	1,43,892	4,95,670
	TOTAL	48,57,405	34,80,352	83,37,757

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
A. COMPANY					
Penalty					
Punishment					
Compounding					
B. DIRECTORS					
Penalty					
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty					
Punishment					
Compounding					

NIL



ANNEXURE - F

SECRETARIAL AUDIT REPORT

For the financial year ended 31st March, 2015

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

The Members
VST Industries Limited
Azamabad
Hyderabad - 500 020

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by VST Industries Limited (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31st March, 2015 ('Audit Period') complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2015 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent

of Foreign Direct Investment; Overseas Direct Investment and External Commercial Borrowings;

- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not applicable to the Company during the Audit Period);
 - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 notified on 28th October, 2014; (Not Applicable to the Company during the Audit Period);
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not Applicable to the Company during the Audit Period);
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not applicable to the Company during the Audit Period); and

**SECRETARIAL AUDIT REPORT**

- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not applicable to the Company during the Audit Period).
- (vi) Having regard to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof, I further report that the Company has complied with the following laws applicable specifically to the Company:
- (a) Tobacco Board Act, 1975 and Rules made there under;
- (b) Cigarette and Other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003 and Rules made there under.

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by the Institute of Company Secretaries of India (Not notified, hence not applicable to the Company during the audit period).
- (ii) The Listing Agreements entered into by the Company with stock exchanges (except Clause 49 of the Listing Agreement).

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

I further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were generally sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be.

I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period:

- (a) the Members of the Company have approved amendment to Article 93 of the Articles of Association by means of special resolution passed by postal ballot on 23rd March, 2015.

DR. K.R. CHANDRATRE
FCS No. 1370, C P No: 5144

Pune, 21st April, 2015.

**ANNEXURE - G**

Information under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) 2014 and forming part of the Directors' Report for the year ended 31st March, 2015.

A. CONSERVATION OF ENERGY

- (i) Improvement in energy usage by introduction of harmonic filters
 - a. Replacement of existing motors, airconditioning systems with energy efficient systems
 - b. Installation of variable frequency drives to optimise energy consumption
 - c. Conducted energy conservation program for workmen
- (ii) Contributed in reducing green house gas emission
 - a. Solar energy for water heating
- (iii) Capital investment on energy conservation equipment
 - a. ₹17 Lakhs in 2014-15

B. TECHNOLOGY ABSORPTION

- (i) Efforts made towards technology absorption
 - a. Format size change of filter plug on Making machines
 - (i) Benefit - Product Improvement/Competitive edge to Marketing
 - b. Designed and developed kits on Packing line
 - a. Format change over
 - b. Novelty Packing
 - (i) Benefit - New Product requirement - KSFT new brand - 'Editions' Kings launched
 - (ii) Benefit - Product innovation - new brand 'Total' (2 variants) launched in market
 - c. Added new analytical equipment to the lab:
 - Chemistry auto analyzer/Paper permeability tester/Pack Seal tester/Upgradation of smoking machine to latest PLC & software.
 - (i) Benefit - Product development/Product Quality consistency
 - (ii) In case of imported technology (imported during the last three years reckoned from the beginning of the financial year):

Year	Details of technology imported	Whether absorbed
2012-13	Contemporary cigarette packing machine	Yes
2013-14	Contemporary cigarette packing machine	Yes
	Contemporary cigarette making machine	Yes
2014-15	Tobacco leaf - stem and lamina cutting machine	Yes

(iii) Expenditure incurred on Research and Development	₹ Lakhs
- On capital account	83.95
- On revenue account	360.88
	<u>444.83</u>
as a % of Gross Turnover	0.26
as a % of Net Turnover	0.54

**ANNEXURE - G****C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

Foreign exchange earned in terms of actual inflows during the year and the foreign exchange outgo during the year in terms of actual outflows:

	₹ Lakhs
Total foreign exchange used	
Raw materials	922.18
Spare parts	163.22
Capital goods	1245.21
Travel, advertisement, etc	207.40
Dividends paid	3476.13
	<u>6014.14</u>
Total foreign exchange earned	
Tobacco	19323.84
	<u>19323.84</u>



INDEPENDENT AUDITORS' REPORT

To the Members of
VST Industries Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of VST Industries Limited (the "Company"), which comprise the Balance Sheet as at 31st March, 2015, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements to 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, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.

4. We have taken into account the provisions of the Act and the Rules made there under including the accounting standards and matters which are required to be included in the audit report.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

**Opinion**

8. 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 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 31st March, 2015 and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

9. As required by 'the Companies (Auditor's Report) Order, 2015', issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act (hereinafter referred to as the "Order") and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.

10. As required by Section 143(3) of the Act, we report that:

(a) 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;

(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 those books;

(c) 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;

(d) 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;

(e) On the basis of written representations received from the Directors as on 31st March, 2015 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2015, from being appointed as a director in terms of Section 164(2) of the Act;

(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 knowledge and belief and according to the information and explanations given to us:

i. The Company has disclosed the impact of pending litigations as at 31st March, 2015 on its financial position in its financial statements in note 6 and in note 31.

ii. The Company has long-term contracts including derivative contracts as at 31st March, 2015 for which there were no material foreseeable losses.

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended 31st March, 2015.

For LOVELOCK & LEWES
Firm Registration Number: 301056E
Chartered Accountants

N. K. VARADARAJAN
Partner

Hyderabad, 21st April, 2015. Membership No. 90196



ANNEXURE TO INDEPENDENT AUDITORS' REPORT

[Referred to in paragraph 9 of the Independent Auditors' Report of even date to the Members of VST Industries Limited on the financial statements for the year ended 31st March, 2015]

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
(b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies have been noticed on such verification.
- ii. (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
(b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a) and (iii)(b) of the said Order are not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the rules framed there under to the extent notified.
- vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.
- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, value added tax and other material statutory dues, as applicable, 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, wealth tax, service tax, customs duty, excise duty, value added tax, cess which have not been deposited on account of any dispute. The particulars of dues of service tax and excise duty as at 31st March, 2015 which have not been deposited on account of a dispute are as follows:



ANNEXURE TO INDEPENDENT AUDITORS' REPORT

VST Industries Limited

Name of the statute	Nature of dues	Amount ₹ in Lakhs	Period to which the amount relates	Forum where the dispute is pending
The Central Excise Act, 1944	Excise duty on Printed Gay Wrappers	433.26	April 1996 to September 2014	Hon'ble Supreme Court of India
	Excise duty on Tobacco Refuse	132.60	November 2012 to October 2013	Customs, Excise & Service Tax Appellate Tribunal
	Service tax credit ineligibility under	1.05	April 2008	
	Cenvat Credit Rules, 2002	121.28	October 2011 to September 2013	

- (c) The amount required to be transferred to Investor Education and Protection Fund has been transferred within the stipulated time in accordance with the provisions of the Companies Act, 1956 and the rules made there under.
- viii. The Company has no accumulated losses as at the end of the financial year and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- ix. As the Company does not have any borrowings from any financial institution or bank nor has it issued any debentures as at the balance sheet date, the provisions of Clause 3(ix) of the Order are not applicable to the Company.
- x. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year. Accordingly, the provisions of Clause 3(x) of the Order are not applicable to the Company.
- xi. The Company has not raised any term loans. Accordingly, the provisions of Clause 3(xi) of the Order are not applicable to the Company.
- xii. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the management.

For LOVELOCK & LEWES
Firm Registration Number: 301056E
Chartered Accountants

N. K. VARADARAJAN
Partner
Hyderabad, 21st April, 2015. Membership No. 90196



BALANCE SHEET AS AT 31ST MARCH, 2015

VST Industries Limited

₹ in Lakhs

	Notes	2015	2014
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital	2	1544.19	1544.19
(b) Reserves and Surplus	3	<u>33123.31</u>	<u>31279.37</u>
		34667.50	32823.56
2. Non-Current Liabilities			
(a) Long-Term Provisions	4	616.32	329.43
3. Current Liabilities			
(a) Trade Payables	5	7757.31	4990.56
(b) Other Current Liabilities	6	26490.49	24723.07
(c) Short-Term Provisions	7	<u>13071.18</u>	<u>12646.39</u>
		47318.98	42360.02
TOTAL		<u>82602.80</u>	<u>75513.01</u>
II. ASSETS			
1. Non-Current Assets			
(a) Fixed Assets			
i) Tangible Assets	8A	19767.48	20910.59
ii) Intangible Assets	8B	9.93	–
iii) Capital Work-in-Progress		–	2.58
		19777.41	20913.17
(b) Non-Current Investments	9	225.57	325.57
(c) Deferred Tax Assets (Net)	10	1400.55	989.32
(d) Long-Term Loans and Advances	11	107.17	214.15
(e) Other Non-Current Assets	12	1.27	1.27
2. Current Assets			
(a) Current Investments	13	16900.00	17795.94
(b) Inventories	14	36606.90	26762.06
(c) Trade Receivables	15	1195.31	777.89
(d) Cash and Bank Balances	16	4205.07	4693.54
(e) Short-Term Loans and Advances	17	1773.04	2567.34
(f) Other Current Assets	18	<u>410.51</u>	<u>472.76</u>
		61090.83	53069.53
TOTAL		<u>82602.80</u>	<u>75513.01</u>

The accompanying notes form an integral part of the Financial Statements.

This is the Balance Sheet referred to in our report of even date.

For LOVELOCK & LEWES
Firm Registration No. 301056E
Chartered Accountants

N.K. VARADARAJAN
Partner
Membership No. 90196

Hyderabad, 21st April, 2015.

On behalf of the Board,

R. S. NORONHA
DIN: 00012620

Chairman

N. SAI SANKAR
DIN: 00010270

Managing Director

ANISH GUPTA

Chief Financial Officer

NITESH BAKSHI

Company Secretary

Hyderabad, 21st April, 2015.



STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2015

VST Industries Limited

₹ in Lakhs

	Notes	2015	2014
I. Revenue from operations			
Sales (Gross)	19	171690.38	162672.48
Less: Excise Duty		88691.86	84203.49
Sales (Net)		82998.52	78468.99
Other Operating Income	20	617.27	448.43
		83615.79	78917.42
II. Other Income	21	1852.80	3244.24
III. Total Revenue (I+II)		<u>85468.59</u>	<u>82161.66</u>
IV. Expenses			
Cost of Materials Consumed	22	40666.68	38464.96
Changes in Inventories of Finished Goods and Work-in-Progress	23	(912.05)	(196.17)
Employee Benefits Expense	24	7707.71	6992.10
Depreciation and Amortisation Expense	25	3190.42	2657.13
Other Expenses	26	11939.92	11845.86
Total Expenses		<u>62592.68</u>	<u>59763.88</u>
V. Profit before Tax Expense (III-IV)		22875.91	22397.78
VI. Tax Expense			
Current tax		7990.07	7515.20
Deferred tax		(334.95)	(132.68)
		<u>7655.12</u>	<u>7382.52</u>
VII. Profit after Tax Expense (V-VI)		<u>15220.79</u>	<u>15015.26</u>
Basic and diluted Earnings per Share (Face Value ₹10 each) ₹	27	98.57	97.24

The accompanying notes form an integral part of the Financial Statements.

This is the Statement of Profit and Loss referred to in our report of even date.

For LOVELOCK & LEWES
Firm Registration No. 301056E
Chartered Accountants

N.K. VARADARAJAN
Partner
Membership No. 90196
Hyderabad, 21st April, 2015.

On behalf of the Board,

R. S. NORONHA
DIN: 00012620

Chairman

N. SAI SANKAR
DIN: 00010270

Managing Director

ANISH GUPTA

Chief Financial Officer

NITESH BAKSHI

Company Secretary

Hyderabad, 21st April, 2015.



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2015

VST Industries Limited

₹ in Lakhs

	2015	2014
A. Cash flow from operating activities		
Profit Before Tax Expense	22875.91	22397.78
Adjustments:		
Depreciation and Amortisation Expense (Net)	3190.42	2657.13
Liabilities no longer required written back	–	(1557.83)
Loss/(Profit) on Sale of Fixed Assets (Net)	0.64	(23.21)
Unrealised Loss/(Gain) on Exchange (Net)	(12.53)	19.33
Interest on Loans and Deposits, etc.	(83.87)	(261.62)
Dividend Income from - Current Investments	(602.38)	(839.44)
- Long-Term Investments	(3.71)	(2.97)
Profit on sale of Investments (Net)	(1033.79)	(445.05)
Operating Profit before Working Capital changes	24330.69	21944.12
Adjustments for Movement in Working Capital:		
Trade Receivables, Loans & Advances and Other Assets	455.30	802.01
Inventories	(9844.84)	(1425.26)
Trade Payables, Other Liabilities and Provisions	4725.82	(1164.83)
Cash generated from operations	19666.97	20156.04
Direct Taxes Paid	(7957.10)	(7171.81)
Net cash from operating activities	11709.87	12984.23
B. Cash flow from investing activities		
Purchase of Fixed Assets, Capital Work-in-Progress and Capital Advances	(2377.94)	(5181.30)
Sale of Fixed Assets	6.50	30.09
Purchase of Investments - Current	(222010.02)	(161014.49)
Sale/Redemption of - Current Investments	223966.58	163212.06
- Long-Term Investments	73.17	–
Dividend Income from - Current Investments	602.38	839.44
- Long-Term Investments	3.71	2.97
Interest on Loans and Deposits, etc.	85.97	282.78
Net cash from/(used in) investing activities	350.35	(1828.45)
C. Cash flow from financing activities		
Dividends paid on Ordinary Shares	(12646.39)	(11291.42)
Net cash used in financing activities	(12646.39)	(11291.42)
Net Increase/(Decrease) in cash and cash equivalents	(586.17)	(135.64)
Opening cash and cash equivalents	4188.17	4323.81
Closing cash and cash equivalents	3602.00	4188.17

This is the Cash Flow Statement referred to in our report of even date.

For LOVELOCK & LEWES
Firm Registration No. 301056E
Chartered Accountants

N.K. VARADARAJAN
Partner
Membership No. 90196

Hyderabad, 21st April, 2015.

On behalf of the Board,

R. S. NORONHA
DIN: 00012620

Chairman

N. SAI SANKAR
DIN: 00010270

Managing Director

ANISH GUPTA

Chief Financial Officer

NITESH BAKSHI

Company Secretary

Hyderabad, 21st April, 2015.



NOTES ON THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION OF ACCOUNTS

The financial statements have been prepared on the basis of going concern, under the historic cost convention, except for certain, tangible assets which are being carried at revalued amounts. These financial statements have been prepared to comply in all material aspects with applicable accounting principles in India, the applicable Accounting Standards specified under Section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies (Accounts) Rules, 2014 and the other relevant provisions of the Act.

USE OF ESTIMATES

The preparation of financial statements, require estimates and assumptions to be made that affect the reported amounts of assets and liabilities as on the date of the financial statements and reported amount of revenues and expenses during the reported period. The estimates made are based on the principles of prudence and reasonableness, however, actual results could differ from these estimates. Any revision to such accounting estimates is recognised prospectively in the current and future periods.

FIXED ASSETS

Tangible assets

Tangible assets are stated at historical cost, net of accumulated depreciation and accumulated impairment loss, if any, except so far as they relate to the revaluation of land and buildings. Historical cost is inclusive of freight, installation cost, duties and taxes, interest on specific borrowings utilised for financing the assets and other incidental expenses.

Depreciation is provided on straight line basis at the rates determined based on estimated useful life of assets. The useful life of the assets are periodically reviewed and re-determined based on a technical evaluation and expected use and the unamortised depreciable amount is charged over the remaining useful life of such assets. In certain cases, the useful life of assets so determined being different from the useful life as prescribed under Part C of Schedule II of the Companies Act, 2013, are as given below:

Buildings on Freehold Land - 20 years

Buildings on Leasehold Land - 20 years

Motor Vehicles - 4 years

All assets costing less than ₹5,000 are fully depreciated in the year of purchase.

Depreciation on the revalued assets is calculated on the revalued costs and the Revaluation Reserve is adjusted with

the difference between the depreciation calculated on such revalued costs and historic costs.

Intangible assets

Intangible assets are stated at cost net of accumulated amortisation and accumulated impairment loss, if any. Computer software (including license fees and cost of implementation/system integration services) is capitalised where it is expected to provide future enduring economic benefits. Cost of upgradation/enhancements is charged off as revenue expenditure unless they bring similar significant additional benefits. Intangible assets are amortised on a straight line basis over their estimated useful life. Useful life is determined based on the period of the underlying contract and the period of time the intangible asset is expected to be used i.e.

Rights on time share- 20 years

Computer software - 4 years

Impairment of Assets

All the fixed assets are assessed for any indication of impairment, at the end of each financial year. On such indication, the impairment loss, being the excess of carrying value over the recoverable value of the assets, is charged to the statement of profit and loss in the respective financial years. The impairment loss recognised in the prior years is reversed in cases where the recoverable value exceeds the carrying value, upon re-assessment in the subsequent years.

INVESTMENTS

Long term investments are valued at cost net of provision, for permanent diminution in value, if any. Current investments are stated at lower of cost and net realisable value.

INVENTORIES

Inventories are valued at lower of cost and net realisable value. Cost is computed on weighted average method. Cost includes purchase cost net of CENVAT credit availed and attributable expenses.

Consumption and/or other stock diminution is accounted for at the aforesaid weighted average cost. In the case of finished goods, cost comprises of material, direct labour, applicable overhead expenses, applicable excise duty and taxes paid/payable thereon.

Obsolete, slow moving and defective inventories are identified at the time of physical verification of inventories and where necessary, provision is made for such inventories.

Goods in transit/with third parties are valued at cost which represents the costs incurred upto the stage at which the goods are in transit/with third parties.



NOTES ON THE FINANCIAL STATEMENTS

PROPOSED DIVIDEND

Dividend (including related income tax thereon), proposed by the Directors, is provided for in the books of account, pending approval at the Annual General Meeting.

REVENUE RECOGNITION

Sales are recognised when the property in the goods is transferred and are recorded net of trade discounts, rebates and value added tax. Gross Sales are inclusive of excise duty. Net Sales are stated after deducting such excise duty.

Interest income is recognised on a time proportion basis taking into account the amount outstanding and rate of interest applicable. Dividend income from investments is recognised in the year in which the right to receive dividend is established.

EMPLOYEE BENEFITS

Contribution to various recognised provident funds, approved pension and gratuity funds and contributions to other retiral benefits are charged to revenue. Liabilities for retiral benefits which are in the nature of defined benefit schemes are determined on the basis of actuarial valuation as per the requirements of Accounting Standard 15 on "Employee Benefits" as at the end of the accounting period. Payments under Voluntary Retirement Scheme are charged to revenue on accrual basis in the year in which they become due for payment.

LEASES

Assets acquired by way of finance lease are capitalised at the lower of the fair value and the present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between finance charge and reduction of the lease liability based on the implicit rate of return. Finance charges are charged in the statement of profit and loss.

Lease rentals paid in respect of operating leases are charged to the statement of profit and loss.

TAXES ON INCOME

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised on timing differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods, subject to consideration of prudence. Deferred tax

assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

FOREIGN EXCHANGE TRANSACTIONS

The transactions in foreign currency are accounted for at the exchange rate prevailing on the date of the transaction. Gains and losses resulting from the settlement of such transactions and from translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit and loss.

The Company uses foreign exchange forward contracts and currency options to hedge risks associated with movements in foreign exchange rates. The use of these foreign exchange forward contracts and currency options is to reduce the risk or cost to the company and are not meant for trading or speculation purposes.

The Company adopted Accounting Standard 30 on "Financial Instruments: Recognition and Measurement" issued by the Institute of Chartered Accountants of India to the extent the adoption does not contradict with existing accounting standards and other authoritative pronouncements of the Company Law and other regulatory requirements.

Foreign exchange forward contracts and currency options that are designated as cash flow hedges and qualify for hedge accounting are fair valued at each reporting date and the resultant gain or loss is recognised directly in Shareholders' Funds under 'Cash Flow Hedge Reserve Account' to the extent considered highly effective and are reclassified into the statement of profit & loss upon occurrence of the hedged transactions.

Gain or loss on derivative instruments that are either not designated as cash flow hedges or designated as cash flow hedges to the extent considered ineffective is recognised in the statement of profit and loss.

If the hedged transaction is no longer expected to occur, the net cumulative gain or loss on the hedging instrument recognised in Shareholders' Funds under Cash Flow Hedge Reserve is transferred to the statement of profit and loss.

RESEARCH AND DEVELOPMENT

Revenue expenditure on Research and Development is recognised in the statement of profit and loss in the year it is incurred. Capital expenditure on research and development is included under fixed assets.



NOTES ON THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

	2015	2014		
2. SHARE CAPITAL				
(a) AUTHORISED				
5,00,00,000 Ordinary Shares of ₹10 each	5000.00	5000.00		
50,00,000 Cumulative Redeemable Preference Shares of ₹100 each	5000.00	5000.00		
	<u>10000.00</u>	<u>10000.00</u>		
(b) ISSUED AND SUBSCRIBED				
1,54,41,920 Ordinary Shares of ₹10 each fully paid up	<u>1544.19</u>	<u>1544.19</u>		
(c) There was no movement in number of Ordinary Shares during the year.				
(d) Details of shareholders holding more than 5% of Ordinary Shares:				
Name of the Shareholders	No. Lakhs	% holding	No. Lakhs	% holding
Bright Star Investments Private Limited	40.07	25.95	40.07	25.95
The Raleigh Investment Company Limited	36.20	23.45	36.20	23.45
Tobacco Manufacturers (India) Limited	12.79	8.28	12.79	8.28
Matthews India Fund	10.74	6.96	—	—
Small Cap World Fund Inc.	10.03	6.50	10.03	6.50
(e) RIGHTS, PREFERENCES AND RESTRICTIONS ATTACHED TO ORDINARY SHARES				
The Company has only one class of Ordinary Shares outstanding, having a par value of ₹10 each, that rank <i>pari passu</i> in all respects including voting rights and entitlement to dividend.				
3. RESERVES AND SURPLUS				
CAPITAL REDEMPTION RESERVE	1000.25	1000.25		
REVALUATION RESERVE				
As at the commencement of the year	361.00	370.02		
Less: Transfer to General Reserve (Refer Note 8)	95.72	—		
Transfer to Statement of Profit and Loss				
- Depreciation & Amortisation expense (Refer Note 25)	<u>—</u>	<u>9.02</u>		
	265.28	361.00		
GENERAL RESERVE				
As at the commencement of the year	18665.29	17155.29		
Less: Transfer from Fixed Assets				
(Net of deferred Tax) (Refer Note 8)	243.86	—		
Recoupment from Revaluation Reserve	(95.72)	<u>—</u>		
	<u>18517.15</u>	<u>17155.29</u>		
Add: Transfer from surplus balance in the Statement of Profit and Loss	1525.00	1510.00		
	<u>20042.15</u>	<u>18665.29</u>		
CASH FLOW HEDGE RESERVE				
As at the commencement of the year	120.16	67.27		
Add: Movement during the year (Net)	<u>(61.81)</u>	<u>52.89</u>		
	58.35	120.16		
SURPLUS IN THE STATEMENT OF PROFIT AND LOSS				
As at the commencement of the year	11132.67	10273.80		
Add: Profit after Tax Expense for the year	<u>15220.79</u>	<u>15015.26</u>		
Profit available for appropriation	<u>26353.46</u>	<u>25289.06</u>		
Less: Appropriations				
Transfer to General Reserve	1525.00	1510.00		
Dividend on				
Ordinary Shares for the year - Final (Proposed)	10809.34	10809.34		
Dividend Tax thereon	<u>2261.84</u>	<u>1837.05</u>		
	<u>11757.28</u>	<u>11132.67</u>		
	<u>33123.31</u>	<u>31279.37</u>		



NOTES ON THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

	2015	2014
4. LONG-TERM PROVISIONS		
Provision for Employee Benefits		
- Retirement Benefits (Refer Note 34)	616.32	329.43
	<u>616.32</u>	<u>329.43</u>
5. TRADE PAYABLES		
Payables for Goods and Services	7757.31	4990.56
	<u>7757.31</u>	<u>4990.56</u>
Micro and small enterprises		
There are no micro and small enterprises to whom the Company owes dues, which are outstanding as at 31st March, 2015 (31st March, 2014 - Nil). This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.		
6. OTHER CURRENT LIABILITIES		
Advances from Customers	9283.02	10035.63
Liability under State and Central Acts, etc.	16287.53	13926.55
Unpaid/Unclaimed Dividends	602.89	505.19
Preference Share Redemption Account	0.18	0.18
Security Deposits	3.15	3.15
Other Liabilities	313.72	252.37
	<u>26490.49</u>	<u>24723.07</u>
There is no amount due and outstanding to be credited to Investor Education and Protection Fund as at the year end.		
Liability under State and Central Acts includes an amount of ₹11371.26 Lakhs (2014 - ₹11342.58 Lakhs) relating to matters pending before various judicial forums in respect of which the date of expected settlement is not ascertainable.		
7. SHORT-TERM PROVISIONS		
Proposed Dividend on Ordinary Shares*	10809.34	10809.34
Dividend Tax thereon	2261.84	1837.05
	<u>13071.18</u>	<u>12646.39</u>
*An amount of ₹70 (2014 - ₹70) per Ordinary Share is proposed to be declared as dividend for the year.		

₹ in Lakhs

	Gross Block			Accumulated Depreciation & Amortisation				Net Block	
	Cost/ Revaluation as at 1st April, 2014	Additions	Disposals	Balance as at 31st March, 2015	Balance as at 1st April, 2014	Depreciation for the year	Adjustment on Disposals	Balance as at 31st March, 2015	Balance as at 31st March, 2014
A. Tangible Assets									
Land	1241.66	33.30	-	1274.96	-	-	-	1274.96	1241.66
Buildings on Freehold Land	1094.98	24.26	-	1119.24	466.02	37.48	-	549.71	628.96
Buildings on Leasehold Land	1222.87	-	-	1222.87	1137.99	15.89	-	39.30	84.88
Plant & Equipment	36762.78	2078.02	286.14	38554.66	18057.05	3018.40	286.14	17542.30	18705.73
Furniture & Fixtures	430.21	63.25	10.28	483.18	385.69	7.65	10.27	100.11	44.52
Motor Vehicle	374.03	73.24	78.99	368.28	219.83	77.73	71.86	142.58	154.20
Office Equipment	318.95	100.83	7.62	412.16	268.31	31.58	7.62	118.52	50.64
Total Tangible Assets	41445.48	2372.90	383.03	43435.35	20534.89	3188.73	375.89	19767.48	20910.59
B. Intangible Assets									
Goodwill & Trade Marks	5.81	-	-	5.81	5.81	-	-	5.81	-
Computer Software	51.82	11.62	-	63.44	51.82	1.69	-	9.93	-
Time Share Rights	172.00	-	-	172.00	172.00	-	-	172.00	-
Total Intangible Assets	229.63	11.62	-	241.25	229.63	1.69	-	9.93	-
Per Balance Sheet 31st March, 2015	41675.11	2384.52	383.03	43676.60	20764.52	3190.42	375.89	19777.41	20910.59
Per Balance Sheet 31st March, 2014	35717.33	6067.05	109.27	41675.11	18200.76	2666.15	102.39	20764.52	-

Pursuant to notification of Schedule II of the Companies Act, 2013 (the 'Act'), with effect from 1st April, 2014, the Company has reviewed and revised the estimated useful life of its fixed assets, generally in accordance with the provisions of Schedule II of the Act. In respect of assets whose useful life is exhausted, after considering the transitional provision specified in Schedule II of the Act, ₹148.14 Lakhs (net of related deferred tax of ₹76.28 Lakhs and recoupment of revaluation reserve of ₹95.72 Lakhs) has been adjusted in the General Reserve as on 1st April, 2014.



NOTES ON THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

	2015	2014
9. NON-CURRENT INVESTMENTS		
Other than Trade - at cost		
Investment in Equity Instruments		
QUOTED		
Duncan Industries Limited		
184 Equity Shares of ₹10 each fully paid up	0.04	0.04
Godfrey Phillips India Limited		
1,000 Equity Shares of ₹2 each fully paid up	0.01	0.01
Golden Tobacco Limited		
50 Equity Shares of ₹10 each fully paid up	0.01	0.01
Housing Development Finance Corporation Limited		
6,000 Equity Shares of ₹2 each fully paid up	0.08	0.08
HDFC Bank Limited		
2,500 Equity Shares of ₹2 each fully paid up	0.05	0.05
	<u>0.19</u>	<u>0.19</u>
UNQUOTED		
Andhra Pradesh Gas Power Corporation Limited		
1,39,360 shares of ₹10 each fully paid up	220.38	220.38
Twin Towers Premises Co-operative Society Limited		
10 Shares of ₹50 each fully paid up		
[Cost ₹500 (Previous Year - ₹500)]		
Tobacco Institute of India - (Limited by Guarantee Maximum Contribution ₹10.00 Lakhs)		
ITC Classic Real Estate Finance Limited		
50,00,000 Equity Shares of ₹10 each fully paid up		
ITC Agrotech Finance and Investments Limited		
23,82,500 Equity Shares of ₹10 each fully paid up		
	<u>220.38</u>	<u>220.38</u>
Investment in Government/Trust Securities		
National Savings Certificate cost ₹500 (Previous Year - ₹500)		
Lodged with Government Authority		
Investments in Debentures or Bonds		
ITC Agrotech Finance and Investments Limited		
25,00,000 Floating Rate Unsecured Optionally Fully		
Convertible Debentures of ₹100 each fully paid up		
Investment in Mutual Funds		
HDFC - Top 200 Fund		
50,000 units of ₹10 each fully paid up	5.00	5.00
Sundaram Energy Opportunities Fund-Growth		
Nil (2014 - 10,00,000) units of ₹10 each fully paid up	-	100.00
	<u>5.00</u>	<u>105.00</u>
Total of Non-Current Investments	<u>225.57</u>	<u>325.57</u>
Aggregate amount of Quoted Investments	0.19	0.19
[Market Value - ₹108.77 Lakhs (Previous Year - ₹78.21 Lakhs)]		
Aggregate amount of Other Investments	225.38	325.38



NOTES ON THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

	2015	2014
10. DEFERRED TAX ASSET - NET		
Deferred tax asset		
On employees' separation and retirement	194.28	103.09
On State and Central Taxes, etc.	2530.50	2429.04
On other timing differences	40.17	40.64
	<u>2764.95</u>	<u>2572.77</u>
Deferred tax liability		
On fiscal allowances on fixed assets	1364.40	1583.45
	<u>1400.55</u>	<u>989.32</u>
11. LONG-TERM LOANS AND ADVANCES		
(Considered Good)		
Secured		
Loans to Employees	29.08	32.37
Unsecured		
Capital Advances	-	4.00
Security Deposits	38.34	37.81
Advances recoverable in cash or in kind or for value to be received	39.57	138.22
Loans to Employees	0.18	1.75
	<u>107.17</u>	<u>214.15</u>
12. OTHER NON-CURRENT ASSETS		
(Unsecured, Considered Good)		
Balances with Banks		
- On Term Deposits with original maturity of more than 12 months	1.27	1.27
Lodged with Government Authorities	<u>1.27</u>	<u>1.27</u>



₹ in Lakhs

	2015	2014
13. CURRENT INVESTMENTS		
Other than Trade and Unquoted - at lower of cost and fair value		
Investment in Mutual Funds		
Birla Sun Life Savings Fund - Direct Plan - Growth 4,28,672 (2014 - 6,33,491) units of ₹100 each fully paid up	1000.00	1500.00
Birla Sun Life Treasury Optimizer Plan - Direct Plan - Growth 5,77,688 (2014 - Nil) units of ₹100 each fully paid up	1000.00	-
Birla Sun Life Floating Rate Fund - Short Term Plan - Direct - Growth 5,37,662 (2014 - Nil) units of ₹100 each fully paid up	1000.00	-
Birla Sun Life Cash Plus - Direct Plan - Growth 1,78,214 (2014 - 2,43,311) units of ₹100 each fully paid up	400.00	500.00
Birla Sun Life Floating Rate Long Term - Direct Plan - Daily Dividend Reinvestment Nil (2014 - 9,99,809) units of ₹100 each fully paid up	-	1003.73
Birla Sun Life FTP - Series HM (366 Days) - Direct Plan - Growth Nil (2014 - 50,00,000) units of ₹10 each fully paid up	-	500.00
DSP BlackRock Liquidity Fund - Direct Plan - Growth Nil (2014 - 27,266) units of ₹1,000 each fully paid up	-	500.00
HDFC Banking and PSU Debt Fund - Direct Growth Option 2,26,98,631 (2014 - Nil) units of ₹10 each fully paid up	2500.00	-
HDFC Quarterly Interval Fund - Plan A - Retail Plan - Direct Plan - Dividend Payout Nil (2014 - 78,94,214) units of ₹10 each fully paid up	-	790.06
HDFC FMP 370D August 2013 (4) Series 27 - Direct Plan - Growth Nil (2014 - 50,00,000) units of ₹10 each fully paid up	-	500.00
ICICI Prudential Flexible Income - Regular Plan - Growth 5,83,995 (2014 - 5,83,995) units of ₹100 each fully paid up	1000.00	1000.00
ICICI Prudential Flexible Income - Direct Plan - Growth 4,57,264 (2014 - 6,65,290) units of ₹100 each fully paid up	1000.00	1500.00
ICICI Prudential Money Market Fund - Direct Plan - Growth 5,17,551 (2014 - Nil) units of ₹100 each fully paid up	1000.00	-
ICICI Prudential Interval Fund - Quarterly Interval Plan 1 - Direct Plan - Dividend Payout Nil (2014 - 99,97,500) units of ₹10 each fully paid up	-	1000.00
IDFC Money Manager Fund - Treasury Plan - Direct Plan - Growth 67,77,272 (2014 - 74,18,015) units of ₹10 each fully paid up	1500.00	1500.00



NOTES ON THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

	2015	2014
CURRENT INVESTMENTS (Contd.)		
IDFC Cash Fund - Direct Plan - Growth		
Nil (2014 - 64,213) units of ₹1,000 each fully paid up	–	1000.00
IDFC Fixed Term Plan Series 82 Direct Plan - Periodic Dividend (92 Days)		
Nil (2014 - 50,00,000) units of ₹10 each fully paid up	–	500.00
Reliance Money Manager Fund - Growth		
74,716 (2014 - 74,716) units of ₹1,000 each fully paid up	1000.00	1000.00
Reliance Money Manager Fund - Direct Plan - Growth		
1,14,375 (2014 - 62,436) units of ₹1,000 each fully paid up	2000.00	1000.00
Reliance Fixed Horizon Fund - XXIV - Series 11 - Direct Plan - Growth		
Nil (2014 - 1,00,00,000) units of ₹10 each fully paid up	–	1000.00
Reliance Fixed Horizon Fund - XXV Series 29 - Direct Plan - Dividend Plan - Dividend Payout		
Nil (2014 - 50,00,000) units of ₹10 each fully paid up	–	500.00
SBI Magnum Insta Cash Fund - Direct Plan - Growth		
97,068 (2014 - Nil) units of ₹1,000 each fully paid up	3000.00	–
SBI Premier Liquid Fund - Direct Plan - Daily Dividend Reinvestment		
Nil (2014 - 1,99,566) units of ₹1,000 each fully paid up	–	2002.15
UTI Treasury Advantage Fund - Institutional Plan - Direct Plan - Growth		
31,649 (2014 - 31,649) units of ₹1,000 each fully paid up	500.00	500.00
Total of Current Investments	<u>16900.00</u>	<u>17795.94</u>
Aggregate amount of Unquoted Investments	16900.00	17795.94



NOTES ON THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

	2015	2014
14. INVENTORIES (At lower of cost and net realisable value)		
Stores and Spare Parts	81.82	82.60
Raw Materials including packing materials	22570.64	21490.97
Finished Goods	13592.06	4813.70
Work-in-Progress	362.38	374.79
	<u>36606.90</u>	<u>26762.06</u>
15. TRADE RECEIVABLES (Unsecured, Considered Good) Receivables outstanding for a period not exceeding six months from the date they are due for payment	<u>1195.31</u>	<u>777.89</u>
	<u>1195.31</u>	<u>777.89</u>
16. CASH AND BANK BALANCES		
Cash and cash equivalents		
Cash including cheques on hand	1.65	0.83
Balances with Banks		
- On Current Accounts	2100.35	1187.34
- On Term Deposits [#]	1500.00	3000.00
	<u>3602.00</u>	<u>4188.17</u>
Other Bank Balances*		
- On Unclaimed Ordinary Dividend Account	602.89	505.19
- On Preference Share Redemption Account	0.18	0.18
	<u>4205.07</u>	<u>4693.54</u>
[#] These can be withdrawn at any point of time without prior notice or exit costs on the principal amount. [*] The Company can utilise these balances only towards settlement of respective liabilities.		
17. SHORT-TERM LOANS AND ADVANCES (Considered Good)		
Secured		
Loans to Employees	3.30	3.39
Unsecured		
Loans to Employees	1.26	5.59
Advances recoverable in cash or in kind or for value to be received	474.58	584.58
Prepaid Expenses	218.23	215.58
Taxation (Net of provisions)	281.82	314.79
Balance with Statutory/Government Authorities	793.85	1443.41
	<u>1773.04</u>	<u>2567.34</u>
18. OTHER CURRENT ASSETS (Unsecured, Considered Good)		
Interest accrued on Loans, Deposits and Investments	0.68	2.78
Others	409.83	469.98
	<u>410.51</u>	<u>472.76</u>



NOTES ON THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

	2015	2014
23. CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS		
(a) (Increase)/Decrease in Finished Goods		
Opening Stock	4813.70	4044.96
Closing Stock	<u>13592.06</u>	<u>4813.70</u>
	(8778.36)	(768.74)
(b) Increase/(Decrease) in Excise Duties on Finished Goods		
Opening Stock	3662.67	3302.57
Closing Stock	<u>11516.57</u>	<u>3662.67</u>
	7853.90	360.10
(c) (Increase)/Decrease in Work-in-Progress		
Opening	374.79	587.26
Closing	<u>362.38</u>	<u>374.79</u>
	12.41	212.47
	<u>(912.05)</u>	<u>(196.17)</u>
24. EMPLOYEE BENEFITS EXPENSE		
Salaries, Wages and Bonus	6594.03	5994.61
Contributions to Provident, Gratuity and Other Retiral Funds	820.60	726.93
Workmen and Staff Welfare Expenses	293.08	270.56
	<u>7707.71</u>	<u>6992.10</u>
25. DEPRECIATION AND AMORTISATION EXPENSE		
Depreciation of tangible assets	3188.73	2666.15
Depreciation of intangible assets	1.69	-
	<u>3190.42</u>	<u>2666.15</u>
Less: Recoupment from revaluation reserve	-	9.02
	<u>3190.42</u>	<u>2657.13</u>



NOTES ON THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

	2015	2014
26. OTHER EXPENSES		
Insurance	158.72	150.38
Consumption of Stores and Spare Parts	503.84	567.68
Power and Fuel	576.00	565.69
Rent	287.49	273.16
Repairs - Buildings	36.08	23.76
- Machinery	81.49	72.61
- Others	31.80	27.16
Rates and Taxes	2189.49	2306.72
Outward Freight	1376.09	1270.31
Sales Promotion/Advertising	2851.52	2164.97
Distribution Expenses	795.10	1420.84
Loss on Exchange (Net)	23.82	411.69
Miscellaneous	2674.92	2455.68
Payment to Auditors (See details below)	41.51	38.14
Corporate Social Responsibility	207.00	—
Directors' Sitting Fees & Commission	105.05	97.07
	<u>11939.92</u>	<u>11845.86</u>
Payment to Auditors		
Audit fees	30.00	26.00
Tax Audit fees	2.00	2.00
Limited Reviews	6.00	6.00
Fees for certification	3.00	3.25
Reimbursement of expenses	0.51	0.89
	<u>41.51</u>	<u>38.14</u>
27. EARNINGS PER SHARE		
Earnings per Share is computed as under:		
(a) Profit after Tax Expense (₹ in Lakhs)	15220.79	15015.26
(b) Weighted average number of Ordinary Shares	1,54,41,920	1,54,41,920
(c) Basic Earnings Per Share (Face Value per Share: ₹10) ₹	98.57	97.24
(d) Diluted Earnings Per Share (Face Value per Share: ₹10) ₹	98.57	97.24
28. SEGMENT REPORTING		
The Company's business activity primarily falls within a single primary business segment viz. Tobacco and related products and hence no business segment information is provided. Geographical segments considered for disclosure mainly consists of sales within India and sales outside India, information in respect thereof is as under:		
(a) Sales within India	152366.54	147093.91
(b) Sales outside India	19323.84	15578.57
	<u>171690.38</u>	<u>162672.48</u>
The entire activity pertaining to sales outside India is carried out from India, hence all segment assets are considered entirely to be in India.		



NOTES ON THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

	2015	2014
29. RELATED PARTY TRANSACTIONS DURING THE YEAR		
(a) Company having significant influence		
British American Tobacco Group		
Dividends paid, to		
• The Raleigh Investment Company Limited	2534.29	2262.76
• Tobacco Manufacturers (India) Limited	895.26	799.34
• Rothmans International Enterprises Limited	46.58	41.59
Sales - Goods, to		
• Fiedler & Lundgren AB	-	40.50
Services, etc, to		
• British American Tobacco	-	0.38
(b) Remuneration to Key Managerial Personnel		
Mr. N. Sai Sankar	341.19	338.65
Mr. Devraj Lahiri	124.58	92.94
30. EXPENDITURE ON R&D		
On Capital account	83.95	-
On Revenue account	360.88	445.97
	<u>444.83</u>	<u>445.97</u>
31. CONTINGENT LIABILITIES AND COMMITMENTS		
(a) Contingent Liabilities		
Claims against the Company not acknowledged as debts ₹566.47 Lakhs (2014 - ₹2355.48 Lakhs).		
These comprise -		
(i) Tax demands disputed by the Company relating to disallowances/additions of fiscal benefits, pending before various judicial forums, aggregating to ₹562.22 Lakhs (2014 - ₹2351.23 Lakhs).		
(ii) Other matters relating to labour cases, etc. aggregating to ₹4.25 Lakhs (2014 - ₹4.25 Lakhs).		
(b) Commitments		
Estimated amount of contracts remaining to be executed on Capital Account (not provided for) - ₹Nil (2014 - ₹329.06 Lakhs).		
32. FUTURE LEASE OBLIGATIONS		
The Company has entered into various operating lease agreements and the amounts paid under such agreements have been charged to revenue as Rent under Note 26. All these agreements are cancellable in nature.		
33. DISCLOSURES REGARDING DERIVATIVE INSTRUMENTS		
The Company uses forward exchange contracts to hedge its foreign currency exposures related to the underlying transactions, firm commitments and highly probable forecasted transactions. The use of these foreign exchange forward contracts are intended to reduce the risk or cost to the Company and are not intended for trading or speculation purpose. The information on such derivative instruments is as follows:		



- (a) Forward exchange contracts outstanding as at year end: In Lakhs

		31.03.2015		31.03.2014	
Currency Pair	Currency	Buy	Sell	Buy	Sell
USD/INR	INR	–	4269.57	–	1716.02

- (b) Foreign exchange currency exposure recognised by the Company that have not been hedged by a derivative instruments or otherwise as at year end: In Lakhs

		31.03.2015		31.03.2014	
Currency Pair	Currency	Buy	Sell	Buy	Sell
USD/INR	INR	73.08	992.02	69.13	662.32
EUR/INR	INR	183.24	–	50.01	–
GBP/INR	INR	27.55	–	–	–

- (c) Hedges of highly probable forecasted transactions:

Foreign exchange forward contracts that are designated as cash flow hedges and qualify for hedge accounting are fair valued at each reporting date and the resultant gain or loss is recognised directly in Shareholders' Funds under 'Cash Flow Hedge Reserve Account' to the extent considered highly effective and are reclassified into the statement of profit & loss upon occurrence of the hedged transactions. Gain or loss on derivative instruments that are either not designated as cash flow hedges or designated as cash flow hedges to the extent considered ineffective is recognised in the statement of profit and loss.

In respect of the aforesaid hedges of highly probable forecasted transactions the Company has recorded, in Shareholders Funds under Cash Flow Hedge Reserve Account, a net gain/(loss) of ₹(61.81) Lakhs (2014 - ₹52.89 Lakhs). The Company also recorded a net gain/(loss) of ₹185.02 Lakhs [2014 - ₹(23.89) Lakhs] in the statement of profit & loss against the hedged item.

The net carrying amount on Company's "Cash Flow Hedge Reserve Account" as at 31st March, 2015 was a gain of ₹58.35 Lakhs (2014 - ₹120.16 Lakhs).

34. EMPLOYEE BENEFITS

- (a) The Employee Benefit Schemes are as under:

(i) Provident Fund

Eligible employees of the Company receive benefits under the Provident Fund which are defined contribution/benefit plans wherein both the Company and the employees make monthly contributions equal to a specified percentage of the covered employees' salary. These contributions are made to the Funds administered and managed by the Government of India/ Company's own Trust. The Company's own trust plan envisages guarantee of interest at the rate notified by the Provident Fund authority. The Company's contributions along with interest shortfall, if any, are charged to revenue in the year they are incurred. Expenditure for the year amounted to ₹230.70 Lakhs (2014 - ₹167.71 Lakhs).

Major category of Plan Assets as a % of the Total Plan Assets of the Company's Own Provident Fund Trust:

		2015	2014
Central government securities	(%)	37.3	38.4
State government securities	(%)	21.4	19.8
High quality corporate bonds	(%)	40.9	41.4
Cash and cash equivalent	(%)	0.4	0.4

(ii) Gratuity

In accordance with the Payment of Gratuity Act, 1972 of India, the Company provides for gratuity, a defined retirement benefit plan (the 'Gratuity Plan') covering eligible employees. Liabilities with regard to such Gratuity Plan are determined by actuarial valuation and are charged to revenue in the period determined. The Gratuity Plan is a funded Plan administered by Company's own Trust which has subscribed to "Group Gratuity Scheme" of Life Insurance Corporation of India.

(iii) Pension Fund

The Company has a defined contribution pension scheme to provide pension to the eligible employees. The Company makes monthly contributions equal to a specified percentage of the covered employees' salary at their option to either National Pension Scheme of the Government of India and/or to an approved Superannuation Fund. In case of the later, the contributions are administered by the Company's own Trust which has subscribed to the "Group Pension Scheme" of Life Insurance Corporation of India. The Company's contributions are charged to revenue in the period they are incurred ₹101.71 Lakhs (2014 - ₹97.65 Lakhs). In addition to the above, the Company has a funded defined benefit pension scheme for its employees in the workmen category.



Liability with regard to such defined benefit plan are determined by actuarial valuation and are charged to revenue in the period determined. The plan is also administered by the Company's own Trust which has subscribed to 'Group Pension Scheme' of Life Insurance Corporation of India.

(iv) Leave Encashment

The accrual for unutilised leave is determined for the entire available leave balance standing to the credit of the employees at period-end. The value of such leave balance eligible for carry forward, is determined by actuarial valuation and charged to revenue in the period determined. The scheme is fully funded by way of subscription to the 'Leave Encashment Scheme' of Life Insurance Corporation of India.

(v) Retirement Allowance

The Company has an unfunded defined benefit retirement allowance scheme for its employees in the workmen category. Liability with regard to such scheme is determined by actuarial valuation and charged to revenue in the period determined ₹367.74 Lakhs (2014 - ₹303.29 Lakhs). Consequently, liability recognised in the Balance Sheet as at 31st March, 2015 is ₹571.58 Lakhs (2014 - ₹303.29 Lakhs).

(b) The following table sets out the status of the Retirement and Other Defined Benefit Plans as required under the Standard:
₹ in Lakhs

	Gratuity		Pension		Leave Encashment	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014	31.03.2015	31.03.2014
Projected benefit obligation at the beginning of the year	2897.49	2575.83	118.05	122.67	508.57	494.81
Current Service Cost	139.21	152.31	7.51	8.05	35.75	31.93
Interest cost	209.20	198.65	8.48	9.31	31.43	32.73
Actuarial (Gain)/Loss	121.09	155.98	(4.77)	(9.50)	187.11	120.55
Less: Benefits Paid	216.31	185.28	10.06	12.48	179.23	171.45
Past Service Cost	-	-	-	-	-	-
Projected benefit obligation at the end of the year	3150.68	2897.49	119.21	118.05	583.63	508.57
Fair value of Plan Assets at the beginning of the year	2876.20	2553.71	148.39	149.51	503.72	494.85
Expected return on Plan Assets	225.11	217.20	11.27	11.91	40.00	39.94
Actuarial Gain/(Loss)	10.48	13.45	2.56	(0.55)	1.46	4.18
Employer Contributions	231.30	277.12	-	-	70.00	34.00
Less: Benefits Paid	216.31	185.28	10.06	12.48	52.39	69.25
Fair value of Plan Assets at the end of the year	3126.78	2876.20	152.16	148.39	562.79	503.72
Amounts recognised in the Balance Sheet						
Projected benefit obligation at the end of the year	3150.68	2897.49	119.21	118.05	583.63	508.57
Fair value of Plan Assets at end of the year	3126.78	2876.20	152.16	148.39	562.79	503.72
Asset/(Liability) recognised in the Balance Sheet	(23.90)	(21.29)	32.95	30.34	(20.84)	(4.85)
Cost of retirement and other benefits for the year						
Current Service cost	139.21	152.31	7.51	8.05	35.75	31.93
Interest Cost	209.20	198.65	8.48	9.31	31.43	32.73
Expected return on Plan Assets	(225.11)	(217.20)	(11.27)	(11.91)	(40.00)	(39.94)
Net actuarial (Gain)/Loss recognised in the year	110.61	142.53	(7.33)	(8.95)	185.65	116.37
Past Service Cost	-	-	-	-	-	-
Net Cost recognised in the Statement of Profit and Loss	233.91	276.29	(2.61)	(3.50)	212.83	141.09
Actuarial assumptions						
Discount Rate (%)	7.50	8.00	7.50	8.00	7.50	8.00
Expected Return on Plan Assets (%)	7.50	8.00	7.50	8.00	7.50	8.00

The estimates of future salary increases, considered in actuarial valuations take account of inflation, seniority, promotion and other relevant factors such as supply and demand factor in the employment market.

Investment details of the Plan Assets

In the absence of detailed information regarding plan assets which are funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage or amount of each category to the fair value of plan assets is not disclosed.



NOTES ON THE FINANCIAL STATEMENTS

VST Industries Limited

	2015		2014	
	₹ in Lakhs	%	₹ in Lakhs	%
35. VALUE OF RAW MATERIALS, SPARE PARTS AND COMPONENTS CONSUMED				
Raw Materials				
Imported	1043.59	2.6	784.75	2.0
Indigenous	39623.09	97.4	37680.21	98.0
	<u>40666.68</u>	<u>100.0</u>	<u>38464.96</u>	<u>100.0</u>
Stores and Spare Parts				
Imported	117.97	23.4	63.47	11.2
Indigenous	385.87	76.6	504.21	88.8
	<u>503.84</u>	<u>100.0</u>	<u>567.68</u>	<u>100.0</u>
36. EXPORTS AND IMPORTS				
Export of goods (F.O.B. Value)	<u>19275.53</u>		<u>15551.10</u>	
Imports (C.I.F. Value)				
Raw Materials	922.18		758.36	
Spare Parts	163.22		110.14	
Capital Goods	1245.21		3704.55	
	<u>2330.61</u>		<u>4573.05</u>	
37. EXPENDITURE IN FOREIGN CURRENCY				
Miscellaneous - Travelling, Advertisement and Subscriptions etc.	<u>207.40</u>		<u>57.68</u>	
38. DIVIDEND PAID TO NON-RESIDENT SHAREHOLDERS IN FOREIGN CURRENCY				
FINAL				
Amount of dividend	3476.13		3103.69	
Number of Non-Resident Shareholders		3		3
Number of Shares held		49,65,902		49,65,902
The year to which the dividend relate (year ended)		31-03-2014		31-03-2013
39. COMPARATIVE FIGURES				
The Comparative figures for the previous year have been re-arranged to conform with the current year presentation of the accounts.				
This is the Balance Sheet referred to in our report of even date.		On behalf of the Board,		
For LOVELOCK & LEWES		R. S. NORONHA	Chairman	
Firm Registration No. 301056E		DIN: 00012620		
Chartered Accountants		N. SAI SANKAR	Managing Director	
N.K. VARADARAJAN		DIN: 00010270		
Partner		ANISH GUPTA	Chief Financial Officer	
Membership No. 90196		NITESH BAKSHI	Company Secretary	
Hyderabad, 21st April, 2015.		Hyderabad, 21st April, 2015.		



Operating Results 2006-2015

₹ in Lakhs

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
REVENUE FROM OPERATION (GROSS)	71648	72523	77344	101735	112542	139964	160276	162607	163121	172308
EXCISE DUTY	40411	38903	43347	62366	65325	81811	91833	95739	84203	88692
OPERATING PROFIT	9938	8053	8413	9535	7018	14257	20977	18031	21811	24213
OTHER INCOME	2284	1580	1578	694	3326	1711	2572	2625	3244	1853
DEPRECIATION	1024	1148	1372	1582	1787	2442	2483	2250	2657	3190
FINANCE COST	8	9	13	13	3	—	—	—	—	—
PROFIT BEFORE TAX & EXTRAORDINARY ITEM	11190	8476	8606	8634	8554	13526	21066	18406	22398	22876
PROFIT AFTER TAX & EXTRAORDINARY ITEM	4310	5509	5835	6182	6205	9501	14251	12625	15015	15221
DIVIDEND*	2201	3613	3613	5420	5402	8076	11666	11291	12646	13071
EARNINGS IN FOREIGN EXCHANGE (FOB VALUE)	4527	4690	6075	10842	15499	15040	15575	12129	15551	19276

Sources and Application of Funds 2006-2015

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
SOURCES										
EQUITY CAPITAL	1544	1544	1544	1544	1544	1544	1544	1544	1544	1544
RESERVES	17633	19479	21649	22401	23194	24900	27475	28867	31280	33124
NET CAPITAL EMPLOYED	19177	21023	23193	23945	24738	26444	29019	30411	32824	34668
APPLICATION										
GROSS FIXED ASSETS	17768	19551	23345	25463	27807	30369	33604	35724	41678	43677
DEPRECIATION	8865	9843	11173	12377	13867	15120	17251	18201	20765	23899
NET FIXED ASSETS	8903	9708	12172	13086	13940	15249	16353	17523	20913	19778
NET OTHER ASSETS (INCL. INVESTMENTS & DEFERRED TAX)	10274	11315	11021	10859	10798	11195	12666	12888	11911	14890
NET ASSETS EMPLOYED	19177	21023	23193	23945	24738	26444	29019	30411	32824	34668

Performance Ratios 2006-2015

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
EARNINGS PER SHARE (₹)	27.9	35.7	37.8	40.0	40.2	61.5	92.3	81.8	97.2	98.6
DIVIDEND PER SHARE (₹)	12.5	20.0	20.0	30.0	30.0	45.0	65.0	62.5	70.0	70.0
RETURN ON NET CAPITAL EMPLOYED (%)	22.5	26.2	25.2	25.8	25.1	35.9	49.1	41.5	45.7	43.9
RETURN ON NET WORTH (%)	22.5	26.2	25.2	25.8	25.1	35.9	49.1	41.5	45.7	43.9

* Includes Income Tax on Dividend.



VST Industries Limited

PROXY FORM

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

VST Industries Limited

CIN: L29150TG1930PLC000576

Registered Office: Azamabad, Hyderabad - 500 020

Phone: +91 40 2761 0460 | Fax : +91 40 2761 5336

Email: investors@vstind.com | Website:www.vsthyd.com

Name of the Member(s)			
Registered address			
Email ID			
Folio No./Client ID			
DP ID		No. of Shares	

I/We, being a member/members of above named Company, hereby appoint:

1. Name			
Address		Signature	
Email ID			
or failing him/her			
2. Name			
Address		Signature	
Email ID			
or failing him/her			
3. Name			
Address		Signature	
Email ID			

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 84th Annual General Meeting of the Company, to be held on Wednesday, 12th August, 2015 at 9.30 a.m. at Hotel Taj Krishna, Road No. 1, Banjara Hills, Hyderabad - 500 034 and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.	Resolutions	For*	Against*
	Ordinary Business		
1.	Consideration and adoption of Audited Financial Statement, Report of the Board of Directors and Auditors thereon		
2.	Declaration of dividend on equity shares		
3.	Re-appointment of Mr. Raymond S. Noronha who retires by rotation and being eligible, offers himself for re-appointment		
4.	Appointment of Lovelock & Lewes, Chartered Accountants as Auditors and fixing their remuneration		
	Special Business		
5.	Appointment of Mr. Ramakrishna Venkata Addanki as Non-Executive Director		
6.	Re-appointment of Mr. N. Sai Sankar as Managing Director		
7.	Approval of revised terms of appointment of Mr. Devraj Lahiri, Wholetime Director		
8.	Change of location to maintain Register of Members, Index of Members, Register of Renewed and Duplicate Shares, copies of annual returns and other related books or any one or more of them		

Signed this _____ day of _____ 2015

Signature of Member _____

Signature of Proxy _____

Affix a
15 paise
Revenue
Stamp

Note:

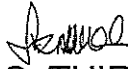
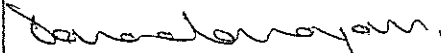
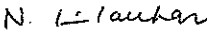
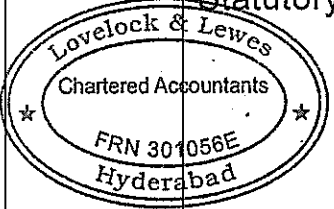

- This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
 - A person can act as a proxy on behalf of Members, not exceeding fifty, and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. A Member holding more than 10% of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
- *. It is optional to put an 'X' in the appropriate column against the resolution indicated in the box. If you leave the 'For' or 'Against' column blank against any or all the resolutions, your Proxy will be entitled to vote in the manner as he/she deems appropriate.



VST Industries Limited

FORM A

Pursuant to Clause 31(a) of Listing Agreement

1	Name of the Company	VST Industries Limited	
2	Annual financial statements for the year ended	31 st March, 2015	
3	Type of Audit observation	Un-qualified	
4	Frequency of observation	Not applicable	
5	To be signed by	For LOVELOCK & LEWES Firm Reg. No. 301056E Chartered Accountants	 S. THIRUMALAI Chairman – Audit Committee
		 N.K. VARADARAJAN Partner Membership No. 90196 Statutory Auditor	 N. SAI SANKAR Managing Director
			 ANISH GUPTA Chief Financial Officer

Auditors' Certificate regarding compliance of conditions of Corporate Governance

To the Members of VST Industries Limited

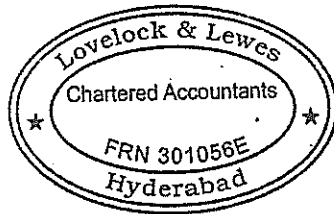
We have examined the compliance of conditions of Corporate Governance by VST Industries Limited, for the year ended March 31, 2015, as stipulated in Clause 49 of the Listing Agreement(s) of the said Company with stock exchange(s) in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

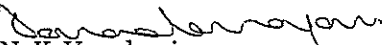
In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Hyderabad
April 21, 2015



For Lovelock & Lewes
Firm Registration Number: 301056E
Chartered Accountants


N. K. Varadarajan
Partner
Membership Number: 90196