



VST Industries Limited

July 28, 2023

The General Manager
Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Fort
Mumbai – 400 001

The Manager
Listing Department
National Stock Exchange of India Ltd.
“Exchange Plaza”
Bandra Kurla Complex, Bandra (E)
Mumbai – 400 051

STOCK CODE : 509966

STOCK SYMBOL : VSTIND

Dear Sir/Madam,

Sub : Annual Report 2023

Pursuant to Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended, we enclose a copy of the Annual Report for the financial year ended 31st March, 2023 including the Report on Accounts of the Company, Notice of the 92nd Annual General Meeting of the Company to be held on 21st August, 2023 and the Business Responsibility & Sustainability Report (BRSR).

The abovementioned report is also being uploaded on the Company's website (www.vsthyd.com).

Please take the same on record.

Yours faithfully,
For VST INDUSTRIES LIMITED

PHANI K. MANGIPUDI
Company Secretary &
Vice President – Legal & Secretarial

Encl : As above.



VST INDUSTRIES LIMITED



**RISING ABOVE
CHALLENGES**
RESILIENT
INNOVATIVE
RESPONSIBLE



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117 FINANCIAL STATEMENTS

FY 2022-23 Highlights

FINANCIAL HIGHLIGHTS

₹ **1,67,251** Lakhs
Revenue

₹ **32,698** Lakhs
Net profit

₹ **211.8**
Earnings per share

21.1%
EBIT margin

₹ **1,17,970** Lakhs
Net Assets employed

₹ **150**
Dividend per share

36.9%
RoCE

NON-FINANCIAL HIGHLIGHTS

₹ **821*** Lakhs
CSR expenditure

100
Solar streetlights

3
Classrooms

850
Smart toilets

30%
Of energy requirements
generated from renewable energy

*Includes ₹ 249.55 Lakhs pertains to ongoing project, transferred to unspent CSR accounts.

RISING ABOVE CHALLENGES RESILIENT INNOVATIVE RESPONSIBLE



At VST, we believe that winning is more than just achieving a goal. The FY 2022-23 was characterised by challenges in terms of inflationary pressure on raw materials and supply chain operations and some headwinds on volume and market share growth. Nevertheless, VST delivered good financial performance with an all-time high Net comprehensive income of ₹ 328 Crores.

With the goal of delivering long term value to our stakeholders we rolled out strategic initiatives aimed at delivering growth in terms of volume and market share. The strategies are centered around delivering consistent growth, building innovative brands, integrating new capabilities, process agility, executional excellence and environmental sustainability.

Moving ahead with the support of our team and our growth plan, we are set to emerge stronger than before. As we move into the future, we will continue to innovate, be responsible and stay focused on achieving our goals, while creating a positive impact on society and the environment.



About VST Industries

VST Industries Limited is a trusted and responsible Indian cigarette manufacturer, with a rich legacy that spans over nine decades. As an associate undertaking of British American Tobacco Plc., we have an expansive and innovative portfolio of high-quality products that allows us to cater to a wide market and prioritise customer satisfaction.

What Makes us Stand Out?



VIBRANT BRAND PORTFOLIO

Our brand portfolio is a reflection of our commitment to meeting the evolving needs of our adult consumers. Our distinctive brand portfolio has led us to achieve remarkable financial and business growth in the past seven years.



INNOVATION CAPABILITY

We have established a dedicated product innovation hub to develop and bring to life unique and innovative products that meet the evolving preferences of adult consumers. Our commitment to innovation is a driving force behind our vibrant brand portfolio.



NATIONAL PRESENCE

We have greatly increased our distribution network to effectively serve adult consumers across India and enjoy a strong national presence. Our wholesale and retail network spans the length and breadth of the country, thus enabling us to reach adult consumers in every state.

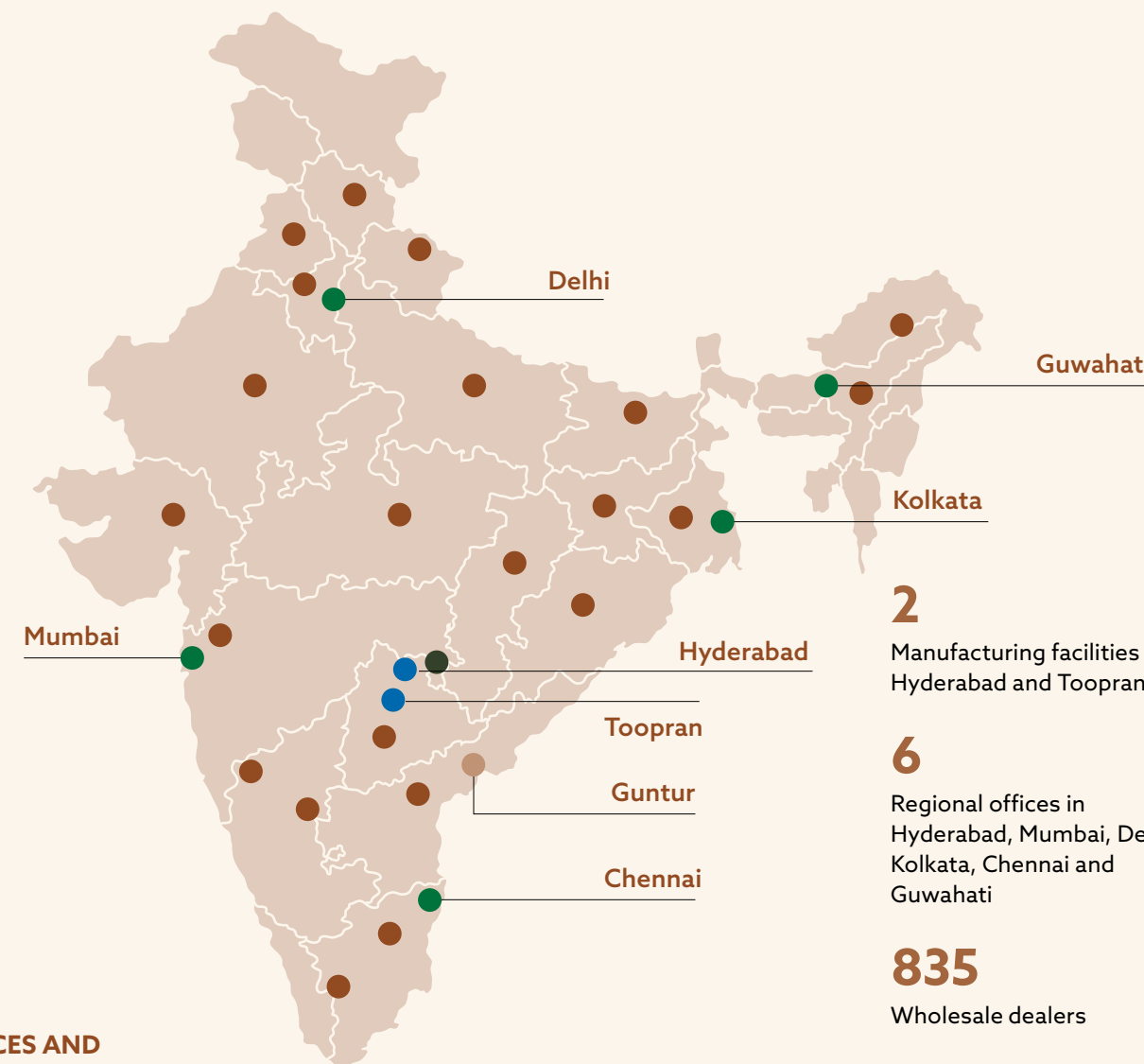


PASSIONATE TEAM

The long-term success and growth of our organisation is a collective result of the passion, skill, and ambition of our people. Guided by an effective leadership team and good governance, our people harbour the clear vision to deliver a superior performance.

Extensive Reach across India

Supported by a strong network of wholesale dealers and an extensive retail presence, we are able to effectively serve our customers and expand our market reach.



OFFICES AND MANUFACTURING FACILITIES

- Market presence (states)
- Regional offices
- Corporate office
- Manufacturing facilities
- Leaf office

2
Manufacturing facilities in Hyderabad and Toopran

6
Regional offices in Hyderabad, Mumbai, Delhi, Kolkata, Chennai and Guwahati

835
Wholesale dealers

11 Lakhs+
Retail outlets

Map not to scale.



Board of Directors



Left to Right

- 1 MR. S. THIRUMALAI**
Non-Executive Director
- 2 MR. ADITYA DEB GOOPTU**
Managing Director & CEO
- 3 MS. RAMA BIJAPURKAR**
Independent Non-Executive Director
- 4 MR. NARESH KUMAR SETHI**
Non-Executive Director & Chairman of the Board
- 5 MR. SUDIP BANDYOPADHYAY**
Independent Non-Executive Director
- 6 MR. RAJIV GULATI**
Independent Non-Executive Director

Management Team



MR. ADITYA DEB GOOPTU
Managing Director & CEO



MR. KALYAN BASU
President-Marketing



DR. T. LAKSHMI NARASIAH
Vice President-Leaf



MR. S. SRIRAM
Vice-President - Technical



MR. ANISH GUPTA
Chief Financial Officer



MR. AJAY CHAUDHARY
Vice-President-Digital Transformation



MR. AMIT ARORA
Chief Human Resource Officer



MR. TARUN MALHOTRA
Vice President-Marketing



MR. PHANI MANGIPUDI
Company Secretary and Vice President-Legal & Secretarial



Board of Directors - Profiles

1 MR. S. THIRUMALAI

Non-Executive Director

Mr. Thirumalai is a Non-Executive Director on the Board of VST Industries Limited since 2019. Prior to this, he was the Independent Non-Executive Director of the Company.

Mr. Thirumalai is a Member of the Audit, Stakeholders Relationship Committee and Corporate Social

Responsibility Committees of the Company.

Mr. Thirumalai is a Fellow Member of Institute of Chartered Accountants of India, Institute of Company Secretaries of India, Certified Associate of Indian Institute of Bankers and a law graduate. He has also attended

the Advanced Management Programme at Harvard Business School, Boston, USA. He has diversified experience of over four decades and specialises in Finance, Taxation and Legal affairs, especially in the tobacco sector.

2 MR. ADITYA DEB GOOPTU

Managing Director & CEO

Mr. Gooptu is the Managing Director & CEO of VST Industries Limited. He is a Member of the Stakeholders Relationship Committee and Corporate Social Responsibility Committee of the Company.

Mr. Gooptu holds a Bachelor's degree in Engineering from Jadavpur University and a Post Graduate Diploma in Management from IIM, Ahmedabad. He has also attended the Advanced Management Programme at the Harvard Business School.

Mr. Gooptu has spent over 17 years in Godfrey Phillips India in various roles and most recently as Executive Vice President & Business Head - Cigarettes before joining the Company.

3 MS. RAMA BIJAPURKAR

Independent Non-Executive Director

Ms. Bijapurkar joined the Board of Directors of VST Industries Limited as an Independent Non-Executive Director in 2019. Ms. Bijapurkar is the Chairperson of Nomination and Remuneration Committee and Stakeholders Relationship Committee and Member of the Audit and Corporate Social Responsibility Committees of the Company.

Ms. Bijapurkar holds a B.Sc. (Hons) degree in Physics from Delhi

University and a Post Graduate Diploma in Management from IIM Ahmedabad. Ms. Bijapurkar is a recognised thought leader on market strategy and India's consumer economy and has over 30 years of experience in market strategy consulting and market research. She has her own independent market strategy consulting practice, is a widely experienced independent director

and is also a visiting faculty at IIM Ahmedabad.

Ms. Bijapurkar is a Director on the Boards of Gokaldas Exports Limited, Apollo Hospitals Enterprise Limited, Cummins India Limited, Mahindra & Mahindra Financial Services Limited and Sun Pharmaceutical Industries Limited, Sun Pharma Distributors Limited.

4 MR. NARESH KUMAR SETHI

Non-Executive Director & Chairman of the Board

Mr. Sethi joined the Board of Directors of VST Industries Limited as a Non-Executive Director to represent the interests of the Promoter Group - British American Tobacco (BAT) in 2018. Mr. Sethi is a Member of the Nomination and Remuneration Committee, Stakeholders Relationship

Committee and Corporate Social Responsibility Committee and an invitee to the Audit Committee of the Company.

Mr. Sethi holds a Degree in Chemical Engineering from IIT, Varanasi and completed his Post Graduate Diploma in

Management from IIM, Calcutta. He is a Global Consumer Products General Manager and Strategy/Transformation Leader with a strong track record of leading large, complex businesses, consistently delivering exceptional results and sustainable shareholder value.

5 MR. SUDIP BANDYOPADHYAY

Independent Non-Executive Director

Mr. Bandyopadhyay joined the Board of Directors of VST Industries Limited as an Independent Non-Executive Director in 2019. Mr. Sudip is the Chairman of the Audit and Risk Management Committees and a Member of the Nomination and Remuneration Committee of the Company.

Mr. Bandyopadhyay is a rank holder Chartered Accountant and a Cost Accountant with

over 31 years of rich and diverse experience in various areas of finance and financial services. He is also a Gold Medalist from Calcutta University.

Mr. Bandyopadhyay is currently the Group Chairman of Inditrade (JRG) Group of Companies. Inditrade has significant presence in Agri Commodity Financing, Micro Finance business and MSME lending. He sits on the

Boards of a number of listed and unlisted domestic companies. He is also an investor in many Fintech and other Technology related ventures. He has significant presence in business media through his regular interaction on leading business channels, business newspapers and magazines.

6 MR. RAJIV GULATI

Independent Non-Executive Director

Mr. Gulati joined the Board of Directors of VST Industries Limited as an Independent Non-Executive Director in 2019. Mr. Gulati is the Chairman of the Corporate Social Responsibility Committee and Strategy Committee and Member of the Audit, Nomination and Remuneration Committee and Stakeholders Relationship Committees of the Company.

Mr. Gulati has completed his Masters in Pharmaceutical Technology from IIT, Varanasi and Post Graduate Diploma in Management from IIM, Ahmedabad. He is a well-known veteran with three decades of rich Pharma industry experience.

Mr. Gulati is an Independent Consultant advising several PE firms in making

judicious investments in the pharmaceutical sector and has been the Pharma Chair of American Chamber of Commerce and Indo American Chamber of Commerce in the Past. Currently he serves as Trustee of Delhi Pharmaceutical Trust.



Chairman's Statement



During these times of change, your Company remained committed to long term strategy, which is focused on growth through Brand building, product innovation and digital & retail activation. We believe this will result in sustainable growth and the Company will remain resilient through the coming years.

Dear Shareholders

I am pleased to share your Company's performance and progress during the FY 2022-23. It was a year of both opportunities and challenges. We successfully navigated the industry landscape shaped by changing market dynamics and inflationary pressures.

Business Performance

Despite a challenging operating environment, your Company witnessed growth in revenues and profitability. Revenues grew by 7.1% to reach ₹ 1,670 Crores in FY 2022-23, against ₹ 1,559 Crores in FY 2021-22. Total comprehensive income stood at an all-time high of ₹ 328 Crores.

Operating Environment

During the year, the industry continued to face unprecedented inflationary headwinds that increased costs of key raw materials ranging from tobacco leaf to paper packaging. This resulted in significant cost pressures on the finished goods. Despite inflationary pressures, end consumer prices remained largely unchanged resulting in strong volume rebound. The growth was highest in mid-premium segment driven by up-trading, from value segments.

Moreover, the recent Budget for FY 2023-24 introduced a 16% increase in the National Calamity Contingent Duty (NCCD) on cigarettes resulting in a net increase of 1.6% on overall tax.

Focused on Long Term Growth

During these times of change, your Company remained committed to long term strategy, which is focused

on growth through Brand building, product innovation and digital & retail activation. We believe this will result in sustainable growth and the Company will remain resilient through the coming years.

There was a significant focus on cost management by your Company to partially offset inflationary pressures on the supply chain and to make resources available for growth.

In addition, we have carefully evaluated our pricing strategies and explored alternate approaches to drive sales growth and have implemented new ways of engaging with multiple trade partners and adult consumers. We initiated a digital transformation journey in the year 2021 to upgrade our trade marketing capabilities, which is now well-established and delivering business benefits.

Responsible Business

As your Company stays focused on business growth, minimising our environmental footprint remains a key strategic goal. Sustainability has long been an intrinsic part of your Company's DNA and I take pride to inform you that we published our first ESG Report in 2022. Your Company aims to reduce emissions and the impact on the environment through renewable energy investments, energy conservation measures, and fossil fuel substitution. Your Company has installed solar power plants, implemented energy-efficient technologies, and transitioned from diesel to piped natural gas. Moving forward, your Company will continue to explore waste management, water conservation, and renewable energy sources to accelerate sustainability efforts.

Our commitment to responsible practices aligns with our vision for a greener future.

Your Company continues to prioritise social well-being through various CSR initiatives. We are proud to state that we have been able to impact the lives of over 26,000 families in Telangana and Andhra Pradesh by establishing a strong foot print. Focus areas include health and sanitation, education, environment sustainability, and farmer livelihood. Your Company has constructed household toilets, provided infrastructure support to schools, and conducted vocational skill training programmes and installed solar streetlights. Your Company continues to support farmers on sustainable farming practices. These initiatives are in line with our long-standing commitment to create a positive impact on the community and promoting a sustainable future.

Dividend

I am delighted to announce that the Board of Directors has approved the declaration of the Company's highest-ever dividend of ₹ 150 per share, representing an increase of 7% over the previous fiscal year. This reflects our commitment to enhancing shareholder value and recognising your unwavering support.

Pursuing Excellence

We continue to build on the rich pool of our talent, heritage and culture. Your Company prioritises the growth and development of employees by providing continuous upskilling, engagement, and career opportunities. We continuously strive to attract top talent, fostering a diverse and inclusive environment where every individual

is empowered to contribute and thrive. Every individual across the Company has contributed towards its achievements by displaying resilience, dedication, and a willingness to adapt to change.

Looking Ahead

Your Company remains committed to navigate the dynamic business landscape and drive sustainable growth. There will be continued focus on further strengthening our brands, exploring innovative product offerings, and leveraging digital platforms for execution excellence.

I extend my deepest gratitude to our Board of Directors and the entire management team for their diligent efforts on delivering a good performance and leading our dedicated employees. Their continued support will undoubtedly play a pivotal role in driving higher growth. I would also like to extend my heartfelt thanks to all our valued stakeholders - our shareholders, customers, employees, and partners - for their unwavering support and trust. Your Company remains dedicated to delivering long-term value and upholding the highest standards of corporate governance and transparency. Together, we will embrace the challenges and emerge stronger to drive sustainable growth.

Thank you,

NARESH SETHI

Non-executive Chairman



MD and CEO's Message



Dear Shareholders,

I am pleased to present an overview of our performance, strategic focus areas, and our vision for the future. The fiscal of 22-23 was characterised by significant cost pressures on raw materials as well as supply chain operations. We witnessed challenges in terms of volume and market share. However, your Company demonstrated resilience and delivered good financial performance with a 7.1% growth in revenue. Our net comprehensive income stood at an all-time high of ~ ₹ 328 Crores.

As we look ahead, we remain resolute in our approach to grow volumes, expand our market share while delivering long-term value to our stakeholders. We are undertaking several strategic measures and initiatives to remain focused as outlined below.

Strategic Priorities

In a dynamic industry landscape, we have identified key strategic focus areas that will help us gain market share and drive long-term growth. These focus areas are aligned with our commitment to delivering value to our stakeholders and continuously strengthening our position in the market with environmental sustainability as a cornerstone.

Execution Excellence

As part of this initiative, we are evaluating key growth pathways, enhancing our front-end capabilities, and implementing strategies such as strong focus on micro-markets, trade scheme optimisation, visibility enhancement, trade activation and rural penetration through B2B models, which we believe present valuable opportunities for accelerating growth.

Brand Portfolio

With evolving consumer needs, it is essential that equity & relevance of our brands remains strong. Your Company has significantly increased investments to contemporise brand portfolio. The new brand architecture for our key trademarks was introduced during the fiscal. Furthermore, your Company continues to launch innovative offerings at multiple strategic price points appealing to diverse consumer needs. Your Company has a proven track record of new

brand successes. One of the variants launched last in FY 2022-23 is currently 2% of our overall portfolio. These new brand launches are backed by research led superior consumer insights and sustained product development. Width & depth of our brand portfolio are cornerstone of our efforts to grow volumes & market share.

Increasing Sales Force Effectiveness

Our sales force plays a pivotal role in driving growth and strengthening customer relationships. We are committed to improving sales force effectiveness through role realignment, optimised distribution coverage, comprehensive sales training programmes, and leveraging digital tools to improve decision-making and performance tracking. Excellent rural penetration is our strength & steps are being undertaken to further excel & derive higher growth from rural India. Moreover, to support our growth journey, we have made a strategic decision to collaborate with partners who will provide valuable support and guidance.

Cost Optimisation: To achieve cost efficiencies, we have been implementing various measures such as optimising supply chain operations with focus on supply chain logistics and warehousing.

Leveraging Digitisation: Through various digitisation measures, we are streamlining our sales processes, optimising productivity, and taking data-driven decisions. Our digitisation efforts have yielded positive results in improving productivity and sales across markets.



Our commitment to sustainability is evident in our responsible business practices and environmental stewardship that yielded tangible outcomes.

People & Culture: Our Top Priority

We believe in the importance of our talented workforce and are well invested in making VST future ready. We are successfully transforming by driving Collaboration, Engagement & Ownership (each individual as a CEO) as key cultural values and are seeing the results of our renewed efforts. We have prioritised training and capability building for providing avenues of career growth. There is a special emphasis on grooming the next generation of leadership talent as your Company nears its centennial year in 2030.

Sustainability at the Core

We have also made good progress on our ESG commitments this year. Our commitment to sustainability is evident in our responsible business practices and environmental stewardship that yielded tangible outcomes. We have made good progress in reducing our environmental footprint by generating 30% (scale up from 25% last year) of our total electricity consumption from renewable energy sources. In addition, we are also pursuing initiatives to reduce our environmental impact, one such instance being the conversion of our PMD boiler fuel from diesel to clean fuel, such as PNG (Piped Natural

Gas). Water conservation has also remained a key focus area for us. We have been reducing our water consumption y-o-y while creating rainwater harvesting structures with an aim to attain net water positivity by FY 2025-26. Furthermore, we continue to actively contribute to the well-being and development of the communities surrounding our operations through various CSR initiatives in the areas of health and education.

Way Forward

Looking ahead, we recognise the need to adapt to evolving market dynamics to drive business growth and profitability while ensuring the best possible outcomes for our stakeholders. We will continue to focus on execution excellence of our strategies to drive sustainable growth, enhance market share, and strengthen our brand positioning. Given the external business environment becoming challenging than ever, we are confident that VST's proven resilience will support our endeavour to capitalise on the opportunities for equitable growth.

Finally, I extend my sincere gratitude to the Board for their invaluable guidance, expertise, and support and would also like to express my sincere gratitude for the remarkable dedication and resilience exhibited by each team member of our organisation. Leveraging our strong position and comprehensive strategies, I am confident that we will not only overcome the challenges at hand but also forge ahead and create long-term value for our stakeholders.

Thank you,

ADITYA GOOPTU,
Managing Director & CEO



Building a Vibrant Brand Portfolio

With our diverse range of brands, we are well-positioned to cater to the diverse needs of our consumers across segments. At VST Industries, we move forward, while pushing boundaries to redefine the Indian tobacco industry.

Our portfolio reflects our commitment to innovation, quality, and consumer satisfaction. We have a portfolio that comprises five vibrant brands, two of which are New-Age Brands and the other three are Growth Heritage Brands.

NEW-AGE BRANDS



TOTAL

Our fastest-growing brand in the last five years, Total is a testament in our ability to innovate and meet the high standards of quality our adult consumers seek.

EDITIONS

The perfect blend where tradition meets modernity, Editions is Your Company's first successful king-size brand that has established a strong presence in South Indian markets.

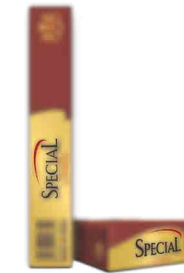


GROWTH HERITAGE BRANDS



CHARMS

A generational brand with a multi-region presence, Charms has been a trusted name in the Indian cigarette industry for decades. The brand's loyal customer base is a testament to its quality.



SPECIAL

With a strong presence in the East, Special is a representation of the rich cultural diversity of the region. Its unique flavour has made it a favourite among consumers in the East.



MOMENTS

A popular choice among consumers in North India, Moments brings forward a distinct blend of tobacco and flavours that captures the essence of the region's rich cultural heritage.

BRAND LAUNCHES IN RECENT YEARS



Total Active Mint was launched in 2022 across North Indian markets. A mint capsule in a VSFT format for the price conscious smoker.



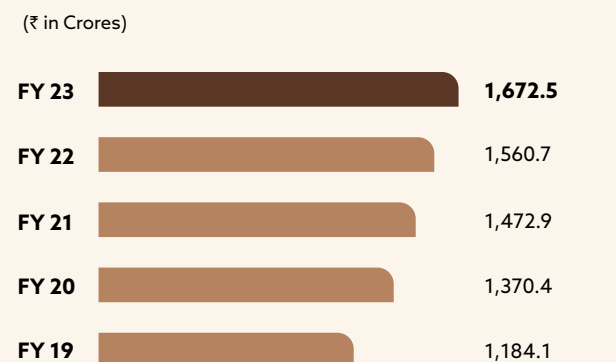
Total Royal Twist was launched in 2021 with a contemporary take on Indian flavours, the elegance of Kesar combined with a refreshing saunf capsule to deliver a unique smoke experience. The Brand continues to appeal among young adults across markets.



Key Performance Indicators

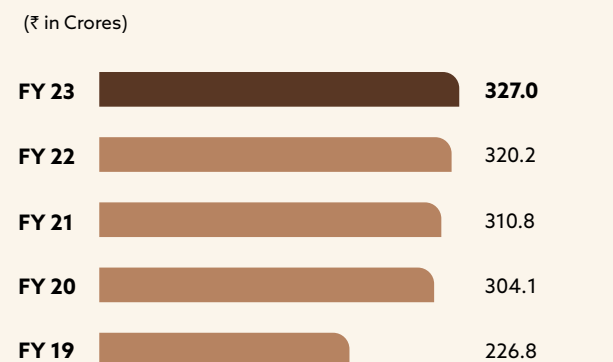
Financial

Revenue from Operations



7.2% 9.0%

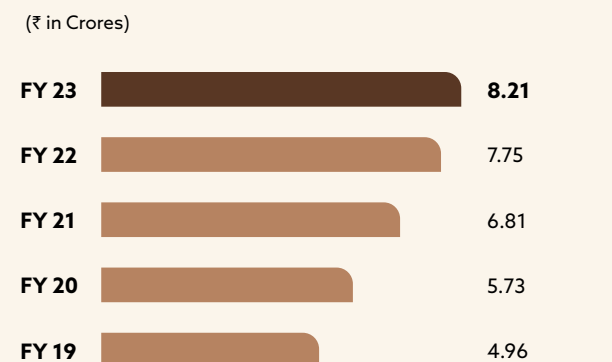
PAT



2.1% 9.6%

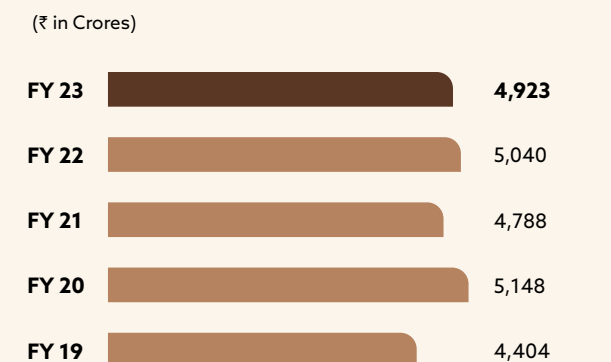
Non-financial

CSR Expenditure



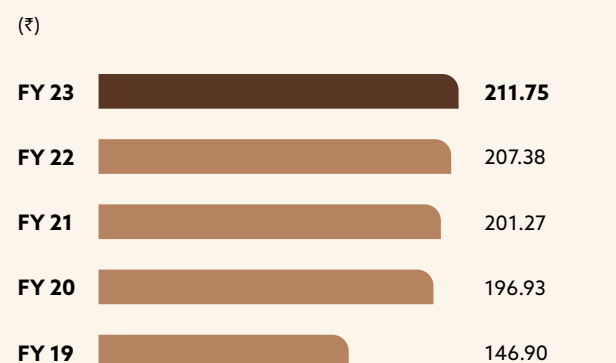
5.9% 13.4%

Consumer Spend



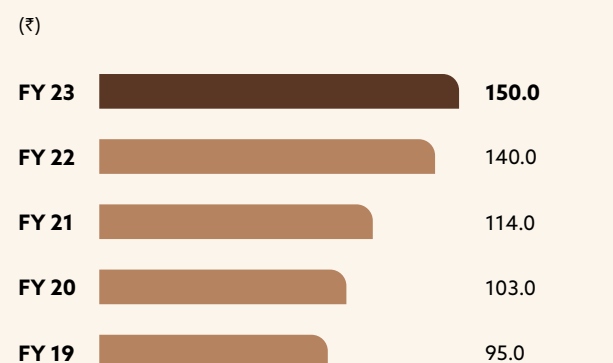
2.3% 7.11%

Earnings Per Share



2.1% 9.6%

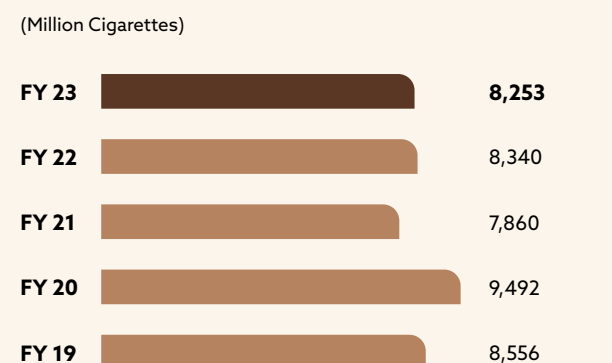
Dividend Per Share



7.1% 12.1%

Operational

Volumes



1.0% 0.9%



Y-o-Y 5 year CAGR



Value Creation Model

OUR RESOURCES

VALUE CREATION PROCESS

THE VALUE WE CREATE

Financial Resources

Our good financial track record enables us to continue investing in our strategic growth drivers to generate a steady and long-term revenue growth and, as a result, support a progressive dividend policy.

- Equity Capital: ₹ 1,544.19 Lakhs

Manufacturing and other assets

- 2 factories and 6 regional offices
- Raw materials: 4,955 tonnes of tobacco

Human Resources

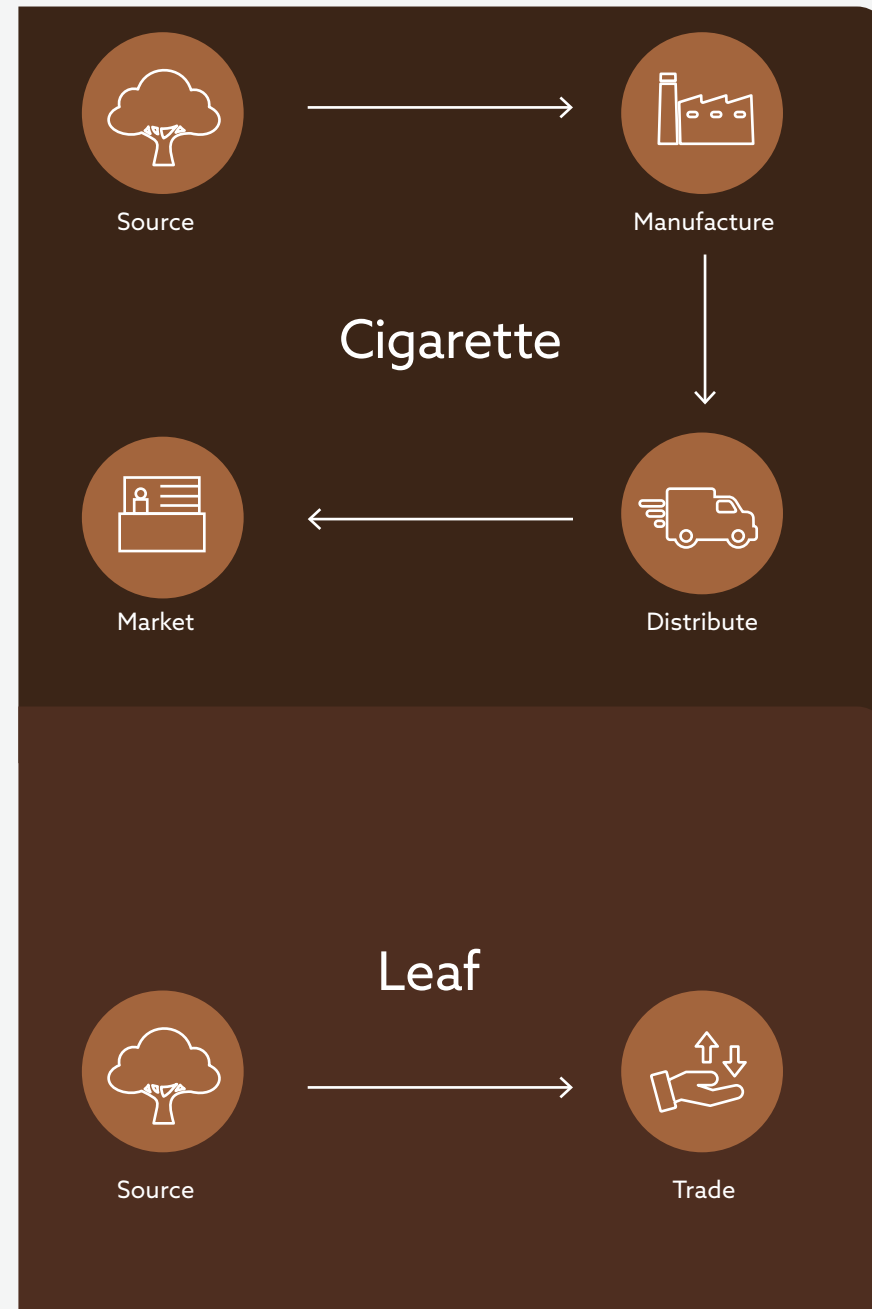
Engaged employees aligned with the business aspirations to create value for the success of the organisation

Intangible Assets

Our trademarks and creative assets that drive and reinforce the identity of youthful and modern brands delivering best-in-class satisfaction to achieve faster growth.

Industry Landscape

Business Processes



Strategic Priorities

Gaining volume growth and market share

Enhancing brand equity

Driving productivity and cost efficiency

Improving sales processes and sales effectiveness

Fostering a high-performance culture

Enablers

Research and Development

Quality Control

Digitisation

People Development

Stakeholder Relationships

People | Customers | Dealers

Farmers | Partners

₹ 1,29,244 Lakhs

Net Revenue

₹ 32,751 Lakhs

Total Comprehensive Income

₹ 211.75

Earnings Per Share

₹ 150.00

Dividend Per Share

36.9%

Return on Capital Employed

21.1%

EBIT

Total Active Mint and Royal Twist

New Products launched

73

New Employees Hired

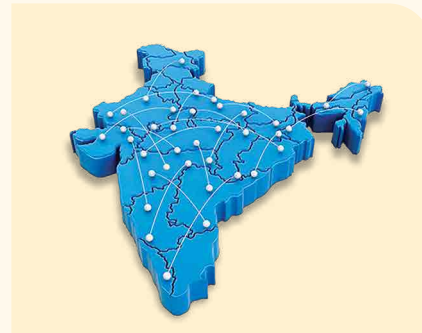
2

of the Top 10 cigarette brands are owned by VST



Building a Stronger Future Together

VST is dedicated to achieving sustainable growth via a strategic roadmap that sees us rely on our core strengths. Through Project RAISE, we focus on accelerating sales and expanding in our core markets. Moreover, we are prioritising our transition from a trade-oriented model to a brand-driven model, while introducing new products to gain brand equity. We have our sights set on the future and are focused on seizing the right opportunities with innovation as a strategic lever.



GAINING VOLUME GROWTH AND MARKET SHARE

Keeping in mind our long-term growth, we are looking at a few strategies that will help us gain market share:

- Evaluating key growth pathways and enhancing our front-end capabilities, increased focus on targeted micro-market interventions, brand visibility building, trade scheme optimisation and trade activation.
- Launch new products that are strategically designed to increase incremental market share and volume.

Recent Successful Launches

Three of Total's new variants have grown into Brands with near Pan India presence and continue to add incremental volumes to our portfolio.

- Total Royal Twist
- Total Active Mint
- Total Refresh

Outlook

We will continue to invest in our brands and innovation capabilities to drive volume growth and market share.



ENHANCING BRAND EQUITY

We believe that a strong brand portfolio is a key driver of sustainable growth and differentiation. To that end, we have prioritised brand equity building and focused on developing distinctive packaging and communication.

Progress in FY 2022-23

We continue to launch new innovative variants of our leading trademarks to stay ahead of consumer evolutionary curve. 3 such variants were introduced in FY 2022-23.

Outlook

We will continue to innovate and elevate our brands to keep up with the changing demands of our adult consumers.



DRIVING PRODUCTIVITY AND COST EFFICIENCY

We recognise that productivity and cost efficiency are critical enablers of sustainable growth, especially in a challenging market environment.

Progress in FY 2022-23

The initiatives have resulted in a 15% reduction in production costs and a 15% increase in capacity utilisation. We have also mitigated the impact of inflationary trends through effective cost management and strategic pricing.

Outlook

We will continue to strengthen our focus on productivity and cost efficiency to drive margin expansion.



IMPROVING SALES PROCESSES AND SALES EFFECTIVENESS

Improving our sales process and sales effectiveness is a priority at VST. To achieve this, we have developed a comprehensive training programme that is designed to improve the skills and the product knowledge of our sales force.

Progress in FY 2022-23

Bottom-up Planning:

We have developed a bottom-up planning approach to identify and take advantage of micro-growth opportunities that are present. We also empower the sales frontline to identify new business opportunities and report them to the management to identify the next steps.

Investing in Digitalisation and Analytics:

We have invested in digitisation and analytics in our endeavour to become a data-driven organisation - ensuring that key decisions, actions, and processes are strongly influenced by data-driven insights.



FOSTERING A HIGH-PERFORMANCE CULTURE

We believe that in today's ever-evolving, fiercely competitive environment, maintaining a culture of high performance is a key differentiator. To foster such a culture, we have actively invested in talent development, leadership training, and employee engagement. We also organised an all-India Company conference with the theme 'Flight to Future-Winning Against all Odds' to align our teams to our forward-thinking approach.

Outlook

We will continue to nurture a culture of excellence, innovation, and accountability to achieve our strategic priorities.



Actions on ESG

Pursuing our endeavour to drive a socially inclusive and well-governed business, we continue to accelerate our progress of integrating Environment, Social and Governance (ESG) practices into our business operations for ensuring a long-term sustainability of our business.

We have made good progress on most of the material topics identified by the Company categorised under the 5 Strategic ESG Pillars.

Strategic ESG pillars

TRANSFORMING TOWARDS A SUSTAINABLE FUTURE

ENVIRONMENT	SOCIAL			GOVERNANCE
Sustainable Operations <ul style="list-style-type: none"> • Energy • Emissions • Water • Waste management • Sustainable material • Circular economy • Biodiversity 	Care for People <ul style="list-style-type: none"> • Employment • Labour-management relations • Diverse and inclusive work environment • Training and education • Human rights • Health & safety 	Inclusive Growth <ul style="list-style-type: none"> • Community initiatives • Consumer welfare • Littering prevention 	Sustainable Agriculture <ul style="list-style-type: none"> • Farmer livelihood • Climate resilience • Water • Waste management 	Responsible Governance <ul style="list-style-type: none"> • Business ethics • Regulatory compliance • Responsible sourcing • Innovation • Policy advocacy • Illicit tobacco trade prevention
CONTRIBUTING TO THE UN SDGs				

ESG ROADMAP 2030

Our ESG targets are a testament to our unwavering dedication to sustainability and creating value for everyone involved. We strive for excellence across all ESG pillars to drive positive change and make a lasting impact.

ESG Pillar	Material topic	Target for FY 2029-30
Sustainable Operations	Energy	50% renewable energy in overall energy mix (subject to regulatory environment) Aim to operate 100% of fleet (owned and third-party passenger vehicles) on electric vehicles by 2030
	Emissions	Carbon neutrality/offsetting: 100% carbon offset for VST's own operations (scope 1+2 emissions) by 2030
	Water	Rainwater Harvesting Potential equivalent to over 3 times the Net Water Consumption in own operations
	Waste	100% of packaging to be reusable, recyclable, or biodegradable by 2030 100% offsetting of plastic packaging (plastic neutrality) through post-consumer plastic waste collection and processing under Extended Producer Responsibility (EPR)
Sustainable Agriculture	Climate resilience	30% of contracted farmers (for Talmari & Oriental crops) to use drip irrigation by 2030 30% of crop protection agents used by contracted farmers to be biofertilizer/biochemicals based by 2030 20% improvement in soil organic matter by 2030 through green manuring crops for better water holding capacity
	Farmer livelihood	We have zero tolerance towards child labour or forced labour. We shall continue to have adequate measures in place to identify and mitigate such risks within the leaf supply chain We shall continue to ensure minimum legal wage is provided to farm workers Implement mechanisation of field preparation and removal of stubbles for 100% of area under tobacco by 2030. Also, explore and implement mechanisation of other farm operations (harvesting & plantation) for at least 20% of tobacco area by 2030.
	Diverse and inclusive work environment	Promote an inclusive work environment by: <ul style="list-style-type: none"> • Being an equal opportunity employer and provide equal opportunity to all employees based on merit and ability • Provide inclusiveness training to management staff to promote a work environment free from discrimination, sexual harassment and undue biases in compensation, training and employee benefits based on caste, religion, disability, gender, sexual orientation, race, colour, ancestry, marital status, or affiliation with a political, religious, or union organisation or majority/minority group
	Employment	Continue to invest in employee engagement and conduct the employee engagement survey at regular intervals to track for any course correction, track relevant KPIs for the workforce
Care for People	Health & safety	Zero accident in own operations
	Regulatory compliance	Continue to comply with applicable regulatory requirements
Responsible Governance	Regulatory compliance	Continue to comply with applicable regulatory requirements



Our Commitment towards a Cleaner Future

At VST, we believe in taking responsibility for our impact on the environment and society. As part of our commitment towards a cleaner future, we have implemented sustainability practices across all relevant stages of our operations. We strive to improve our environmental performance and stay in alignment with technology-related advancements and evolving stakeholder expectations.

We also prioritise minimising the environmental footprint from our manufacturing facilities and associated impact by maximising the use of natural resources in our processes and products.

ENERGY AND EMISSIONS MANAGEMENT

We are committed to minimising our environmental impact through the adoption of effective energy management practices and emission control measures. By adopting innovative and energy-efficient technologies, and increasing our use of alternative fuels and energy, we aim to reduce our dependence on conventional energy sources.

Energy Sources

Currently, we rely on two primary energy options for our operations, and the usage is closely monitored and managed to ensure optimal energy efficiency and minimal environmental impact.

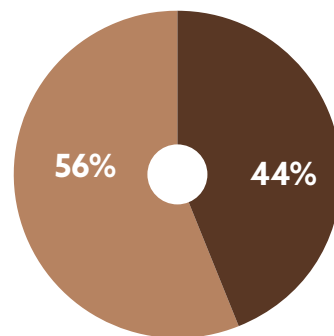
Direct Energy Sources:

Fuels such as natural gas and diesel used in our boiler operations, DG sets, and onsite renewable energy sources

Indirect Energy Sources:

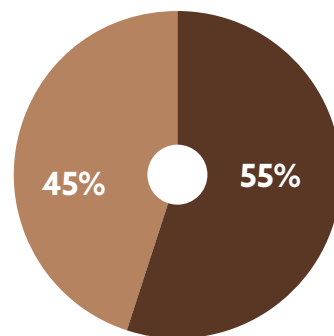
Electricity purchased from utilities

Energy mix



FY 2021-22

● Direct ● Indirect



FY 2022-23

● Direct ● Indirect

EMISSION MANAGEMENT

At VST, we understand our accountability towards all types of greenhouse gas (GHG) emissions, including Scope 1, Scope 2, and Scope 3 emissions, which arise from our operations and across our value chain, both upstream and downstream. While we currently measure and monitor our Scope 1 and Scope 2 emissions, we are working to enhance our data monitoring system to focus on relevant Scope 3 emission sources in our value chain.

GHG Emission

(in tCO₂ eq.)



● Scope 2 ● Scope 1

SUSTAINABLE PRACTICES TO REDUCE CARBON FOOTPRINT

At VST Industries, we are committed to reducing our carbon footprint and achieving carbon neutrality in our operations. To achieve this goal, we are focusing on the following levers that will help us improve our environmental performance:



Investing in Renewable Energy



Fossil Fuel Substitution



Energy Conservation Measures



Other Initiatives

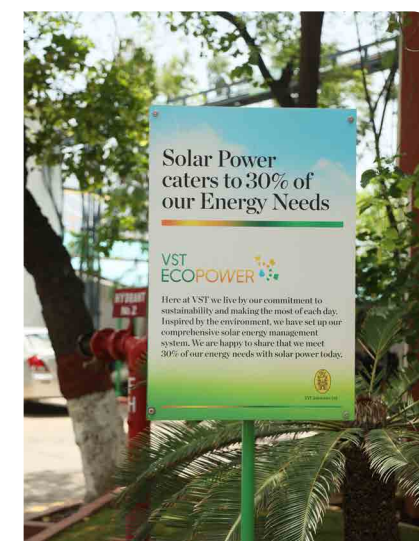


Investing in Renewable Energy

VST Industries is committed to reducing its emissions by making the shift to renewable energy. We installed solar power plants of capacity 900 KW for our Azamabad plant and 300 KW at our Toopran plant. Moreover, our corporate office is entirely powered by renewable energy.

30%

Of our energy requirements were met through renewable sources during FY 2022-23.



Energy Conservation Measures

We have implemented several measures to conserve energy including the adoption of new and efficient energy techniques.

- Implemented a differential pressure purging system and a closed loop system in the DRF Plant, resulting in a commendable 0.8% energy savings.
- Installed energy-efficient LED light fittings with occupancy sensors across the premises, reducing energy consumption by 1.2% in lighting.
- Enhanced machine productivity, leading to a significant 10% reduction in specific energy consumption.
- Conducted a comprehensive energy conservation awareness programme for 339 employees, promoting sustainable practices and fostering a culture of energy consciousness.

Fossil Fuel Substitution

In FY 2022-23, we replaced HSD fuel with Piped Natural Gas (PNG) in our boiler operations at Toopran, with an aim to cut down our GHG emissions. PNG is an economical, safer and cleaner fuel option that has lower emissions, and helps fight air pollution. This substitution has helped us avoid an estimated carbon footprint of 85 tCO₂e during the reporting period.

WAY FORWARD

In our pursuit of sustainable practices, we are exploring various measures to reduce our impact on the environment. Our initiatives are directed towards waste management, water conservation, and recycling. We are also increasing our reliance on renewable energy sources. Our goal is to achieve the Green Factory Building Certification and enhance our ESG reporting in the coming years.

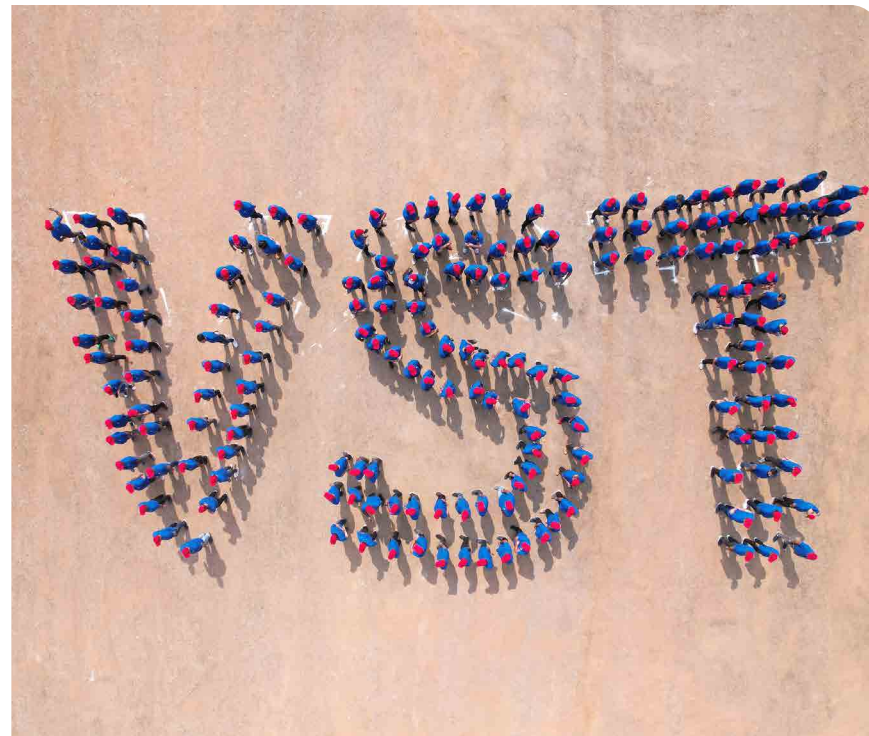


Culture of Collaboration, Empowerment, Ownership

Our people are at the core of our success, driving our pursuit of business growth and value creation. We put utmost emphasis on developing a high-performance culture that fosters open communication, dynamic teamwork and continuous learning. Through competitive compensation, growth opportunities and well-being initiatives, we are aligned to encourage meritocracy and committed to achieve organisational goals.

PEOPLE-CENTRIC APPROACH

At VST, sustainable performance takes precedence, with a focus on employee growth and development. We acknowledge that every employee's distinctive abilities are vital to our continued growth, making our workforce both the foundation of our strategy and a critical distinguishing factor. Our goal is to foster an environment that empowers our employees to achieve their aspirations and reach their full potential. We leverage our vast & rich knowledge, skills, competency, technical expertise, experience to drive organisational objectives. A key focus area for us is on engaging, committing, and aligning our workforce with VST's Flight to Future Vision and to build a resilient, innovative, and future-fit workforce driven by three pillars of our HR strategy:



Capability & Talent

To focus on attracting and retaining high-potential employees, providing them with the necessary training and growth opportunities that align with their career aspirations.



Culture & Connect

To enable and sustain empowering work culture that empowers transformation and accelerates growth through collaborative success.



Transform and Reinvent, Reimagine, Realign & Refresh

To adapt to the evolving business landscape, we prioritise reimagining processes, workflows, and mindsets to enhance the employee experience.

HIRING AND ONBOARDING

At VST, we continue to attract, retain and develop talent that will lead the organisation to growth and success. We have a very structured approach to hiring through both from the market and campus. We take pride in our hiring, as many of the hires over time end up holding senior positions within the Company. We also want to focus and improve gender diversity and digital savvy skills in both sales and non-sales which is going to be a thrust area for the Company going forward.

- Collaboration, Empowerment & Ownership. A high impact Annual Conference-Flight to Future launch, followed by consistent and conscious efforts to accelerate the culture transformation journey with active employee participation has resulted in a remarkable improvement in overall employee engagement within the Company.

Gold Star Programme

This transformative work culture initiative aims to create an engaged

workforce through recognition programme like Gold Star, which is a quarterly recognition programme aimed at encouraging right behaviours and celebrating great performances in the areas of team achievements viz., Digital initiatives, Innovation, Customer centricity and new entrants within the Company. The highlights of this programme is that the Board members voluntarily chose to be present to give awards in one of the Gold Star award ceremonies.

EMPLOYEE ENGAGEMENT AND RECOGNITION

Culture is a key enabler to optimise potential, retain and also attract top talent to fuel performance within the organisation. The collective desire to become more engaged and future-ready necessitated a refresh of the organisational culture. These culture pillars were further defined through three distinct behaviours



Customer Centricity



Innovation



Encouraging New Joinees to Seamlessly Integrate into the Organisation



Digital Initiatives



Encouraging Team Achievements





Culture of Collaboration, Empowerment, Ownership



TRAINING AND DEVELOPMENT

Our talent management strategy focuses on two areas: (a) Creating an attractive workplace that allows employees to develop personally and professionally providing engaging and; (b) Rewarding career development. Our focus has been to equip the organisation with digital skills across all management employees. We have made significant progress in this endeavour. The learning and development needs of Management cadre employees were met through the Company's L&D structure which included various training delivery mechanisms.



Fostering Diversity and Inclusion

We prioritise diversity and inclusion across the organisation. We also actively provide the required support and infrastructure for people from diverse backgrounds to participate in the decision-making process, ensuring participation and expressing of diverse views required in the success of the organisation.

Talent Development

Your Company has recognised training gaps at all levels and created programmes based on competency levels and role requirements. Some of these programmes address the functional and behavioural competencies inside the organisation at various levels through focused certification programmes.

At senior levels, we exercise leadership models and conduct workshops for future role-readiness and honing the right skills to be successful in their roles.



Empowering Communities for Inclusive Growth

Your Company's commitment to creating shared value and inclusive growth extends beyond the bottom line. We understand the critical role that communities play in our success and are dedicated to supporting them. We assess the impact of our operations and undertake developmental initiatives to build stronger and more resilient communities for the future.

₹ **821*** Lakhs

CSR expenditure during FY 2022-23

26,660 lives

Benefitted through our CSR programmes

*Includes ₹ 249.55 Lakhs pertains to ongoing project, transferred to unspent CSR accounts.

CSR FOCUS AREAS

We prioritise social well-being and giving back to society through our Corporate Social Responsibility Policy. We actively engage in social activities that promote equitable development focusing on the following thrust areas:



Health and Sanitation

- VST 'Swachh Ghar Mission' Household/ School toilets construction and raising awareness on safe hygiene habits



Environment Sustainability

- Promoting sustainability in association with gram panchayats, e.g.: solar-powered streetlights in villages
- Solid waste management and water conservation



Promoting Education

- 'Project Gyandeeep' Providing infra support for schools (buildings, library, etc), and vocational training for employability
- Mid-day meals programme for school children



Rural Development

- Creating awareness among women on menstrual hygiene and usage of cloth sanitary pads under project Naari Shakti as part of our Rural development initiative.

HEALTH AND SANITATION

Under the Swachh Ghar programme, we have joined hands with a non-profit organisation Gramalaya to build toilets in the homes of farmers living in and around our manufacturing facilities in Telangana's Jogulamba-Gadwal district. Our efforts also include bringing awareness to the importance of health and sanitation among our communities.

850

Household toilets were constructed in 8 villages during FY 2022-23

8,525

Household toilets have been constructed in 39 villages till date



PROMOTING EDUCATION

Under this CSR thrust area, we have undertaken various initiatives to promote education and vocational skills development, with a particular focus on children, women, elderly, and specially abled individuals. In FY 2022-23, we conducted the following programmes to contribute towards the betterment of the society:

School Infrastructure Upgradation

We provided infrastructure support to schools in and around Hyderabad,

such as buildings, libraries, labs and more to create better learning environments for students. Notably, during FY 2022-23, we built 3 classrooms at Z.P.H. school in Toopran supporting the advancement of education in that area.

Rural Development

To create employment opportunities for the youth of India, we implemented several vocational skill development programmes. These helped in improving the skillset of the participants, increasing their employability and giving them the opportunity to improve their quality of life.

In FY 2022-23, we supported women entrepreneurs and aspiring entrepreneurs in skill programmes conducted by the FTCCI, Hyderabad. We created awareness among women on menstrual hygiene and usage of cloth sanitary pads under project Naari Shakti

as part of our rural development initiative. Towards this initiative women were mobilised and self-help groups were formed for better execution of the project and make this project a self-sustaining one.

Mid-Day Meals

Nutrition for School Children

We extend our support to school children by arranging for mid-day meals through our implementation partner, Akshaya Patra. These nutritious meals are cooked in hygienic kitchens, ensuring that the health and well-being of the children are taken care of.

10,000+

Students were provided meals every day in Govt. Schools through our mid-day meals initiatives during FY 2022-23



Empowering Communities for Inclusive Growth

ENVIRONMENT SUSTAINABILITY

As part of our commitment to achieve environmental sustainability, we installed 850 solar streetlights across eight villages and towns in the Jogulamba-Gadwal districts of Telangana during FY 2022-23.

100

Solar streetlights installed



FARMER LIVELIHOOD

We consider our contracted farmers to be crucial business partners who contribute to our overall sustainability objective. We strive to ensure they have access to sustainable livelihoods through various well-being initiatives and our continuous support that allows them a steady source of income.

Promoting Sustainable Farming Practices

Improving Soil Quality:

We engage with farmers to raise awareness about the harmful effects of monocropping and tillage practices. By eliminating monocropping and encouraging crop rotation, we help balance soil nutrients and improve its quality.

Farm Productivity:

We employ advanced threshing and re-drying facilities with the support of the Tobacco Board to increase tobacco yield and meet the export quality standards. Our provision of supplying high-yielding seed varieties that are eco-friendly and maintain soil health further supports this endeavour. We are also exploring mechanisation options that will assist with field preparation, stubble removal, and harvesting activities, and increase farm productivity and reduce production costs.



Maintaining Crop Quality:

At VST, we help farmers ensure compliance with international quality standards for pesticide residue levels and Tobacco Specific Nitrosamines (TSNAs). This not only ensures a better and steady income for our farmers but also facilitates domestic and international market linkages, enabling them to sell their produce at premium rates. We also help them identify Non-Tobacco Related Material (NTRM) through sorting and cleaning bales. Our efforts are directed towards improving the livelihoods of our farmers and the working conditions.

Ensuring Human Rights Compliance

While we support farmer livelihood and well-being, we keep a vigilant watch on farm practices to identify and prevent human rights violations. All our farmer agreements are embedded with the Agricultural Labour Practice (ALP) code, outlining the various aspects of human rights that farmers are expected to abide by.

WAY FORWARD

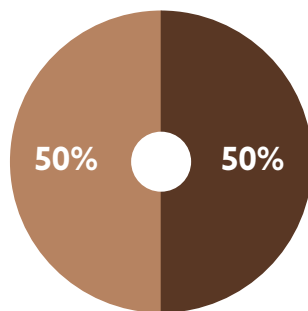
Your Company remains committed to supporting the underprivileged communities in our society and expanding our CSR interventions. Our plans going forward shall continue with the existing thematic areas of Rural Development, Health & Sanitisation, Education & Sports, Environment & Sustainability with more emphasis on taking up initiatives that are really beneficial to the larger society and create an impact on the livelihoods. We plan to engage our employees and create a sustained CSR engagement model in the future.



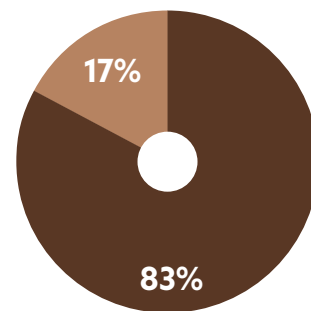
Ensuring ESG compliant Governance

As we strive for sustainable growth and maximising stakeholder value, we uphold the highest standards of corporate governance. Rooted in integrity, transparency, and accountability, our governance practices shape a robust organisational culture that goes beyond mere profitability. We recognise our broader responsibilities to stakeholders, the environment, and society at large to make a positive impact and forge a prosperous future for all.

OUR BOARD DIVERSITY



● Independent Directors
● Non-independent directors



● Female
● Male

50%
Proportion of the Board is Independent

17%
Gender diversity in Board

OUR ESG GOVERNANCE

We have established a three layered ESG governance structure at the Board, corporate and unit level.

- **CSR & ESG Committee:** This is our Board level committee headed by an Independent Director. The committee is responsible for reviewing performance, providing strategic directions and necessary feedback to the Corporate ESG committee.
- **Corporate ESG Committee:** Led by our MD & CEO, this committee is tasked with planning ESG strategy, overall performance review, providing strategic update and operational direction.
- **ESG Council:** This is our unit level committee headed by our respective unit heads. This committee is responsible for ESG KPIs monitoring, unit level ESG performance review, project implementation and monitoring.

Our overall ESG strategy and reports are implemented under the leadership of our Company Secretary who reports directly to the MD & CEO.

Corporate Information

BOARD OF DIRECTORS

Naresh Kumar Sethi
Chairman
(DIN 08296486)

Aditya Deb Gooptu
Managing Director & CEO
(DIN 07849104)

S. Thirumalai
Non-Executive Director
(DIN 00011899)

Rama Bijapurkar
Independent Non-Executive Director
(DIN 00001835)

Sudip Bandyopadhyay
Independent Non-Executive Director
(DIN 00007382)

Rajiv Gulati
Independent Non-Executive Director
(DIN 06820663)

BOARD COMMITTEES

AUDIT COMMITTEE

Sudip Bandyopadhyay *Chairman*
Rama Bijapurkar *Member*
Rajiv Gulati *Member*
S. Thirumalai *Member*

STAKEHOLDERS RELATIONSHIP COMMITTEE

Rama Bijapurkar *Chairperson*
Rajiv Gulati *Member*
Naresh Kumar Sethi *Member*
S. Thirumalai *Member*
Aditya Deb Gooptu *Member*

NOMINATION AND REMUNERATION COMMITTEE

Rama Bijapurkar *Chairperson*
Rajiv Gulati *Member*
Sudip Bandyopadhyay *Member*
Naresh Kumar Sethi *Member*

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Rajiv Gulati *Chairman*
Rama Bijapurkar *Member*
Naresh Kumar Sethi *Member*
S. Thirumalai *Member*
Aditya Deb Gooptu *Member*

RISK MANAGEMENT COMMITTEE

Sudip Bandyopadhyay *Chairman*
Rama Bijapurkar *Member*
Naresh Kumar Sethi *Member*
S. Thirumalai *Member*
Aditya Deb Gooptu *Member*
Kalyan Basu *Management Member*
Anish Gupta *Management Member*
S. Sriram *Management Member*

CORPORATE EXECUTIVE COMMITTEE

Aditya Deb Gooptu *Managing Director & CEO*
Ajay Chaudhary *Vice President-Digital Transformation*
Amit Arora *Chief Human Resource Officer*
Anish Gupta *Chief Financial Officer*
Kalyan Basu *President-Marketing*
T. Lakshmi Narasaiah *Vice President-Leaf*
Phani K. Mangipudi *Company Secretary & Vice President-Legal & Secretarial*
S. Sriram *Vice President-Technical*
Tarun Malhotra *Vice President-Marketing*

AUDITORS

BSR & ASSOCIATES LLP
Chartered Accountants
Hyderabad - 500 034

REGISTERED OFFICE

PLANT LOCATIONS

1-7-1063/1065 Survey No.288/289
Azamabad, Muppireddy Palli,
Hyderabad - 500 020 Toopran, Medak
Telangana Telangana

REGISTRAR & SHARE TRANSFER AGENTS

KFin Technologies Ltd.
Selenium Tower B, Plot No.31 & 32
Financial District, Nanakramguda,
Serilingampally, Gachibowli
Hyderabad - 500 032, Telangana
Phone : +91 40 6716 2222
E-mail : einward.ris@kfintech.com
Website : www.kfintech.com



Notice

NOTICE is hereby given that the Ninety Second Annual General Meeting of VST INDUSTRIES LIMITED will be held at Hotel Taj Krishna, Road No.1, Banjara Hills, Hyderabad-500 034 on **Monday, 21st August, 2023** at 10.30 A.M. for transacting the following business:

ORDINARY BUSINESS

- To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 31st March, 2023, and the Reports of the Board of Directors and Auditors thereon.
- To declare a final Dividend of ₹ 150/- per Equity Share for the year ended 31st March, 2023.
- To appoint a Director in place of Mr. S. Thirumalai [DIN: 00011899] who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS

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

“RESOLVED THAT pursuant to the provisions of Regulation 17(1A) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and other applicable provisions of the Companies Act, 2013, if any, read with relevant rules framed thereunder, (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), approval of the Members be and is hereby accorded for continuation of directorship of Mr. S. Thirumalai (DIN:00011899), who shall attain the age of 75 years on September 2, 2023 upon his reappointment at this meeting as a Non-Executive, Non-Independent Director of the Company, liable to retire by rotation.”

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

“RESOLVED THAT in supersession of the Resolution(s) passed by the Members at the Annual General Meeting held on 28th September, 2018 and pursuant to the provisions of Section 197 and other applicable provisions if any, of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), and Regulation 17(6) of the Securities and Exchange Board of India

(Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, approval of the Members be and is hereby accorded to pay to the Directors of the Company other than the Managing Director and the Wholetime Director(s) remuneration by way of commission not exceeding 1% of the Company's net profits computed in the manner provided under Section 198 of Companies Act, 2013 for each of the five financial years of the Company commencing from 1st April, 2023 to be divided amongst the Directors in such manner as the Board of Directors of the Company may from time to time determine and in default of such determination, equally.”

“RESOLVED FURTHER THAT the payment of commission, as aforesaid, shall be exclusive of the fees payable to such Directors for attending the Meetings of the Board and Committees thereof.”

By Order of the Board
Phani K Mangipudi
Company Secretary &
Vice President-Legal & Secretarial
ACS 17557

Dated this 25th day of April, 2023
New Delhi

NOTES:

- In accordance with Section 102 of the Companies Act, 2013, [“the Act”] the Statement setting out the material facts in respect of Special Business under Items 4 and 5 of the Notice is annexed hereto.
- A Member entitled to attend and vote at the Annual General Meeting (AGM) is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a Member of the Company. The instrument of proxy in order to be effective, must be deposited at the Registered Office of the Company, duly completed and signed, 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 ten percent of the total share capital of the Company carrying voting rights. A Member holding more than ten percent 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 as Member.

- Corporate Members are requested to send, a duly certified copy of the Board Resolution pursuant to Section 113 of the Act, authorising their representative to attend and vote on their behalf at the AGM.
- The Register of Members of the Company shall remain closed from Saturday, 5th August, 2023 to Monday, 21st August, 2023 (both days inclusive) for payment of dividend, if declared.

Dividend, if declared, will be paid within 30 days from the date of the AGM to those Members whose names appear in the Register of Members of the Company on 21st August, 2023 or to their mandatees, subject however to the provisions of Section 126 of the Act, 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 4th August, 2023, as per details to be furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for this purpose.

- Brief profile of the Directors proposed to be re-appointed is given towards the end of this Notice pursuant to Regulation 36(3) of the SEBI [Listing Obligations and Disclosure Requirements] Regulations, 2015 [“Listing Regulations”] and Secretarial Standard on General Meetings issued by Institute of Company Secretaries of India. None of the Directors is related to one another.
- As directed by SEBI vide its Circular Ref. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/37 dated 16th March, 2023, the Members holding shares in physical form are requested to submit duly filled in forms as detailed below to Company's Registrar and Transfer Agent KFin Technologies Limited either by email to einward.ris@kfintech.com or by post to KFin Technologies Limited, Unit: VST Industries Limited, Selenium Tower B, Plot 31-32, Financial District, Nanakramguda, Serilingampally Mandal, Hyderabad - 500 032 [RTA] /Company to update their KYC details. Members holding shares in demat form are requested to contact their respective Depository Participant(s) [DP] to update their bank account details, PAN, email address etc.

Particulars	Form No.
Form for availing investor services to register PAN, email address, bank details and other KYC details or changes / update thereof for securities held in physical mode	ISR - 1
Update of signature of securities holder	ISR - 2
For nomination as provided in Rule 19(1) of the Companies (Share Capital and Debentures) Rules, 2014	SH - 13
Declaration to opt out	ISR - 3
Cancellation of nomination by the holder(s) (along with ISR-3) / Change of nominee	SH-14

The above stated forms can be downloaded from the Company's website and RTA's website.

SEBI vide the above referred circular mandated submission of PAN, KYC details and nomination by holders of physical securities by 1st October, 2023. In case the holder of physical securities fail to submit the details before 1st October, 2023, then the RTA is obligated to freeze such folios. The securities in the frozen folios shall be eligible to receive payments including dividend and lodge grievances only after furnishing complete documents. If the securities continue to remain frozen as on 31st December, 2025, the RTA / Company shall refer such securities to the administering authority under Benami Transactions (Prohibitions) Act, 1988 and / or the Prevention of Money Laundering Act, 2002.

- The shares of the Company are under compulsory demat trading. SEBI vide its circular No. SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2022/8 dated 25th January, 2022 has further mandated issuance of securities in dematerialised form while processing service requests viz., issue of duplicate securities certificate; claim from unclaimed suspense account; renewal / exchange of securities certificate; endorsement/splitting/sub-division of securities certificate; consolidation of securities certificates/folios; transmission and transposition. Accordingly Members are requested to make service requests by submitting a duly filled Form ISR-4, the format of which is available on the Company's website at www.vsthyd.com and on the website of Company's RTA at www.kfintech.com. It may be noted that any service request can be processed only after the folio of the



Member is KYC compliant. Members holding shares in physical form are therefore requested to convert their shares into dematerialised form.

8. Members holding shares in single name and physical form are advised to make nomination in respect of their shareholding in the Company. The Nomination Form SH 13 prescribed under Section 72 of the Act, can be obtained from the RTA or can be downloaded from the Company's website www.vsthyd.com.
9. Members are requested to refer to the "Shareholder Referencer" of the Report on Corporate Governance which inter-alia contains details regarding unclaimed dividend. Members wishing to claim dividends that remain unclaimed are requested to correspond with the RTA or the Company Secretary, at the Company's registered office. Members are requested to note that dividends that are not claimed within seven years from the date of transfer to the Company's unclaimed dividend account, will, as per Section 124 of the Act, be transferred to the Investor Education and Protection Fund (IEPF). Shares on which dividend remains unclaimed for seven consecutive years will also be transferred to the IEPF as per Section 124 of the Act, and applicable Rules thereunder.
10. 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. **Members and proxies are also requested to carry a valid ID proof.**
11. The Register of directors and key managerial personnel and their shareholding, maintained under Section 170 of the Act, and the Register of Contracts or Arrangements in which the Directors are interested, maintained under Section 189 of the Act, including certificate from statutory auditors on implementation of VST ESOP 2020, will be available for inspection by the Members during the AGM.
12. The documents referred to in this Notice are open for inspection at the Registered Office of the Company on all working days, except Saturdays & Sundays, between 11.00 a.m. and 1.00 p.m. up to the date of AGM.
13. Pursuant to Section 108 of Act, read with Rule 20 of Companies (Management and Administration) Rules, 2014 as amended and Regulation 44 of the Listing Regulations, the Company is pleased to offer

voting by electronic means to the Members to cast their votes electronically on all items of business set forth in this Notice. The detailed instructions for e-voting are given separately to this Notice. Members who have cast their vote by remote e-voting prior to the Ninety Second AGM may also participate in the AGM but shall not be entitled to cast their vote again. Only those Members, who will be present in the Ninety Second AGM and have not cast their vote on the Resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote at the AGM.

14. The Board has appointed Mr. B.V. Saravana Kumar, Company Secretary in Practice (ACS 26944 and COP 11727) as the Scrutinizer ["Scrutinizer"] for conducting the voting process in a fair and transparent manner. The Scrutinizer shall within 48 hours from the date of conclusion of the AGM, submit his report of the votes cast in favour or against, if any, to the Chairman of the Company or any other person authorised by the Chairman after completion of the scrutiny of the voting [votes cast through remote e-voting and votes cast at the AGM] and the result of the same will be disclosed forthwith. The result declared along with the Scrutinizer's Report shall be placed on the Company's website www.vsthyd.com. The Company shall simultaneously forward the results to BSE Limited and National Stock Exchange of India Limited, where the shares of the Company are listed.
15. In line with the MCA Circular No. 10/2022 dated December 28, 2022 (In continuation with the Circulars issued earlier in this regard) and SEBI Circular No. SEBI/HO/CFD/PoD-2/P/CIR/ 2023/4 dated January 5, 2023, this Notice along with the Annual Report for FY 2022-23 is being sent by electronic mode to those Members whose email addresses are registered with the Company/Depositories/ Depository Participants/ Kfintech. Members may note that the Notice and Annual Report 2022-23 will also be available on the Company's website www.vsthyd.com, websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively. Hard copy of the Annual Report will be sent to shareholders who request for the same.
16. Pursuant to Finance Act 2020, dividend income will be taxable in the hands of the Members w.e.f. 1st April, 2020 and the Company is required to deduct tax at source from dividend paid to Members at the prescribed rates. For the prescribed rates for various

categories, the shareholders are requested to refer to the Finance Act, 2020 and amendments thereof. The shareholders are requested to update their PAN with the Company/ RTA (in case of shares held in physical mode) and DP (in case of shares held in demat mode).

A Resident individual shareholder with PAN and who is not liable to pay income tax can submit a yearly declaration in Form No.15G/15H, to avail the benefit of non-deduction of tax at source by email to einward.ris@kfintech.com by 11.59 p.m. on 4th August, 2023. Members are requested to note that in case their PAN is not registered or having invalid PAN or Specified Person as defined under Section 206AB of Income Tax Act, 1961, the tax will be deducted at a

higher rate prescribed under Section 206AA or Section 206AB of the Income Tax Act, 1961, as applicable.

Non-resident shareholders can avail beneficial rates under tax treaty between India and their country of residence, subject to providing necessary documents i.e. No Permanent Establishment and Beneficial Ownership Declaration, Tax Residency Certificate Form 10F, any other document which may be required to avail the tax treaty benefits by sending an email to einward.ris@kfintech.com. The aforesaid declarations and documents need to be submitted by the shareholders by 11.59 p.m. IST on 4th August, 2023. The formats of the same can be downloaded from the website of the Company, www.vsthyd.com.

By Order of the Board

Phani K Mangipudi
Company Secretary &
Vice President-Legal & Secretarial
ACS 17557

Dated this 25th day of April, 2023
New Delhi

**STATEMENT PURSUANT TO SECTION 102(1) OF COMPANIES ACT, 2013****Item No. 4**

Mr. S. Thirumalai [DIN: 00011899] is currently a Non-Executive Non-Independent director of the Company. He will attain the age of 75 years on 2nd September, 2023. In terms of the Regulation 17(1A) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, ("Listing Regulations") directorship of any person as a Non-Executive Director who has attained the age of 75 years cannot be continued, unless a special resolution is passed to that effect.

The shareholders at the Annual General Meeting of the Company held on 28th August, 2019, approved the reclassification of Mr. S. Thirumalai as Non-Executive Non-Independent Director in compliance with the provisions of Section 152(6)(a) of the Companies Act, 2013 read with the Rules issued thereunder and the Listing Regulations. Mr. Thirumalai is liable to retire by rotation and being eligible, offers himself for re-appointment. Mr. Thirumalai is hale and healthy and the Board is also confident about him being able to function and discharge his duties in an able and competent manner.

The Board of Directors taking in to account Mr. Thirumalai's seniority, expertise and vast experience, which has immensely benefited the Company, considered and recommended the appointment and continuation of Mr. Thirumalai as a Non-Executive Director of the Company liable to retire by rotation.

Mr. Thirumalai [74 years] is a Fellow Member of Institute of Chartered Accountants of India, Institute of Company Secretaries of India, Certified Associate of Indian Institute of Bankers and a law graduate. He has also attended the Advanced Management Program at Harvard Business School, Boston, USA. He has diversified experience of over four decades and specialises in Finance, Taxation and Legal affairs, especially in the tobacco sector. Mr. Thirumalai holds 25 equity shares in the Company.

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

The Board commends this item of business for your approval.

Item No. 5

At the Eighty Seventh Annual General Meeting of the Company held on 28th September, 2018, the Members approved payment of remuneration to the Non-Executive Directors of the Company, by way of commission not exceeding one percent of the net profits of the Company as provided under Section 197 of the Act, for each of the five financial years commencing from 1st April, 2018. Keeping in view the current trends and commensurate with the time devoted and contributions made by Non-Executive Directors, the Board of Directors of your Company at its Meeting held on 25th April, 2023, recommended for the approval of the Members, the payment of remuneration by way of commission not exceeding 1% of the Company's net profits to the Non-Executive Directors of the Company for each of the five financial years commencing from 1st April, 2023 in the manner stated in the text of the Ordinary Resolution at Item 5 of the Notice.

The commission shall be distributed at such rate as approved by the Board of Directors within the overall limit of 1% of the net profits amongst all or some of the Non-Executive Directors including Independent Directors, taking into consideration parameters such as performance, attendance at Board and Committee Meetings, contribution at or other than at Meetings, etc. in accordance with the directions given by the Board as prescribed under the Remuneration Policy of the Company.

None of the Directors of your Company other than the Non- Executive Directors is concerned or interested in this Resolution.

The Board commends this item of business for your approval.

DETAILS OF DIRECTORS SEEKING RE-APPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING

[Pursuant to Regulation 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Clause 1.2.5 of Secretarial Standard-2 on General Meetings]

Name of the Director	Mr. S. Thirumalai As a Non-Executive Non-Independent Director
DIN	00011899
Age	74 years
Date of first appointment on the Board	26.7.2019
Qualifications	- Law Graduate. - Fellow Member of the Institute of Chartered Accountants of India, Institute of Company Secretaries of India. - Certified Associate of Indian Institute of Bankers. - Attended Advanced Management Program at Harvard Business School, Boston, USA.
Expertise in specific functional areas	Finance & Regulatory
Number of Meetings of the Board attended during the year	5/5
Last drawn remuneration	₹77,20,000
List of Directorships of other Indian companies	Nil
List of Memberships/Chairmanships of Committees of other Board	Nil
Listed entities from which resigned in the past three years	Nil
Shareholding in the Company	25 equity shares
Relationship with other Directors and Key Managerial Personnel of the Company.	None

INSTRUCTIONS FOR REMOTE E-VOTING

- Use the following URL for e-voting from Kfintech website: <https://evoting.kfintech.com>.
- Members of the Company holding shares either in physical form or in dematerialised form, as on 4th August, 2023, the cutoff date, may cast their vote electronically.
- Enter the login credentials i.e., User ID and password mentioned in your email. Your Folio No./DP ID Client ID will be your user ID. However, if you are already registered with Kfintech for e-voting, use your existing User ID and password for casting your votes.
- After entering the details appropriately, click on LOGIN.
- 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. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- You need to login again with the new credentials.
- On successful login, the system will prompt you to select the EVEN i.e., VST Industries Limited.
- On the voting page, the number of shares (which represents the number of votes) held by you as on the cut-off date will appear. If you desire to cast all the votes assenting/dissenting to the resolution, enter all shares and click 'FOR/AGAINST' as the case may be or partially in 'AGAINST', but the total number in 'FOR' and/or 'AGAINST' taken together should not exceed your total shareholding as on the cut-off date. You may also choose the option 'ABSTAIN' and the shares held will not be counted under either head.
- Members holding multiple folios / demat account shall choose the voting process separately for each folio / demat account.
- 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. The Portal will be open for voting from 9.00 a.m. on 16th August, 2023 and closes at 5.00 p.m. on 20th August, 2023.
12. Members of the Company who have purchased their shares after the dispatch of the Notice but before the cutoff date (4th August, 2023) may contact Kfintech at Tel No. 1800 309 4001 (toll free) to obtain login id and password or send a request to einward.ris@kfintech.com.
13. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for shareholders and e-voting User Manual for shareholders available at the download section of <https://evoting.kfintech.com> or contact Kfintech at Tel No. 1800 309 4001 (toll free).

Procedure to login through websites of Depositories

NSDL	CDSL
<p>Users already registered for IDeAS facility of NSDL</p> <ol style="list-style-type: none"> i. Click on URL: https://eservices.nSDL.com ii. Click on the "Beneficial Owner" icon under 'IDeAS' section. iii. Enter your User ID and Password for accessing IDeAS. iv. On successful authentication, click on "Access to e-Voting". v. Click on Company name or e-voting service provider for casting the vote during the remote e-voting period. 	<p>Users already registered for Easi/Easiest facility of CDSL</p> <ol style="list-style-type: none"> i. Click on URL: https://web.cdslindia.com/myeasi/home/login or www.cdslindia.com and click on New System Myeasi. ii. Enter your User ID and Password for accessing Easi/Easiest. iii. Click on Company name or e-voting service provider for casting the vote during the remote e-voting period.
<p>2. Users not registered for IDeAS facility of NSDL</p> <ol style="list-style-type: none"> i. To register, click on URL: https://eservices.nSDL.com ii. Select "Register Online for IDeAS". iii. Proceed to complete registration using your DP ID, Client ID, Mobile Number, etc. iv. After successful registration, please follow steps given under Sr.No.1 above to cast your vote. 	<p>2. Users not registered for Easi/Easiest facility of CDSL</p> <ol style="list-style-type: none"> i. To register, click on URL: https://web.cdslindia.com/myeasinew/Registration/EasiRegistration ii. Proceed to complete registration using your DP ID, Client ID, Mobile Number, etc. iii. After successful registration, please follow steps given under Sr.No.1 above to cast your vote.
<p>3. Users may directly access the e-voting module of NSDL as per the following procedure:</p> <ol style="list-style-type: none"> i. Click on URL: https://www.evoting.nSDL.com/ ii. Click on the icon "Login" available under "Shareholder/Member" section. iii. Enter your User ID (i.e. 16-digit demat account number held with NSDL), login type, Password/OTP and Verification code as shown on the screen. iv. On successful authentication, you will enter the e-voting module of NSDL. v. Click on Company name or e-voting service provider and you will be re-directed to Kfintech website for casting the vote during the remote e-voting period. 	<p>3. Users may directly access the e-voting module of CDSL as per the following procedure:</p> <ol style="list-style-type: none"> i. Click on URL: www.cdslindia.com ii. Provide demat account number and PAN. iii. System will authenticate user by sending OTP on registered mobile & email as recorded in the demat account. iv. On successful authentication, you will enter the e-voting module of CDSL. v. Click on Company name or e-voting service provider and you will be re-directed to Kfintech website for casting the vote during the remote e-voting period.

Procedure to login through their demat accounts/website of Depository Participant

Individual shareholders holding shares of the Company in Demat mode can access e-Voting facility provided by the Company using login credentials of their demat accounts (online accounts) through their demat accounts/websites of Depository Participants registered with NSDL/CDSL. An option for "e-Voting" will be available once they have successfully logged-in through their respective logins. Click on the option "e-Voting" and they will be redirected to e-Voting modules of NSDL/CDSL (as may be applicable). Click on the e-Voting link available against the name of Company or select e-Voting service provider "Kfintech" and you will be redirected to the e-Voting page of Kfintech to cast your vote without any further authentication.

Members who are unable to retrieve User ID/Password are advised to use "Forgot User ID"/"Forgot Password" options available on the websites of Depositories/Depository Participants.

Contact details in case of technical issue on NSDL website

Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at toll free no.1800 1020 990 and 1800 22 44 30.

Contact details in case of technical issue on CDSL website

Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at 022-23058738 or 022-23058542-43



AGM Venue - Route Map

Hotel Taj Krishna, Road No. 1, Banjara Hills, Hyderabad - 500 034

Landmark: Between GVK One & City Center Mall



Report of the Board of Directors & Management Discussion and Analysis for the year Ended 31st March, 2023

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, 2023.

FINANCIAL SUMMARY

	(₹ Lakhs)	
	2022-23	2021-22
Revenue from Operations	167251	156067
Profit after Tax	32698	32023
Balance available for Appropriation in Retained Earnings	103894	91764
Amount transferred to General Reserves	3000	3000
Dividend paid	21538	17599
Balance in retained earnings	79356	71165
Key Ratios		
Earnings per Share (₹)	211.75	207.38
Dividend per Share (₹)	140.00	114.00

Value creation during the decade has been Compounded Annual Growth Rate (CAGR), 8.1% in Earnings Per Share (EPS) and 7.2% in Dividend Per Share (DPS).

DIVIDEND AND TRANSFER TO GENERAL RESERVE

The Directors are pleased to recommend a dividend of ₹ 150/- per equity share of ₹ 10/- each on the paid up equity share capital of the Company, for consideration and approval of Members at the ensuing Annual General Meeting (AGM). It is proposed to carry forward an amount of ₹ 3000 Lakhs to General Reserve. Pursuant to Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), the Company adopted a Dividend Distribution Policy which sets out the principles and factors that should be considered by the Board for determining the distribution of dividend to its shareholders. The policy can be accessed on the Company's website at <https://www.vsthyd.com/mainsite/documents/Dividend-Distribution-Policy.pdf>

MATERIAL CHANGES AND COMMITMENTS

Except as disclosed elsewhere in the Report, there have been no material changes and commitments which affect the financial position of the Company that have occurred between the end of the financial year to which the financial statements relate and the date of this Report. There has been no change in the nature of business of the Company during the year.

SHARE CAPITAL

The paid up Equity Share Capital as on 31st March, 2023 was ₹ 1544.19 Lakhs. The Company has neither issued

shares with differential rights as to dividend, voting or sweat equity shares.

EMPLOYEE STOCK OPTION PLAN

During the year under review, there has been no change in the VST Employee Stock Option Plan-2020 (VST-ESOP 2020) of the Company and further the said VST-ESOP 2020 are in compliance with SEBI (Share-Based Employee Benefits and Sweat Equity) Regulations, 2021. During the financial year, the Company has granted 35,060 stock options pursuant to VST Employee Stock Option Plan 2020 (VST-ESOP 2020) to eligible employees.

The necessary disclosures for the year ended 31st March, 2023 in compliance with Regulation 14 of the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 is available on the website of the Company at <https://www.vsthyd.com/mainsite/Annual-Reports.html>

MANAGEMENT DISCUSSION & ANALYSIS REPORT (MD&A)

Based on feedback from Members on the Annual Report and Accounts, this report includes MD&A as appropriate so that duplication and overlap between the Directors' Report and a separate MD&A is avoided and the entire material with Company's state of affairs is provided in a composite and comprehensive document.

INDUSTRY PERFORMANCE

The year 2022-23 started off building on the momentum generated in the fourth quarter of the preceding year. Industry volumes grew consistently throughout the year and were higher than pre-pandemic level. This growth was driven by sustained price stability.

16% hike in National Calamity Contingent Duty (NCCD) was announced in the Union Budget on 1st February 2023. This has resulted in an increase of about 1.6% on the overall tax.

Illegal non-duty paid cigarettes remain a threat for legal players as they continue to benefit from a large price gap versus fully taxed cigarettes.

COMPANY PERFORMANCE

Industry growth was driven at higher price points, premium and mid premium, where your Company has no presence, therefore limiting growth. Despite the headwinds, your Company's refreshed brand portfolio led by TOTAL has the wherewithal to overcome these challenges.

TOTAL, your Company's flagship trademark continues to be a leader in the capsule segment. TOTAL's variant with indigenous flavours launched in 2021-22 continues to gain consumer share in some large markets. TOTAL's new 'master brand architecture' was successfully introduced. Similar brand initiatives were successfully executed for other key trademarks such as Charms and Editions. Your Company is strongly focused and continues to invest in strengthening its brand portfolio. Your Company remains committed to strengthening its presence across the markets by investing in sales infrastructure. Significant progress has also been made in leveraging digital platforms for market specific insights and initiatives.

Your Company remains committed in new markets such as Gujarat and Maharashtra while strengthening its foothold in existing geographies. Significant progress has also been made in leveraging digital platforms for market specific insights and initiatives.

LEAF TOBACCO

Your Company's leaf function has shown remarkable resilience and delivered a very strong performance with an elevation in quality of the wide range of products offered and achieved an excellent profit of around ₹ 41 Crores. The strong performance was made possible by team work, and special efforts with meticulous planning by senior most team members.

The functions focus was to remain agile, making smart positive changes to the business model and by adopting

long term customer centric approach. Function continues its centre of attention on expanding international foot prints for enhancing growth.

Function has leveraged its expertise in all varieties of tobaccos and your Company procured highest quality tobaccos for its own manufacturing in line with the changing volumes. It continues highest focus on export sales and remains optimistic on maintaining the growth momentum in spite of adverse challenging conditions.

Specific focus is directed towards the need to foster your Company's development of new varieties and high nicotine tobaccos to meet the changing requirements of tobacco in domestic and international markets. Function is committed to evolve and grow business in line with changing customer preferences, penetrate into new geographies.

In the backdrop of changing climatic conditions, where the farming community face challenges on cultivation your Company is paying attention to farmers' interest to sustain the tobacco cultivation. 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. This also resulted in the development of backward regions in the leaf growing areas.

To further strengthen our commitment, we remain conscious for uplifting Social and Economic conditions of Companies' tobacco growing areas and your Company is continuing the sponsorship of initiatives like House Hold Toilets, Solar street lighting and School infrastructure to ensure and are striving hard towards holistic growth for supporting the farming society.

PRODUCTION AND PLANT MODERNISATION

Your Company has gained a competitive edge against other products in the market, with the introduction of an innovative new category of products from your Company's end.

Your Company continue to invest in upgrading its machinery which enhances both productivity as well as product quality.

The focus at the plants continues to be extended towards enhancement of capital efficiencies and cost optimisation.

RESEARCH & DEVELOPMENT ACTIVITY

To offer the differentiated products with high Product Quality, your Company's R&D has played a key role. This focus resulted in the development of Quality Blends with Innovative capsule filter/differentiated flavor variants for



new category of Product Brands, which have been well appreciated in the marketplace.

The R&D lab of your Company received a "Certificate of continuation" of ISO 17025:2017, from NABL, Quality Council of India, Government of India, for the year 2022-23.

HUMAN RESOURCE DEVELOPMENT

The success of your Company is built on the longstanding belief that people make all the difference. Your Company is ambitious to become a vibrant and a well-balanced organisation, strengthened by the diversity of its employees in their thought, ideas and actions and also leverage the power of One VST. Your Company is building a culture that embraces the traits and characteristics to drive Collaboration, Empowerment and Ownership (CEO's) at all levels, this will enable your company to grow with purpose.

The post-pandemic world calls for a new set of paradigms, beliefs, and strategies for success. Hence, for businesses to grow sustainably, people paradigm needs to change in a way that reflects the realities of a new world, therefore your company has embarked on a journey to reimagine the outlook for VST. Towards this endeavour there are three key drivers that provide impetus to all internal people initiatives - Capability & Talent, Culture & Connect, Reimagine, Realign & Refresh. In the year 2022, a focused attention was put on people development and engagement initiatives. The people function reoriented itself to Business HR partnering model to bring on board solutions that impact business directly in real time and shape the business outcomes.

Your Company's goal for capability & talent development is to foster a learning culture supported by a digital ecosystem, where people have a growth mindset, have access to and feel inspired to continuously learn new skills, thereby realising their full potential and personal ambitions resulting in sustainable personal & professional growth as well as business growth for VST today & tomorrow. The learning strategy is focused on creating a continuous learning environment, upskilling our team, utilising digital tools and measuring results using data analysis. To continually develop and enhance employees skills, your Company provided employees with opportunities for effective learning and development through programs like "Personal Effectiveness Program (PEP)", Sales Capability workshops focused on building strong functional and behavioral skills.

Driving a high performance culture has been the long term objective for your Company and therefore your Company practices the Management by Objectives method to drive individual performance in the organization. This

year your company used data oriented approach to assess performance. Your Company has launched the VST Gold Star Recognition Program to create a culture of appreciation and recognise desired behaviors for success where there are five categories where internal permanent employees were recognised every quarter. This initiative also hosted the Board members, who gave away the awards to appreciate the winners for the quarter April- June'22.

Your Company, rolled out several engagement initiatives to help employees connect better to the leadership and among themselves, one such initiative is the Flight to Future - Annual conference. All VSTians came under one roof with this initiative, signifying one powerful VST ready to deliver. Your Company has also initiated two way communication where newly joined employees are given a platform to hear from the leadership team and also share their views with them directly.

Your Company has been focused on recruiting, retaining and developing diverse employees, creating awareness of diversity issues and embedding accountability for diversity throughout the organization.

To create a safe environment for its female employees, 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 framed thereunder. However, no cases were filed during the year under the above Act.

As of 31st March 2023, your Company's workforce was 768 employees, with 366 Management staff and 402 Workmen.

ENVIRONMENT, HEALTH & SAFETY (EHS) AND COMMUNITY SERVICES

339 employees and 110 contract workmen have undergone EHS training, mock drills were also conducted for workers and management during the period to comply with the Company's EHS guidelines. Half-yearly and Annual EHS audits of the Company's operations were carried out to ensure compliance of EHS requirements. ISO 14001:2015 & ISO 45001:2018 Surveillance Audit was held at Azamabad & Toopran premises which was carried out by M/s. Rina India Pvt. Ltd. and received a continuation certificate for ISO 14001:2015 & ISO 45001:2018 for both Azamabad & Toopran locations.

Your Company has received Commendation Certificate for "Safety Innovation Award 2022" from the Institution of Engineers (India), New Delhi.

Your Toopran facility is awarded "Platinum rating" in IGBC green building certification from CII, Hyderabad. It is an improvement from the current Gold standard rating.

RENEWABLE/GREEN ENERGY

Your Company has enhanced PV technology solar power plant from 1MW to 1.2MW (900 KW for Azamabad and 300KW for Toopran plants). The solar plant has been commissioned in September 2022, which is VST's initiative on renewable energy towards the sustainable development. Your Company's focus is on accelerating the usage of renewable sources of energy and contributing to the goals of sustainability adopted by the Company.

This Solar power plant generates 30% of our electricity requirement and reduces 35% of Carbon foot print.

Your Company has setup EV charging stations in collaboration with M/s. Tata Power Limited for promoting the Electric Vehicles (two & four wheelers).

CLEANER FUEL FOR BOILER/INCINERATOR

As a part of reducing the emissions and carbon footprint, your Company has Converted Incinerator primary fuel from High Speed Diesel (HSD) to cleaner eco-friendly fuel Piped Natural gas (PNG) in incinerator operations instead of using HSD. PNG is economical, safer and one of the cleanest burning fuel and helps improve the quality of air.

Your Company has taken this conversion towards environmental benefits in order to reduce the Carbon foot print of overall 49% and fuel cost saving by ₹156 Lakhs per Annum for Boiler and Incinerator.

FINANCE

a. Profits

The Profit after Tax of your Company for the year is ₹ 326.98 Crores.

b. Treasury Operations

Your Company follows a SLR model (Safety, Liquidity and Return) in deployment of earmarked funds. The changes (change of 25% or more) as compared to the immediately previous financial year ratios of the Company including those listed out and specified under Schedule V (B)(1)(i) read with Regulation 34(3) and 53(f) of the Listing Regulations, as amended are disclosed in Note No.32 of Notes on Financial Statements to the Accounts in the Annual Report.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The Company has not taken any loans or given guarantees or made investments in any other Company covered and provided under Section 186 of the Companies Act, 2013 during the year.

RATING

The Credit Rating Information Services India Limited (CRISIL) has re-affirmed the rating of your Company to "AA+/Stable" under their revised nomenclature 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).

FIXED DEPOSITS

Your Company has not accepted any deposits from public as per the provisions of the Companies Act, 2013 and as such no amount on account of principal or interest on deposits from public was outstanding as on the date of the balance sheet.

UNCLAIMED DIVIDENDS

Pursuant to the provisions of Sections 124 and 125 of the Companies Act, 2013, the Company has transferred on due dates, the unpaid or unclaimed dividends for the financial year ended 31st March, 2015 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 31st March, 2022 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, 2023 is given in the Report on Corporate Governance. The Company has completed the process of complying with the provisions of Section 124(6) of the Companies Act, 2013 read with the IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 and as amended by the Second Amendment Rules of 2017 by transferring 5216 shares on 29th September, 2022.

Details of shares/dividend transferred to IEPF can also be obtained by accessing <https://www.vsthyd.com/mainsite/unclaimed-dividend.html>

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 Regulation 34(3) read with Schedule V[F] of the Listing Regulations as amended. The status of unclaimed shares as on 31st March, 2023 is given in the Report on Corporate Governance.



CORPORATE GOVERNANCE

In terms of Regulation 34 of the Listing Regulations, a Report on Corporate Governance along with Compliance Certificate issued by the Statutory Auditors of the Company is annexed as "Annexure A" and forms part of 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 met five times during the financial year. The Board and Committee Meetings are pre-scheduled and a tentative calendar of the Meetings finalised in consultation with the Directors are circulated to them in advance to facilitate them to plan their schedule. However, in case of special and urgent business needs, the approval is obtained by way of circular resolution. The details of the meetings held during the year are given in the Corporate Governance Report.

INTERNAL CONTROL SYSTEMS

- a. Your Company maintains an adequate and effective internal control system commensurate with the size and complexity. Your Company also has well documented Standard Operating Procedures (SOPs) for various processes which are periodically reviewed for changes warranted due to business needs.
- b. 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 are reviewed through an internal audit process which reviews the systems on a continuous basis. The objective being 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 were invited to attend the Audit Committee Meetings and make presentations covering their observations on adequacy of internal financial controls and the

steps required to bridge gaps, if any. Chief Financial Officer is a permanent invitee to the Audit Committee and other executives of the Company are invited to address, respond or provide clarifications to relevant issues as and when required.

RISK MANAGEMENT

Your Company has constituted the Risk Management Committee as mandated by Listing Regulations to frame, implement and monitor the risk management plan for the Company. The Committee comprises of Directors and Senior Management as its Members as prescribed under Regulation 21 of the Listing Regulations as amended. The Company Secretary is the Secretary of the Committee. The Committee is responsible for monitoring and reviewing the risk management plan and ensuring its effectiveness.

Pursuant to the amendments notified by SEBI in its circular dated 5th May, 2021, the Board at its meeting held on 27th July, 2021 revised the terms of reference of Risk Management Committee to include the Business Continuity Plan (BCP), sustainability and reviewing the risk management policy at least once in two years.

Your Company has always endeavoured to bring together elements of best practices for risk management in relation to existing and emerging risks faced by it at both strategic and operating level. 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 also compliance levels. Your Company has substantial operations all over the country and competes on the basis of brand appeal, loyalty, price value connotations and strong trade relationships. The Company's position is influenced by the economic, regulatory and political situations both nationally and at a state level and 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 labeling, advertising and promotion). This further gets complicated with adoption of differing regulatory regimes 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 effectively 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 GST, excise and other cesses as may be made applicable, which could require the Company to take up product prices and in absence of such action, impact its business. The impact increases when due to changes in economic situation, consumer's disposal income reduces, resulting in down-trading to cheaper cigarettes including non-duty paid illicit cigarettes or alternative tobacco products. Such risks are addressed by the company through: (a) engagement with tax authorities at levels where appropriate; (b) regular management review to build a well laddered brand portfolio across new segments including new brand creation; and (c) capability buildup through investments in distribution infrastructure to increase geographical spread.

- iii. **Geopolitical tension** could have a short-term impact on company's revenue growth and profitability.

The Company's supply chain and normal business processes are exposed to the risk of disruption. Such disruption could be caused through geopolitical tension, civil unrest, economic policy changes, health crisis, violent weather conditions or other natural disasters. This could result in potential loss of assets and increased costs due to more complex supply chain arrangements and/or maintaining inefficient facilities. Such risks are mitigated through a robust business continuity planning process and having multiple sourcing / delivery (supply chain) strategy.

- iv. **Illicit Trade** could have a risk to Company's long term revenue growth and profitability.

Non-Duty Paid (NDP) Cigarettes in the form of counterfeit product, contraband (genuine smuggled product) and locally manufactured products on which applicable taxes are evaded, represents a significant and growing threat to the legitimate cigarette industry. Factors such as increased product prices (either for retailer or consumer) and economic downturn among others encourage consumers shift to cheaper cigarettes which results in commoditisation of the Product and erosion of brand value resulting in undermining company's investment in trade marketing and distribution. As part of its mitigation plan the company both directly as well as through trade bodies engages with key external stakeholders including periodical interaction with law enforcement agencies in pursuit of priority targets.

- v. **Infringement of Intellectual property** could have a short term impact on revenue growth and profitability.

The Company relies on its registered designs, trademarks and copyrights under which it sells its products to get competitive advantage. Risk of Infringement happens due to delay in identification and action taken including limitation of judicial protection. In addition, as third-party rights (registered trademarks) are not always identifiable, there may be claims against the company for infringement of their intellectual property rights. Such infringement of trademarks results in reputational impact due to inability to protect its trade marks, disruption to normal business processes resulting in potential loss of revenue, unnecessary protracted litigation. Such risks are mitigated through constant training to all team members to recognise misuse of Company's trademarks and report to take legal protection. Further, process is in place to ensure new trademarks do not infringe with trademarks belonging to others.

- vi. **Cyber Security** – the company's operations place high reliance on its digital data. Loss or misuse of any such 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 cyber security policies and procedures which are reviewed regularly. In addition, for continuity of the operations we perform periodic assessment of information technology controls implemented like data back-up mechanism, Disaster recovery centre, authorisation verification, firewalls, etc.

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 various social activities focusing on Rural Development, Health & Sanitation like construction of toilets under Swachh Ghar mission, Education and Environment sustainability.

The Company has with the help of Gramalaya, a non-profit organization, was involved in creating awareness among women on menstrual hygiene and usage of cloth sanitary pads under project Naari Shakti as part of our Rural development initiative. Towards this initiative women were mobilised and self-help groups were formed for better execution of the project and made this project a self-sustaining one. Your organization also supported women entrepreneurs and aspiring entrepreneurs in skill development programs conducted by the FTCCI, Hyderabad.

Your Company has also in collaboration with Gramalaya constructed toilets in individual homes (of farmers living) in and around Jogulamba-Gadwal district of Telangana where your Company has its operations, under the 'Swachh Ghar' programme of your Company. These villages and the communities in the area were also sensitised regarding the importance of health & sanitation. Over 850 household toilets have already been constructed during the financial year, and your Company has plans to extend it further to other houses in the same area and thereafter extend it to other areas.

In addition to toilets under Health, your Company has supported Chitranjan Cancer Hospital, Kolkata in treatment of the cancer patients and also supported in procuring a Pediatric Ambulance in KIMS Hospital, Hyderabad.

In the field of Education your Company supported purchase of Braille printing machines for education of the blind children at Devnar School for Blind, Hyderabad and also supported construction of school infrastructure at Hindi Mahavidyala School, Hyderabad and a Government School at Toopran.

Your Company had provided Mid-day meals for more than 8,500 Government school children & 15,165 Anganwadis in Medak district, Hyderabad this financial year.

Your Company has taken up an initiative of supporting environment sustainability by installing 100 solar street lights in Mupireddypalli village of Medak district in Telangana.

Pursuant to the provisions of Section 135 read with Schedule VII of the Companies Act, 2013 as amended by the Companies Amendment Act of 2019 & 2020, 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 composition of the CSR Committee is given in the Corporate Governance Report forming part of this Annual Report. The CSR policy and the projects approved by the Board are available on the Company's website at: <https://www.vsthyd.com/mainsite/documents/corporate-social-responsibility-policy.pdf>

The CSR Policy and the Annual Report on CSR activities is annexed herewith as "Annexure B" and forms part of this Report.

BUSINESS RESPONSIBILITY AND SUSTAINABILITY REPORT

In terms of Regulation 34(2)(f) of the Listing Regulations, a report on Business Responsibility and Sustainability Report (BRSR) in the prescribed format forms part of this Report.

RELATED PARTY TRANSACTIONS

The related party transactions entered into by the Company during the year are in its ordinary course of business and on arm's length basis. There were no materially significant related party transactions between your Company and the Directors, Promoters or Promoter group, Key Managerial Personnel and other designated persons which may have a potential conflict with the interest of your Company at large. During the year, the Company has not entered into any transactions with any person or entity belonging to the promoter or promoter group which holds 10% or more shareholding in the listed entity other than the corporate actions applicable uniformly to all the shareholders. Prior approval for all the related party transactions is obtained from the Audit Committee.

Form AOC-2 pursuant to Section 134(3)(h) of the Companies Act, 2013 read with Rule 8(2) of the Companies (Accounts) Rules, 2014 for disclosure of particulars of contracts/arrangements, entered into by your Company with related parties for the year ended 31st March, 2023 is annexed herewith as "Annexure C" and forms part of this Report.

BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013 as amended and Listing Regulations, the performance evaluation of the Board, the committees of the Board and individual Directors [including Independent Directors and Chairperson] has been carried out. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report. The performance evaluation of the Chairman and the Non-independent Directors was carried out by the Independent Directors. The Board of Directors expressed their satisfaction with

the evaluation process.

REMUNERATION POLICY

Nomination and Remuneration Committee has formulated a policy relating to remuneration of directors, key managerial personnel and other employees which has been revised and approved by the Board. The Remuneration Policy and the criteria for determining qualification, position, attributes and independence of a Director as required under Section 178(3) of Companies Act, 2013 are stated in the Corporate Governance Report. The policy is also placed on the website of the Company and can be viewed at <https://www.vsthyd.com/mainsite/documents/remuneration-policy.pdf>

MEETING OF INDEPENDENT DIRECTORS

During the financial year under review, all the Independent Directors of the Company met on 26th April, 2022 through video conference, *inter alia*, to discuss:

- Evaluation of the performance of the Non-Independent Directors and the Board as a whole.
- Evaluation of the performance of the Chairman of the Company, Chairman of the Committee's considering the views of the Executive and Non-Executive Directors.
- Evaluation of the quality, content and timelines of flow of information between the Management and the Board that is necessary for the Board to perform its duties effectively and reasonably.

VIGIL MECHANISM

In terms of Section 177 of the Companies Act, 2013, and Regulation 22 of Listing Regulations, 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: <https://www.vsthyd.com/mainsite/documents/whistle-blower-policy-2022.pdf>

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Directors retiring by rotation

Mr. S. Thirumalai

Mr. S. Thirumalai (DIN: 00011899) was reclassified as a Non-Executive Non-Independent Director of the Company

in compliance with Section 152(6) of the Companies Act, 2013 as amended, at a Meeting of the Board held on 26th July 2019, which was subsequently approved by the Members at their AGM held on 28th August, 2019 whose office is subject to retirement by rotation.

Pursuant to Article 93 of the Articles of Association of your Company, Mr. S. Thirumalai is liable to retire from the Board and being eligible, offers himself for re-election. Your Board recommends his re-appointment. Further, in terms of Regulation 17(1A) of the Listing Regulations, the Board recommends continuation of his directorship on attaining the age of 75 years on 2nd September, 2023. A suitable Resolution for continuation of his directorship pursuant to Regulation 17(1A) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, is being put up for your approval.

Mr. Thirumalai (74 years) is a Fellow Member of Institute of Chartered Accountants of India, Institute of Company Secretaries of India, Certified Associate of Indian Institute of Bankers and also a law graduate. He has also attended the Advanced Management Program at Harvard Business School, Boston, USA. He has diversified experience of over four decades including a major portion in the tobacco sector and specialises in Finance, Taxation, Legal and General Management. The Board feels that the vast and diversified experience of Mr. Thirumalai will prove to be an asset to the Company.

Mr. Thirumalai is not a Director in any other Company in India. He is a Member of the Audit Committee, CSR Committee, Stakeholders Relationship Committee and Risk Management Committee. He has attended all the Board and Committee meetings held during the year. Mr. Thirumalai holds 25 shares in the Company and is not related to any other Director of the Company.

INDEPENDENT DIRECTORS

At the Annual General Meeting of the Company held on 28th August, 2019, the Members have approved the appointment of Ms. Rama Bijapurkar, Mr. Sudip Bandyopadhyay and Mr. Rajiv Gulati as Independent Directors of the Company in accordance with Section 149 of the Companies Act, 2013, with effect from 1st April, 2019, 1st June, 2019 and 26th July, 2019 respectively to hold the office for a term of five consecutive years from their respective dates.

All the Independent Directors have given a declaration in terms of Section 149(6) of the Companies Act, 2013 as amended and Regulation 25 and 16(1)(b) of the Listing Regulations as amended for the financial year ended 31st March, 2023, that they meet the criteria of



independence. They also declared that they are not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact their ability to discharge their duties as an Independent Director with an objective independent judgement and without any external influence. The Board carried out an assessment of the declarations and took the same on record. None of the Independent Directors are related to any other director of the Company.

KEY MANAGERIAL PERSONNEL

The Managing Director & CEO Mr. Aditya Deb Gooptu, the Chief Financial Officer Mr. Anish Gupta and the Company Secretary Mr. Phani K. Mangipudi are the Key Managerial Personnel as per the provisions of Section 203 of the Companies Act, 2013.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(5) of the Companies Act, 2013 your Directors confirm that:

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 on 31st March, 2023 and of the profits of the Company for that 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.

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 considering 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, strategic vision, 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 considered. 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.

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

There are no significant or material orders passed by the Regulators, Courts or Tribunals which impact the going concern status of the Company and its future operations. However, Members' attention is drawn to the following:

TAXATION

i. Luxury Tax

The then Government of Andhra Pradesh introduced a levy of luxury tax on cigarettes and its virus was challenged before the then High Court of Andhra Pradesh and before the Supreme Court which was struck down. The Commercial Tax department claimed that during pendency of the matter before the courts between 1999-2005, your Company had collected luxury tax amounting to ₹ 34.86 Crores but not paid to the Government. Your Company denied collecting luxury tax and the litigation on the same was pending before the appellate authority of the department and the High Court of Telangana. During the year, the Company has settled its Luxury Tax matter under amnesty scheme by paying 50% of the disputed tax amount.

ii. Entry Tax

Entry Tax levy by the States of West Bengal, Jharkhand and Assam has been challenged before the respective State High Courts by your Company, basis the directions of the Hon'ble Supreme Court. Demand of interest on entry tax was challenged before the High Court of Allahabad and is pending adjudication. In the State of West Bengal, the High Court remanded the matter to Taxation Tribunal and the said Tribunal was pleased to allow the Petitions filed by your Company and it is likely the State may prefer an appeal before the High Court of Kolkata.

iii. Excise

a. Wrapping Materials

The Excise department has issued show cause notices demanding payment of duty of ₹ 4.51 crores 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 July 2015. Demand for the period till March 2002 has been adjudicated and the CESTAT decided in favour of your Company. Department preferred an appeal before the Supreme Court which is pending. Demands for period after March, 2002 till July, 2015 are yet to be adjudicated by the original authority.

b. Tobacco Refuse

Your Company has received show cause notices demanding recovery of duty on cut tobacco used in the manufacture of tobacco refuse since January 2005 till June 2017 amounting to ₹ 14.52 crores. Demand for the period till October, 2013 has been adjudicated and the CESTAT decided in favour of your Company. Department preferred an appeal before Supreme Court which is pending. Demands for period after October, 2013 till June, 2017 are yet to be adjudicated by the original authority.

c. Service Tax

Your Company has received show cause notices from the Excise Department seeking to deny CENVAT credit availed on various input services on the ground that the same are not in relation to the manufacture of final products. Upon adjudication, credit on most of the services was allowed in favour of your Company. Some of them have been disputed. Since 2005 till 2017, the matters are pending before various adjudicating

authorities and before the CESTAT and are being effectively contested.

PUBLIC INTEREST LITIGATION (PIL)

- i. 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. This is being contested.
- ii. Petitions have also been filed in other courts such as High Court of Madhya Pradesh - Jabalpur, National Green Tribunal, Delhi seeking ban on sale of cigarettes and before High Court of Madhya Pradesh - Indore Bench seeking directions to mention tar and nicotine content on cigarette packs by the manufacturers. All of the above are being effectively contested by your Company.

FINANCIAL SERVICES BUSINESS

The Company petition filed by the Official Liquidator before the High Court of Andhra Pradesh (now Telangana High Court) seeking directions against some of the Ex-Directors of ITC Agro Tech Finance and Investments Limited (ITCAGF), the Company in liquidation, into which one of the subsidiaries of your Company, viz. VST Investments Limited was amalgamated, and its related matters are still pending 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, visual media and outdoors, 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, came into effect from 31st May 2009 were further revised and the pictorial warning covering 85% of the front and back side of the packets was implemented w.e.f. 1st April 2016 and is being duly complied with by your Company.
- ii. Your Company also filed a writ petition in the Hon'ble High Court of Andhra Pradesh (now Telangana High Court) 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.

- iii. Before the High Court of Karnataka, a Writ Petition was filed by Tobacco Institute of India (TII) on behalf of your Company and other manufacturers against the proposed notification dated 15th October 2014 by Health Ministry to print health warning on both sides of the pack occupying 85% of space. The 85% health warning came into effect from 1st April 2016. Your Company also filed a Writ Petition before the High Court bench at Dharwad against the implementation of 85% health warning. The Hon'ble Supreme Court on hearing a PIL filed by Health for Millions, constituted a Bench before the Karnataka High Court to hear all the matters relating to graphical health warning. The Writ Petitions filed by TII and your Company were heard before the Bangalore Bench and it was held on 15th December 2017 that the amendment made to the Packaging Rules imposing 85% graphic health warning is ultra vires the Constitution. Against the said Judgement, an appeal was filed by the Ministry of Health before the Supreme Court. A stay has been granted on the said judgement and the case is pending before the Supreme Court.

REAL ESTATE

- i. During the year, your Company, pursuant to the in-principal approval granted by the Board of Directors for availing conversion of the factory cum registered office premises from a leasehold to freehold property in the Azamabad Industrial Area, has purchased the said property from the Government of Telangana for a consideration of ₹324.10 crores excluding stamp and other duties.
- ii. The then 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 four decades. 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

filed a writ petition before the then 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 is taking all the necessary steps for speedy disposal of the above writ petitions which are pending before the Court.

One more case of land grabbing was filed by the then Government of Andhra Pradesh against your Company in the year 1989 on a piece of land along with building called 'Lal-e-Zar', before the Special Court. In the year 2010, the Special Court passed a judgement stating that your Company is not a land grabber. After 7 years, the Government of Telangana filed an appeal before the Hon'ble High Court of Telangana and Andhra Pradesh seeking a direction from the court that the nature of the land is not to be altered and no third party interest to be created. Your Company filed a counter and vacate stay application seeking permission to construct on the said land. Judgement was pronounced on the vacate stay petition allowing your Company to construct but with certain conditions. The State Government preferred an appeal before the Supreme Court which was dismissed.

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

The information required pursuant to Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended in respect of employees of the Company, are annexed herewith as "Annexure D" and forms part of this Report. 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 AGM. 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.

The Company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The information as regards the number of cases filed and their disposal under this Act is given in the Business Responsibility and Sustainability Report.

ANNUAL RETURN

As required under Section 92(3) of Companies Act, 2013 and Rule 12(1) of Companies (Management and Administration) Amendment Rules, 2020, Annual Return is available on the Company's website at <https://www.vsthyd.com/mainsite/Annual>Returns.html>

AUDITORS

Statutory Auditors

In compliance with the provisions of Sections 139 and 141 of the Companies Act, 2013 as amended and Companies (Audit and Audit Rules), 2014, including any statutory modification(s), re-enactments and amendments thereof, for the time being in force, M/s. BSR & Associates, LLP, Chartered Accountants, were re-appointed as the Statutory Auditors of the Company to hold office for a second term of five years from the conclusion of the 90th AGM to the conclusion of the 95th AGM. The Report given by the Auditors on the financial statements of the Company is part of the Annual Report. There has been no qualification, reservation or adverse remark in their Report. During the year under review, the Auditors have not reported any matter under Section 143(12) of the Companies Act, 2013 and hence, no details is required to be disclosed under Section 134(3)(ca) of the Companies Act, 2013.

Secretarial Auditor

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 appointed M/s. Tumuluru and Company Firm as Secretarial Auditor of the Company for the FY 2022-23. The Secretarial Audit Report is annexed herewith as

"Annexure E" and forms part of this Annual Report. There are no qualifications, reservations or adverse remarks in the Secretarial Audit Report.

COMPLIANCE WITH SECRETARIAL STANDARDS

Your Company has complied with applicable Secretarial standards, i.e. on Meetings of the Board of Directors [SS-1] and on General Meetings [SS-2] issued by The Institute of Company Secretaries of India (ICSI) and approved by the Central Government under Section 118(10) of the Companies Act, 2013.

COST ACCOUNTS AND RECORDS

The maintenance of cost accounts and records as specified by the Central Government under Section 148(1) of the Companies Act, 2013 are not applicable for the business activities carried out by the Company.

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 read with Rule 8 of Companies (Accounts) Rules, 2014 is given in the "Annexure F" forming part of this Report.

SUBSIDIARY / ASSOCIATES / JOINT VENTURES

Addition or cessation of subsidiaries, associates or joint ventures is not applicable to the Company as the Company does not have any subsidiary company, associates and joint ventures.

INSOLVENCY AND BANKRUPTCY CODE 2016

There was no application made or any proceedings pending under the Insolvency and Bankruptcy Code 2016 (31 of 2016) during the financial year.

UTILISATION OF FUNDS

Your Company has not raised any funds during the year through preferential allotment or Qualified Institutional Placement, as a result question of providing details of utilisation of such funds does not arise. Further, during the year, there were no transaction relating to difference between amount of valuation done at the time of one-time settlement and the valuation done while taking loan from the Banks or Financial Institutions.

DEBENTURE TRUSTEES

Your Company does not have any debentures and as a result the requirement to appoint debenture trustees does not arise.

**WAY FORWARD**

A vibrant and consumer centric brand portfolio remains a top priority for your Company. This will be fuelled by actionable consumer insights, robust product pipeline, best-in-class quality and a fully functional digital ecosystem.

ACKNOWLEDGEMENTS

The Directors are grateful to all valuable stakeholders of the Company viz. customers, shareholders, dealers, vendors, banks and other business associates for their excellent support rendered during the year. The Directors also acknowledge the unstinted commitment and valued contribution of all employees of the Company.

On behalf of the Board,

Naresh Kumar Sethi
Chairman
DIN: 08296486

Dated this 25th day of April, 2023
New Delhi

ANNEXURE A**REPORT ON CORPORATE GOVERNANCE**

The Directors present the Company's Report on Corporate Governance for the year ended 31st March, 2023.

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. Naresh Kumar Sethi [§]	Non-Executive Director	Nil	Nil
Mr. Aditya Deb Gooptu	Managing Director & CEO	1	Nil
Ms. Rama Bijapurkar	Independent – Non-Executive Director	5	3
Mr. Sudip Bandyopadhyay	Independent – Non-Executive Director	2	2
Mr. Rajiv Gulati	Independent – Non-Executive Director	Nil	Nil
Mr. S. Thirumalai	Non-Executive Director	Nil	Nil

Notes: There are no *inter se* relationships between the Board Members.

Except Mr. S. Thirumalai who holds 25 equity shares, none of the other Directors hold any shares in the Company. There are no convertible instruments issued by the Company and hence none held by the Non-Executive Directors during the year ended 31st March, 2023.

* Outside directorships exclude unlisted public companies, foreign companies, private limited companies, debt listed and alternate directorships.

Only Membership in Audit Committee and Stakeholders' Relationship Committee have been reckoned for other Committee Memberships.

§ Representing equity interest of promoter group – British American Tobacco, U.K.

Directorships and Committees held in other listed companies

Ms. Rama Bijapurkar is on the Board and Member/Chairperson of the Committees in the following listed companies:-

Name of the Director	Directorship held in the other companies	Name of the Committee	Whether Chairman or Member
Ms. Rama Bijapurkar	Mahindra & Mahindra Financial Services Ltd. – Independent Director	Audit Committee	Member
		Stakeholders Relationship Committee	Chairperson
	Cummins India Limited – Independent Director	Stakeholders Relationship Committee	Member
	Sun Pharmaceuticals Industries Limited – Independent Director	-	-
	Apollo Hospitals Enterprise Limited – Independent Director	-	-
	Gokaldas Exports Limited – Independent Director	-	-

Mr. Sudip Bandyopadhyay is on the Board and Member/Chairman of the Committees in the following listed companies:-

Name of the Director	Directorship held in the other companies	Name of the Committee	Whether Chairman or Member
Mr. Sudip Bandyopadhyay	Inditrade Capital Limited	-	-
	AGS Transact Technologies Limited	Audit Committee	Member


(b) Attendance of each Director at the Board Meetings and the last Annual General Meeting (AGM) held

Name of the Director	No. of Board Meetings held	4th April, 2022 (Through VC)	26th April 2022	29th July 2022	8th November 2022	25th January 2023 (Through VC)	AGM held on 29th July, 2022 (Through VC)
Mr. Naresh Kumar Sethi	5	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Aditya Deb Gooptu	5	Yes	Yes	Yes	Yes	Yes	Yes
Ms. Rama Bijapurkar	5	Leave of Absence	Yes	Yes	Yes	Yes	Yes
Mr. Sudip Bandyopadhyay	5	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Rajiv Gulati	5	Yes	Yes	Yes	Yes	Yes	Yes
Mr. S. Thirumalai	5	Yes	Yes	Yes	Yes	Yes	Yes

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 on profits from the Company.

In the opinion of the Board, the Independent Directors fulfill the conditions specified in Listing Regulations and are independent of the management.

(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 Regulations. Detailed agenda notes containing details required for decision-making are circulated to the Directors in advance. 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, 2013, Memorandum & Articles of Association, the Listing Regulations 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 Chairperson of more than five such committees, across all listed entities in which he/she is a Director as required under Regulation 26 of the Listing Regulations.

Based on the declarations received from the Independent Directors, the Board of Directors

has confirmed that they meet the criteria of independence as mentioned under Section 149(6) of the Act and Regulation 16(1)(b) of the SEBI Listing Regulations and that they are independent of management.

Further, the Independent Directors have included their names in the data bank of independent Directors maintained with the Indian Institute of Corporate Affairs in terms of Section 150 of the Act read with Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014.

The Board has identified the following core skills/expertise/competencies which are required and available with reference to the business environment in which the Company operates:

Name of the Director	Skills / expertise / competencies of the Director
Mr. Naresh Kumar Sethi	Governance, Marketing and Business Strategy
Mr. S. Thirumalai	Finance & Regulatory
Ms. Rama Bijapurkar	Business Strategy, Marketing & Governance
Mr. Sudip Bandyopadhyay	Business Strategy & Finance
Mr. Rajiv Gulati	Business Strategy & Marketing
Mr. Aditya Deb Gooptu	Business Strategy & Marketing

(d) Familiarisation Programme for Independent Directors

In order to familiarise the Independent Directors with the Company and to inform them about their roles, 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

Programme for Independent Directors and the details of such familiarisation programmes are disseminated on the website of the Company <https://www.vsthyd.com/mainsite/documents/Familiarisation-Programme-for-independent-Directors.pdf>.

The Board also carried out an assessment of the Independent Directors and confirmed that in its opinion they fulfill the conditions of independence as specified under the Companies Act and the Listing Regulations as amended and are Independent of management.

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 Regulation 18 of the Listing Regulations. The terms of reference of the Audit Committee are as under:

- 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;
- Recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:
 - 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;
 - Changes, if any, in accounting policies and practices and reasons for the same;

- Major accounting entries involving estimates based on the exercise of judgement by management;
 - Significant adjustments made in the financial statements arising out of audit findings;
 - Compliance with listing and other legal requirements relating to financial statements;
 - Disclosure of any related party transactions;
 - Modified Opinion(s) in the draft audit report.
- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
 - 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;
 - Review and monitor the auditor's independence and performance, and effectiveness of audit process;
 - Approval or any subsequent modification of transactions of the Company with related parties;
 - Scrutiny of inter-corporate loans and investments;
 - Valuation of undertakings or assets of the Company, wherever it is necessary;
 - Evaluation of internal financial controls and risk management systems;
 - Reviewing with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
 - 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 held and Attendance during the financial year

Name of the Member	Category	Attendance at the Audit Committee Meetings held on			
		26th April 2022	29th July 2022	8th November 2022	25th January 2023 (Through VC)
Mr. Sudip Bandyopadhyay	Independent Non-Executive Director [Chairman]	Yes	Yes	Yes	Yes
Ms. Rama Bijapurkar	Independent Non-Executive Director	Yes	Yes	Yes	Yes
Mr. Rajiv Gulati	Independent Non-Executive Director	Yes	Yes	Yes	Yes
Mr. S. Thirumalai	Non-Executive Director	Yes	Yes	Yes	Yes

The representatives of the statutory auditors and internal auditors and the CFO are the permanent invitees and they have attended all the Meetings held during the year. 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.

21. To consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the Company and its shareholders.

The Audit Committee mandatorily reviews the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the Audit Committee) submitted by management;
3. Management letters/letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses;
5. The appointment, removal and terms of remuneration of the internal auditor shall be subject to review by the Audit Committee; and
6. Statement of deviations:
 - a] Quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1);
 - b] Annual statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).

4. NOMINATION AND REMUNERATION COMMITTEE:

(a) Terms of Reference

Pursuant to Section 178 of Companies Act, 2013 read with Regulation 19 of the Listing Regulations as amended, the 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) Recommend to the Board, all remuneration payable to senior management;
- i) Assess, approve or recommend the training and development requirements of Directors and senior management as recommended by the Executive Directors;
- j) Devising a policy on Board Diversity.

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

Name of the Member	Category	Attendance at the Nomination & Remuneration Committee Meeting held on		
		26th April, 2022	18th July, 2022 (Through VC)	8th November, 2022
Ms. Rama Bijapurkar	Independent Non-Executive Director [Chairperson]	Yes	Yes	Yes
Mr. Sudip Bandyopadhyay	Independent Non-Executive Director	Yes	Yes	Yes
Mr. Rajiv Gulati	Independent Non-Executive Director	Yes	Yes	Yes
Mr. Naresh Kumar Sethi	Non-Executive Director	Yes	Yes	Yes

(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 reflects on the guiding principles of aligning with Company objective of sustained improvement in performance, promoting a culture of meritocracy, creating a linkage to corporate and individual performance, market competitiveness and positive influence on the employee contribution and continuity.

The Company's remuneration philosophy is aligned with broader HR strategy which reinforces employee value proposition through enabling work environment, empowering and engaging work culture.

The remuneration philosophy is driven by:

1. Business performance-Remuneration as an effective instrument to enhance performance and therefore link as an optimum mix of individual & company performance.
2. Remuneration practices that support and encourage meritocracy based on objectivity, fairness & transparency.
3. Remuneration policy will act as motivational tool & drive the desired positive behaviors and thus improve the overall organisational health and performance.
4. Taking in to the competitive aspect, remuneration is based on market/industry positioning vis-à-vis 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 as may be required but at least once in three years 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.

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:

- Fixed components: Comprising of (i) Basic salary; (ii) Fixed allowances & perquisites; (iii) Retiral benefits.
- 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 senior management, above the median of the market/industry positioning.

Middle & junior management: Individual compensation fitment in this category is around the median of the market/industry positioning.

The variable component of the salary at the junior management starts at 10% of the total cost of the Company and goes up to 35% for senior management.

The variable component for the Executive Directors is subject to statutory provisions and approval of the shareholders. 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.

The review of the compensation structure in line with the market shall be done periodically as may be required but at least once in three years. All other perquisites and benefits shall also be 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 remuneration / commission as a percentage of net profit, as approved by the Members within the overall limit prescribed under the law and Independent Directors are not eligible for any stock options.

Criteria for selection and appointment of Directors

Criteria for selection and appointment of Directors is given as part of the Board Report.

Criteria for performance evaluation

Pursuant to the provisions of the Companies Act, 2013 and Regulation 19 of the Listing Regulations, criteria for performance evaluation of individual Directors, Board as a whole as well as the Board Committees has been formulated.

Performance of the Directors was evaluated on broad criteria such as contribution to the Board and Committees thereof; contribution to effective Board governance; 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 Director was also evaluated against his Key Responsibility Areas (KRAs). The Chairman's performance was evaluated by Independent Directors on above parameters after considering the views of Executive and Non-Executive Directors. Independent Directors were also assessed by the entire Board (excluding the person being evaluated), based on their performance, fulfillment of the Independence criteria and their independence from the management 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 were 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 Directors 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, 2023

Name	Position	Salary / Remuneration ₹	Allowances, benefits and contributions to Provident/ Pension and Other Funds ₹	Performance Linked Bonus ₹	Other Remuneration ₹	Commission ₹	Sitting Fees ₹	Total ₹
Mr. Naresh Kumar Sethi	Chairman-Non-Executive Director	-	-	-	1,25,00,000	53,00,000	12,60,000	1,90,60,000
Mr. Aditya Deb Gooptu	Managing Director & CEO	1,30,21,200	1,32,11,622	1,35,42,048	-	-	-	3,97,74,870
Ms. Rama Bijapurkar	Independent Non-Executive Director	-	-	-	46,00,000	15,60,000	61,60,000	
Mr. Sudip Bandyopadhyay	Independent Non-Executive Director	-	-	-	49,00,000	13,00,000	62,00,000	
Mr. Rajiv Gulati	Independent Non-Executive Director	-	-	-	32,00,000	15,00,000	47,00,000	
Mr. S. Thirumalai	Non-Executive Director	-	-	-	25,00,000	38,00,000	14,20,000	77,20,000

The Company has adopted the VST Employee Stock Option Plan 2020 ('VST-ESOP 2020') for the benefit of the permanent employees and/or Directors of the Company and/or its holding and subsidiary Company(ies), if any, in future, but excluding Independent Directors and any employee who is a promoter or belongs to the promoter group.

Benefits for Managing Director & CEO are as per the emoluments approved by the Shareholders at their meeting held on 27th July, 2021 and 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 and

the agreement entered into with 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. No severance fees was paid to the Directors.

Performance of the Managing Director & CEO is evaluated basis his achievement as determined by the Key Result Areas identified and agreed at the beginning of the year.

**(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	-	₹ 1,00,000
Audit Committee	-	₹ 1,00,000
Stakeholders		
Relationship Committee	-	₹ 50,000
Nomination & Remuneration Committee	-	₹ 80,000
Corporate Social Responsibility Committee	-	₹ 80,000
Risk Management Committee	-	₹ 80,000
Strategy Committee	-	₹ 80,000

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, 2018. Approval of the Members is being

sought to pay commission from 1st April, 2023 for further period of five years. Commission paid to Non-Executive Directors is determined based on their performance evaluation and on the basis of their membership in various Committees of the Board.

In accordance with the Listing Regulations, no employee, including key managerial personnel or director or promoter of a listed entity, shall enter into any agreement for himself or on behalf of any other person, with any shareholder or any other third party with regard to compensation or profit-sharing in connection with dealings in the securities of the Company, without prior approval from the Board as well as from shareholders by way of an ordinary resolution. No such instances were reported during financial year ended 31st March, 2023.

5. STAKEHOLDERS' RELATIONSHIP COMMITTEE

In terms of Section 178 of the Companies Act, 2013 and Regulation 20 of the Listing Regulations as amended, 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 held and Attendance during the financial year:

Name of the Member	Category	Attendance at the Stakeholders' Relationship Committee Meetings held on			
		26th April, 2022	29th July, 2022	8th November, 2022	25th January, 2023 (Through VC)
Ms. Rama Bijapurkar	Independent Non-Executive Director [Chairperson]	Yes	Yes	Yes	Yes
Mr. Rajiv Gulati	Independent Non-Executive Director	Yes	Yes	Yes	Yes
Mr. Naresh Kumar Sethi	Non-Executive Director	Yes	Yes	Yes	Yes
Mr. S. Thirumalai	Non-Executive Director	Yes	Yes	Yes	Yes
Mr. Aditya Deb Gooptu	Managing Director & CEO	Yes	Yes	Yes	Yes

The Company Secretary acts as the Secretary to the Committee.

- Name and designation of Compliance Officer: Phani K. Mangipudi, Company Secretary
- Number of shareholders' complaints received and attended during the financial year ended 31st March, 2023

Nature of complaints / queries	Received	Attended	Pending
Non-receipt of Annual Reports	0	0	Nil
Non-receipt of dividend warrants	54	54	Nil
Non-receipt of share certificates	6	6	Nil
Letters from stock exchanges / SEBI	6	6	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 only as a proforma defendant/respondent. However, these cases are not material in nature.

6. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (INCLUDING OVERSIGHT OF ESG FRAMEWORK)

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

The terms of reference of the Committee are 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.

The Board of Directors has extended the ambit and scope of CSR Committee to include the ESG strategy and its implementation, to execute ESG related initiatives and policies, assess their impact, review disclosures of ESG matters to internal and external stakeholders and to identify and recommend measures to mitigate ESG related risks.

Composition, Meetings held and Attendance during the financial year

Name of the Member	Category	Attendance at the CSR Committee Meetings held on	
		26th April, 2022	8th November, 2022
Mr. Rajiv Gulati	Independent Non-Executive Director [Chairman]	Yes	Yes
Ms. Rama Bijapurkar	Independent Non-Executive Director	Yes	Yes
Mr. Naresh Kumar Sethi	Non-Executive Director	Yes	Yes
Mr. S. Thirumalai	Non-Executive Director	Yes	Yes
Mr. Aditya Deb Gooptu	Managing Director & CEO	Yes	Yes

The Company Secretary acts as the Secretary to the Committee.

7. SUBSIDIARY COMPANY

The Company does not have any material subsidiary company as defined in Regulation 16 of the Listing Regulations. Hence, no policy for determining material subsidiaries has been framed.

8. RISK MANAGEMENT COMMITTEE

The Company has laid down procedures to inform Board Members about the risk assessment and minimisation procedures.

The terms of reference of the Committee are as under:

- To ensure appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
- To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
- To consider the Business Continuity Plan (BCP) and Sustainability;
- To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity; and
- To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken.
- To monitor and review cyber security in the Company.



Composition, Meetings held through VC and Attendance during the financial year

Name of the Member	Category	Attendance at the Risk Committee Meetings held on	
		18th July, 2022	20th December, 2022
Mr. Sudip Bandyopadhyay	Independent Non-Executive Director [Chairman]	Yes	Yes
Ms. Rama Bijapurkar	Independent Non-Executive Director	Yes	Yes
Mr. Naresh Kumar Sethi	Non-Executive Director	Yes	Yes
Mr. S. Thirumalai	Non-Executive Director	Yes	Yes
Mr. Aditya Deb Gooptu	Managing Director & CEO	Yes	Yes
Mr. Anish Gupta	Senior Management	Yes	Yes
Mr. Kalyan Basu	Senior Management	Yes	Leave of Absence
Mr. S. Sriram	Senior Management	Yes	Leave of Absence

The Company Secretary acts as the Secretary to the Committee.

9. GENERAL BODY MEETINGS

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

Year	Venue	Date	Time
2021-22	Through Video Conference	29.07.2022	10.00 a.m.
2020-21	Through Video Conference	27.07.2021	01.30 p.m.
2019-20	Through Video Conference	29.07.2020	01.30 p.m.

The following Special Resolutions were passed by the Members at the last three Annual General Meetings:

Annual General Meeting held on 29th July, 2022

No special resolutions were passed

Annual General Meeting held on 27th July, 2021

No special resolutions were passed

Annual General Meeting held on 29th July, 2020

No special resolutions were passed

10. MEANS OF COMMUNICATION

The quarterly/half yearly financial results are announced within 45 days of close of each quarter. The annual audited financial results are announced within 60 days from the close of the financial year as per the requirements of the Listing Regulations. 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 financial results are published in Business Standard and in a vernacular newspaper i.e., Andhra Prabha/Nava Telangana. The results along with other official information 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.

The Stock Exchanges viz. BSE and NSE, maintain separate online portals for electronic submission of information. As part of the Listing Regulations compliances, all the disclosures, results and other communications are filed electronically on these online portals.

11. GENERAL SHAREHOLDER INFORMATION

Date, Time and Venue of the Annual General Meeting

21st August, 2023 at 10.30 a.m. at Hotel Taj Krishna, Road No.1, Banjara Hills, Hyderabad - 500 034, Telangana. Hyderabad.

Financial year: 1st April, 2023 to 31st March, 2024

Financial Calendar 2023-24 [Tentative]

First quarter results	July, 2023
Second quarter and half yearly results	October, 2023
Third quarter results	January, 2024
Annual results	April, 2024

Dates of Book Closure: 5th August, 2023 to 21st August, 2023 [both days inclusive]

Dividend Payment Date: Within 30 days of the AGM date.

Listing on Stock Exchanges with Stock Code:

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

Annual Listing Fees have been paid to the above stock exchanges.

Market Price Data: High/Low during each month in the last Financial Year (2022-23)

Period	1 BSE		2 NSE	
	High ₹	Low ₹	High ₹	Low ₹
April, 2022	3,345.70	3,071.15	3,374.95	3,030.00
May, 2022	3,280.55	3,110.00	3,283.75	3,102.05
June, 2022	3,238.40	2,856.75	3,220.00	2,859.55
July, 2022	3,323.25	3,031.90	3,325.00	3,028.20
August, 2022	3,512.95	3,123.00	3,515.00	3,132.00
September, 2022	3,327.85	3,016.85	3,297.00	3,049.85
October, 2022	3,609.00	3,121.50	3,610.00	3,150.00
November, 2022	3,865.40	3,412.00	3,879.95	3,406.05
December, 2022	3,650.00	3,187.00	3,649.00	3,185.20
January, 2023	3,332.95	2,990.00	3,335.95	2,984.85
February, 2023	3,190.00	2,912.55	3,194.80	2,910.00
March, 2023	3,218.65	3,028.00	3,223.15	3,026.00

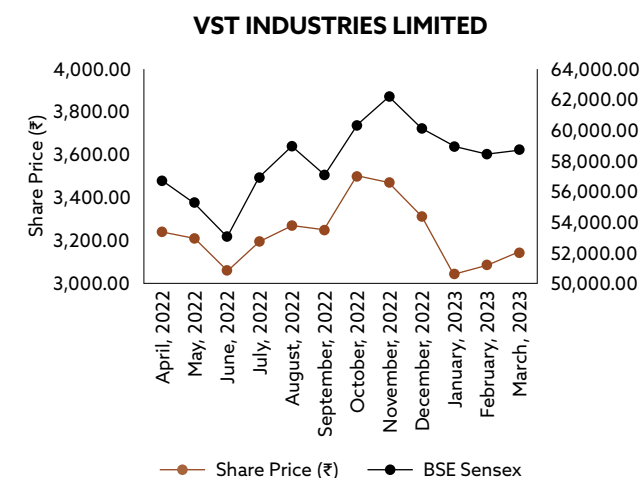
1 Source - www.bseindia.com

2 Source - www.nseindia.com

Performance in comparison with BSE Sensex

[based on closing price/Sensex]

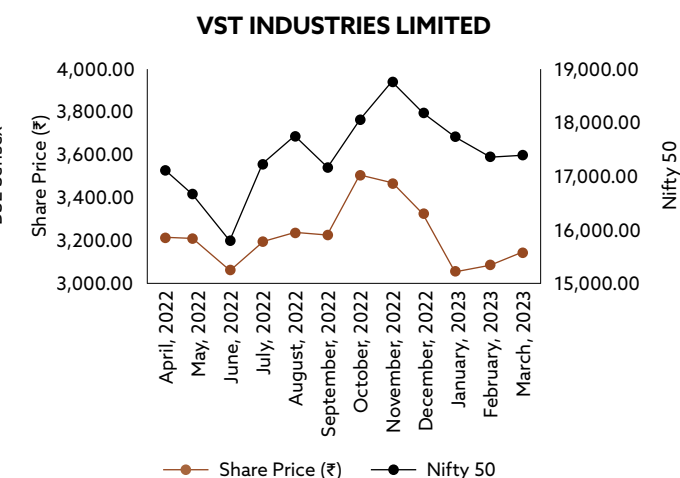
[Source: www.bseindia.com]



Performance in comparison with Nifty 50

[based on closing price/Nifty 50]

[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:

KFin Technologies Limited

Selenium Tower B, Plot No. 31 & 32, Financial District, Nanakramguda, Gachibowli, Serilingampally, Hyderabad - 500 032, Telangana.

Tel: + 91-40-67161606

Fax: + 91-40-23420814

E-mail: einward.ris@kfintech.com

Contact Person: Mr. Praveen Chaturvedi – General Manager – Corporate Registry
Mr. Raghunath Veedha – Deputy Manager – Corporate Registry

Share Transfer System

In terms of Regulation 40(1) of Listing Regulations, as amended from time to time, securities can be transferred only in dematerialised form with effect from April 1, 2019. Further, SEBI had fixed 31st March 2021 as the cut-off date for re-lodgement of transfer deeds and the shares that are re-lodged for transfer shall be issued only in dematerialised mode. The requests for effecting transfer/transmission/transposition of securities shall not be processed unless the securities are held in dematerialised mode. Members holding shares in physical form are requested to convert their holdings in dematerialised form. A summary of transmission of shares of the Company approved is placed at the 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, 2023.

Distribution of shareholding as on 31st March, 2023

Slab	No. of Shares	%	No. of Shareholders	%
1- 500	11,50,361	7.45	31,948	97.32
501-1000	3,56,088	2.30	497	1.51
1001-2000	2,96,274	1.92	211	0.64
2001-3000	1,55,132	1.00	64	0.20
3001-4000	73,184	0.47	21	0.06
4001-5000	63,229	0.41	14	0.04
5001-10000	2,02,797	1.32	28	0.09
10001 and above	1,31,44,855	85.12	44	0.13
Total	1,54,41,920	100.00	32,827	100.00
Physical Mode	2,89,590	1.88	1,664	5.07
Demat Mode	1,51,52,330	98.12	31,163	94.93

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 NSDL and CDSL.

As at 31st March, 2023, 1,51,52,330 equity shares of the Company constituting 98.12% 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 2023-2024 has been remitted to NSDL and CDSL, the Depositories, before the due date.

The Company's shares are regularly traded both on BSE and NSE.

Categories of Shareholding as on 31st March, 2023

Category	Number of Shares held	Percentage of Shareholding
Promoters and Associates	49,65,902	32.16
FII's/FPIs	2,53,524	1.64
Insurance Companies	2,42,553	1.57
Mutual Funds	23,49,887	15.22
Nationalised banks and other banks	12,778	0.08
NRI's and OCB's	1,53,769	1.00
Bodies Corporate	49,56,881	32.10
Indian Public and Others	25,06,626	16.23
TOTAL	1,54,41,920	100.00

Reconciliation of Share Capital Audit

For each quarter of the FY 2022-23, a qualified Company Secretary in Practice has carried out audit under Regulation 76 of SEBI (Depositories and Participants) Regulations, 2018, 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, yearly certificate of compliance with the share transfer formalities as required under Regulation 40(9) of the Listing Regulations and copy of the same is filed with BSE and NSE as required under Regulation 40(10) of the Listing Regulations.

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.

Commodity Price Risk or Foreign Exchange Risk and Hedging Activities:

During the year, the Company had managed the foreign exchange risk and hedged to the extent considered necessary. 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 details of foreign currency exposure are disclosed in Note No.29 to the Financial Statements.

The Principal raw material used by the Company in manufacture of its finished product i.e. Cigarettes, is tobacco. Factors that influence fluctuations in tobacco prices and availability include farm prices, government's policies, operational issues, natural disasters and economic conditions among others.

The Company's commodity risk arising from volatility in price and non-availability of tobacco is managed centrally through well-established operations and control processes which includes diversified tobacco sourcing strategy from both dealers and farmers coupled with sourcing in different seasons. There have been no significant changes in the nature of the risk exposures over the last 12 months and there is no futures market in tobacco.

Therefore, there are no separate disclosures to offer in terms of the SEBI Regulations/circulars issued from time to time.

Plant Locations

1-7-1063/1065, Azamabad, Hyderabad - 500 020, Telangana.	Survey No.288/289, Muppireddy Palli, Toopran, Medak Telangana.
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Address for Correspondence

Registered Office:

VST Industries Limited 1-7-1063/1065, Azamabad Hyderabad - 500 020. Tel: +91-40-2768 8000 Fax: +91-40-2761 5336 Email: investors@vstind.com	Mr. Phani K. Mangipudi Company Secretary & Compliance Officer
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No fresh credit ratings have been obtained by the Company during the relevant financial year for any debt instruments or any fixed deposit programme or any scheme or proposal of the Company involving mobilisation of funds, whether in India or abroad.

13. DISCLOSURES

i) Related Party Transactions (RPT)

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 Companies Act, 2013. Suitable disclosures as required by the Indian Accounting Standards [IND AS24] have been made in the notes to the Financial Statements.



The Board at its meeting held on 20th January, 2022 revised the policy for determining the Material RPTs including Material Modifications to such RPTs in terms of the SEBI in its Circular dated 9th November, 2021 and the details of such policy for dealing with RPT are disseminated on the Company's website at: <https://www.vsthyd.com/mainsite/documents/policy-on-related-party-transactions1.pdf>

The details of transactions with related parties were placed before the Audit Committee and the Independent Directors of the Committee have reviewed the same for the year ended 31st March, 2023. The details of RPT are disclosed in Note No.28 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 SEBI or by any statutory authority on any matters related to capital markets during the current financial year.

iii) **Vigil Mechanism/Whistle Blower Policy**

In terms of Section 177(9) and 177(10) of the Companies Act, 2013 and Regulation 22 of the Listing Regulations, 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 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 E-mail 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 shall have the right to directly approach the Chairman of the Audit Committee. No personnel have been denied access to the Audit Committee in this regard.

During the year, no complaints were received by the Company under the whistle blower mechanism.

iv) The Company since has not raised any funds through preferential allotment or qualified institutions placement, there is no question of utilisation of such funds.

v) There have been no instances where the Board has not accepted any recommendation of any Committee of the Board which is mandatorily required during the financial year.

vi) **Code of Conduct**

Your Board of Directors has laid down Code of Conduct & Ethics Policy which is applicable to all Board Members and employees 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 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.

vii) **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 3 of the Companies (Indian Accounting Standard) Rules, 2015. The accounting policies which are consistently applied have been set out in the Notes to the Financial Statements.

viii) **Management**

Pursuant to Regulation 26(5) of the Listing Regulations, for the year ended 31st March, 2023, 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.

ix) **Shareholders Information**

The quarterly results are sent to the stock exchanges on which the Company's shares are listed and also displayed on its own website. During the year there were no presentations made by the Company to analysts.

To expedite the process of share transfers, post approval of Share Transfer Committee, the power has been delegated to Registrar and Transfer Agents - M/s. KFin Technologies Limited.

x) **Prohibition of Insider Trading**

In compliance with the provisions of the SEBI (Prohibition of Insider Trading) Regulations, 2015 as amended, the Company has adopted a Policy for prohibition of Insider Trading for Directors and specified employees and designated persons. 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 (UPSI) in relation to the Company and during the period when the Trading Window is closed. The Company has also formulated a policy on inquiry in case of leak of UPSI.

xi) **Statutory Auditor**

The Statutory Auditor of the Company and all the entities in the network firm/network entity of which the statutory auditor is a part have

been paid a total fees of ₹ 56.44 Lakhs for all the services rendered by them during the FY 2022-23.

xii) **CEO and CFO Certification**

The CEO (Managing Director & CEO) and CFO certification for the year ended 31st March, 2023 has been annexed at the end of this Report. Similarly, the CEO and CFO have also given quarterly certification on financial results while placing the quarterly financial results before the Board in terms of Regulation 33(2) of the Listing Regulations.

xiii) **Adoption of Discretionary Requirements**

The Company has complied with all the mandatory requirements of Regulation 34(3) read with Part C of Schedule V of Listing Regulations.

Discretionary requirements under Part E of Schedule II of the Listing Regulations are as under:

- 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.
- Shareholder rights: The quarterly, half-yearly and annual financial results of the Company are published in newspapers on a pan India basis and are also posted on the Company's website, www.vsthyd.com. Significant events if any, are also posted on this website under the 'Investor relations' section. The complete Annual Report is sent to every Member of the Company.
- The auditors have not qualified the financial statements of the Company.
- The Company is having separate post of Chairman and Managing Director & CEO. Mr. Naresh Kumar Sethi is the Non-Executive Chairman of the Company and Mr. Aditya Deb Gooptu is the Managing Director & CEO of the Company.
- M/s. Deloitte Touche Tohmatsu India LLP, the firm of Chartered Accountants have been the Internal Auditors for the FY 2022-23, who report directly to the Audit Committee.

Other discretionary requirements are being reviewed for implementation.

DECLARATION

This is to confirm that all the Board Members and senior management personnel have affirmed compliance with the Code of Conduct as adopted by the Company, for the year ended 31st March, 2023.

For **VST INDUSTRIES LIMITED**

ADITYA DEB GOOPTU
MANAGING DIRECTOR & CEO

Hyderabad, 5th April, 2023



The Company has complied, to the extent applicable to it, and unless otherwise stated, with all the corporate governance requirements specified in Regulation 17 to 27 and Regulation 46(2) of the Listing Regulations as amended, covering the Board of Directors, Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Risk Management Committee, Vigil Mechanism, Related Party Transactions, obligations with respect to the Directors, Independent Directors and senior management, other Corporate Governance requirements and disclosures on the website of the Company.

14. As required under Listing Regulations, a certificate has been received from Tumuluru & Co., Practising Company Secretaries confirming that none of the Directors on the Board of the Company has been debarred or disqualified from being appointed or continuing as Directors of the Company by SEBI, Ministry of Corporate Affairs or any such other Statutory Authority. The certificate is enclosed with this Section as Annexure.

15. AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

As required under Regulation 34(3) read with Part E Schedule V of the Listing Regulations, the statutory

auditor's certificate that the Company has complied with the conditions of corporate governance is given as an annexure to the Boards' Report.

Shareholder Referencer

Pursuant to Section 124 of the Companies Act, 2013 read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, as amended during the FY 2022-23, unclaimed dividend for the FY 2014-15 viz., Dividend No. 180th amounting to ₹ 1,54,80,780/- has been transferred to the Investor Education and Protection Fund (IEPF) on 16th September, 2022 and 5,216 ordinary equity shares in respect of which dividends remained unclaimed for a consecutive period of seven years or more have been transferred by the Company to the IEPF as notified and established by the Central Government. Shareholders may claim their unclaimed dividend for the years prior to and including the FY 2014-15 and the corresponding shares from the IEPF Authority by applying in the prescribed Form No.IEPF-5. This form can be downloaded from the website of the IEPF Authority www.iepf.gov.in.

The dividends for the following years remaining unclaimed for 7 years will be transferred on their respective due dates by the Company to the IEPF established by the Central Government pursuant to Section 125 of the Companies Act, 2013.

Financial Year	Dividend No.	Date of Declaration	Amount of Dividend ₹	Amount of Unpaid Dividend as on 31.03.2023 ₹	Due for transfer to IEPF on
2015-2016	181	11.08.2016	108,09,34,400	1,48,56,730	15.09.2023
2016-2017	182	02.08.2017	115,81,44,000	1,69,78,050	06.09.2024
2017-2018	183	28.09.2018	119,67,48,800	1,57,55,285	03.11.2025
2018-2019	184	28.08.2019	146,69,82,400	1,84,46,435	03.10.2026
2019-2020	185	29.07.2020	159,05,17,760	1,61,05,917	02.09.2027
2020-2021	186	27.07.2021	176,03,78,880	1,27,83,198	31.08.2028
2021-2022	187	29.07.2022	216,18,68,800	1,42,45,964	02.09.2029

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). Shares for which the dividend remains unclaimed for seven consecutive years will be transferred to the IEPF for which notices in this regard have been published in the newspapers and the Members have been individually intimated. Details of such unclaimed dividend and shares are available on the Company's corporate website under the section 'Investor Relations-Unclaimed dividend and shares'.

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 Automated Clearing House [NACH]

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].

As directed by SEBI vide its Circular Ref. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/37 dated 16th March 2023, the Members holding shares in physical form are requested to submit duly filled in form ISR 1 *inter-alia* providing particulars of their bank account along-with the original cancelled cheque to RTA/ Company to update their KYC details. Members holding shares in demat form are requested to update their bank account details with their respective Depository Participant to enable the Company to provide timely credit of dividend in their bank accounts. The above stated forms can be downloaded from the Company and RTA's website.

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.

Telephone: + 91 022-48867000 022-24997000

E-mail: info@nsdl.co.in

Website: www.nsdl.co.in

Central Depository Services (India) Limited

Marathon Futurex, A-Wing, 25th Floor, N.M. Joshi Marg, Lower Parel, Mumbai - 400 013.

Telephone: +91 22 2305-8640/8624/8639/8642/8663

E-mail: investors@cdslindia.com

Website: www.cdslindia.com

Investor Grievances

Your Company has created exclusive E-mail ID for redressal of investor grievances. The Members can send their queries to the E-mail ID: investors@vstind.com.

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-M/s.KFin Technologies 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 as required under Regulation 34(3) read with Schedule V[F] of the Listing Regulations are given below:

Particulars	No. of shareholders	No. of shares
Outstanding at the beginning of the year - 1st April, 2022	81	5727
No. of Members who approached for transfer of shares	2	152
Members to whom shares were transferred - through rematerialisation	0	0
Transferred to IEPF	1	3
Outstanding shares lying at the end of the year - 31st March, 2023	78	5572

The Members who have not claimed the shares still from the above returned undelivered cases are requested to contact the Registrar - M/s. KFin Technologies Limited at the address given above.

The voting rights on the shares outstanding in the above suspense account as on 31st March, 2023 shall remain frozen till the rightful owner of such shares claims the shares.

**CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS**

[(Pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)]

To,
The Members of
VST Industries Limited
Azamabad, Hyderabad

I, B. V. Saravana Kumar, Company Secretary in Practice, Partner of Tumuluru & Company have examined the relevant registers, records, forms, returns and disclosures received from the Directors of VST Industries Limited having CIN L29150TG1930PLC000576 and having registered office at Azamabad, Hyderabad - 500 020, Telangana, India (hereinafter referred to as 'the Company'), produced before me/us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Company & its officers, we hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on 31st March, 2023 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority.

S.No.	DIN	Name of the Director	Designation
1.	08296486	Naresh Kumar Sethi	Non-Executive Chairman
2.	00011899	S. Thirumalai	Non-Executive Director
3.	07849104	Aditya Deb Gooptu	Managing Director-CEO
4.	00001835	Rama Bijapurkar	Independent Director
5.	00007382	Sudip Bandyopadhyay	Independent Director
6.	06820663	Rajiv Gulati	Independent Director

For **Tumuluru & Company**
Company Secretaries

Place: Hyderabad
Date: 25th April, 2023

Signature: sd/-
B V Saravana Kumar
Partner
ACS No.: 26944
C P No.: 11727
Peer Review Cert. No.: 1159/2021
UDIN: A026944E000184651

CERTIFICATION BY MANAGING DIRECTOR & CEO (CEO) AND CHIEF FINANCIAL OFFICER (CFO)

We, Aditya Deb Gooptu, Managing Director & CEO and Anish Gupta, Chief Financial Officer of VST Industries Limited, to the best of our knowledge and belief, certify that:

- We have reviewed the financial statements and the cash flow statement for the year ended 31st March, 2023 and that:
 - These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - 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.
- 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.
- 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.
- We have indicated to the Company's Auditors and to the Audit Committee that:
 - there are no significant changes in internal control over financial reporting during the year;
 - there are no significant changes in accounting policies during the year; and
 - 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.

Aditya Deb Gooptu
Managing Director & CEO
Din: 07849104

Place: Hyderabad
Date: 5th April, 2023

Anish Gupta
Chief Financial Officer

**INDEPENDENT AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CORPORATE GOVERNANCE REQUIREMENTS UNDER SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015****ANNEXURE B**

To the Members of VST Industries Limited

1. This certificate is issued in accordance with the terms of our engagement letter dated 5th April, 2023.
2. We have examined the compliance of conditions of Corporate Governance by VST Industries Limited ("the Company"), for the year ended 31st March, 2023, as stipulated in regulations 17 to 27, clauses (b) to (i) of regulation 46(2) and paragraphs C, D and E of Schedule V of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time ("Listing Regulations") pursuant to the Listing Agreement of the Company with Stock Exchanges.

MANAGEMENT'S RESPONSIBILITY

3. The compliance of conditions of Corporate Governance as stipulated under the listing regulations is the responsibility of the Company's Management including the preparation and maintenance of all the relevant records and documents. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of Corporate Governance stipulated in the Listing Regulations.

AUDITORS' RESPONSIBILITY

4. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
5. Pursuant to the requirements of the Listing Regulations, it is our responsibility to provide a reasonable assurance whether the Company has complied with the conditions of Corporate Governance as stipulated in Listing Regulations for the year ended 31st March, 2023.
6. We conducted our examination of the above corporate governance compliance by the Company in accordance with the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) and Guidance Note on Certification of Corporate Governance both issued

by the Institute of the Chartered Accountants of India (the "ICAI"), in so far as applicable for the purpose of this certificate. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

OPINION

8. 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 Regulations.
9. 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.

RESTRICTION ON USE

10. The certificate is addressed and provided to the Members of the Company solely for the purpose of enabling the Company to comply with the requirement of the Listing Regulations and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

for **B S R & Associates LLP**
Chartered Accountants
Firm's Registration Number: 116231W/W-100024

Arpan Jain
Partner
Place: Hyderabad Membership Number: 125710
Date: 25th April, 2023 UDIN: 23125710BGBYBQJ1071

CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY**PURPOSE**

The objective of this Policy is to promote inclusive growth and equitable development of identified areas by contributing back to the society and identifying the thematic domains listed within this Policy that resonate with the overall CSR purpose.

FUNCTIONS

The main functions of the CSR Committee are as under:

- Identify the areas for carrying out the CSR activities and formulate an annual proposal / action plan to undertake the CSR activities;
- To identify the projects, programs for specific areas of activity specified or covered under Schedule VII of the Companies Act, 2013 as amended, finalise the budget and earmark the expenditure for each activity and the modalities for its utilisation and recommend the same to the Board every year;
- To determine the location(s) where the CSR activities shall be undertaken;
- To monitor the progress of the projects/activities from time to time and identify suitable reporting mechanisms;
- 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 and for designing, monitoring and evaluation of the CSR projects or programs including capacity building of the employees / personnel;
- Specify the projects that would need an impact assessment, where applicable;
- Such other functions as may be delegated by the Board.
- The main functions of the Board of Directors are as under:
- Approving the CSR policy as formulated and recommended by the CSR Committee;

- Ensuring the effective use of the funds allocated to CSR activities for the purposes and in the manner as approved by it which shall also be certified by the Chief Financial Officer or the person responsible for financial management;
- Ensuring from the financial year 2021-22 onwards that any entity which is permitted under the statute to undertake CSR activities and through which the Company intends to implement its CSR activities is registered with the Central Government;
- Ensuring that multi-year projects ("ongoing projects"), if any, undertaken by the Company do not extend beyond three years excluding the financial year in which it commences;
- Monitoring ongoing projects undertaken by the Company, if any, with respect to approved timelines and annual fund allocation and making any modifications that it considers necessary for the smooth implementation of such projects within the permissible time period;
- Ensuring that administrative overheads as defined in the Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended from time to time ("CSR Rules") do not exceed five percent of the CSR expenditure for the financial year;
- Including in its Board Report an Annual Report on CSR activities with all details as specified in the CSR Rules, including the composition of the CSR Committee and the CSR policy;
- Disclosing the composition of the CSR Committee, the CSR policy and the projects approved by the Board on the Company's website;
- Any other acts, deeds and things as may be required under law from time to time.

AREAS

The CSR activities, excluding those which are specifically not considered as such, 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, as amended from time to time, to take forward its commitment towards Social Responsibility:



- (i) Eradicating hunger, poverty and malnutrition, promoting health care, 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, Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows (vii) Training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports;
- (vii) Contribution to the Prime Minister's National Relief Fund or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Schedules Castes, the Schedules Tribes, other backward classes, minorities and women;
- (viii) Contributions or funds provided to technology incubators located within academic institutions which are approved or funded by the Central or State Government or public sector undertaking or any agency of the Central or State Government; and
- (ix) Rural development projects.
- (x) Slum area development.
- (xi) Disaster management, including relief, rehabilitation and reconstruction activities.

INVESTMENT

The Company shall invest at least two per cent of its average net profits, excluding profits arising from overseas branches and dividend received from other companies in India which are covered under and complying with the provisions of Section 135 of the Act, 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 public trust or a registered society, or a company established under Section 8 of the Companies Act, 2013 established for this purpose by the Company or otherwise and which are registered under Section 12A and Section 80G of the Income Tax Act, 1961. The Company may also undertake the CSR activities through other entities specified under the CSR Rules including through a registered trust, a registered society, a Company established under Section 8 of the Companies Act, 2013 which is registered under Section 12A and Section 80G of the Income Tax Act, 1961 and has a track record of at least three years in undertaking similar activities. However, no Director or Key Managerial Personnel or their relatives shall have substantial interest in such, trust, and society, NGO or Section 8 Company. The Company may also collaborate with other companies for undertaking the projects/programs in accordance with the CSR Rules.

CSR BUDGET AND UTILISATION**Treatment of Unspent Amount in case of projects other than ongoing projects**

In case of any unspent amount arising in any financial year out of the CSR projects, other than ongoing projects, such unspent amount shall be transferred by the Company within six months from the end of the financial year to any fund specified in Schedule VII of the Companies Act, 2013 or to such specific fund as may be prescribed from time to time for this purpose under the Companies Act, 2013 or Rules thereunder.

Treatment of Unspent Amount in case of ongoing projects

Where the unspent amount is in respect of an ongoing project, the Company shall within thirty days from the end of the financial year transfer such unspent amount to a separate account called Unspent Corporate Social Responsibility Account to be opened in any scheduled bank by the Company for that financial year. The Company

shall utilise such unspent amount for its CSR activities within a period of three financial years from its transfer, failing which such amount shall be transferred to any fund specified in Schedule VII of the Companies Act, 2013 or to such specific fund as may be prescribed from time to time for this purpose under the Companies Act, 2013 or Rules thereunder within thirty days from the end of the third financial year.

Treatment of Surplus Amount

Surplus amount, if any, arising out of CSR activities shall not form part of the business profit of the Company. Such surplus amount may within a period of six months from the end of the financial year be:

- (a) ploughed back into the same project or
- (b) transferred to the Unspent Corporate Social Responsibility Account and spent in pursuance of the Company's CSR policy and its annual action plan or
- (c) transferred to any fund specified in Schedule VII of the Companies Act, 2013 or to such specific fund as may be prescribed from time to time for this purpose under the Companies Act, 2013 or Rules.

Set-Off of excess CSR amount spent

Subject to the Board of Directors passing a resolution to that effect, any amount spent in a financial year by the Company in excess of the CSR requirement for such financial year, excluding surplus arising out of CSR activities, may be set-off against the CSR amount to be spent by the Company in the immediate three financial years.

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 also include in its report an Annual Report on CSR providing all details as specified under the Act and the Rules thereunder. The Board shall also disclose the composition of the CSR Committee, the CSR policy and the projects approved by it on the Company's website.

ACQUISITION OF CAPITAL ASSETS

The Company may utilise the CSR amount to create or acquire a capital asset which shall be held by an entity as may be specified under the CSR Rules from time to time.

IMPACT ASSESSMENT

Commencing from the financial year 2020-21, in respect of each of the years where the Company has an average CSR obligation to spend Rupees ten crores or more on its CSR activities in the three immediately preceding years or such other threshold as may be specified from time to time, it shall undertake an impact assessment by an independent agency of all its projects having an outlay of Rupees one crore or more that were completed not less than one year before undertaking the impact assessment.

The impact assessment report, where carried out, shall be placed before the Board and shall form part of its Annual Report on CSR.

The expenses incurred by the Company for conducting the impact assessment can be included in the CSR expenditure for that financial year to the extent of five percent of the CSR expenditure for such financial year or Rupees fifty Lakhs whichever is lesser.

The constitution and functioning of the CSR Committee for discharging its functions in any financial year shall be subject to the threshold limits applicable under CSR Rules issued by the Government from time to time.

AMENDMENT

The Company reserves the right to amend or modify this Policy in whole or in part, at any point of time. Any amendment to applicable Regulations or statutes governing this policy shall become automatically applicable to this Policy and shall have an overriding effect to the extent the same may be applicable to a particular provision in the Policy. Pursuant to such amendments or modifications, the Company Secretary shall carry out the necessary changes to this Policy, as may be required.

**Annual Report ON CSR ACTIVITIES**

[Pursuant to Section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended]

1. The Company's objective of its CSR Policy is to promote inclusive growth and equitable development of identified areas by contributing back to the society. Details given in the policy enclosed.

2. The current Composition of the CSR Committee:

Sl. No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meeting of CSR Committee attended during the year
1	Mr. Rajiv Gulati	Independent Non-Executive Director	2	2
2	Ms. Rama Bijapurkar	Independent Non-Executive Director	2	2
3	Mr. Naresh Kumar Sethi	Non-Executive Director	2	2
4	Mr. S. Thirumalai	Non-Executive Director	2	2
5	Mr. Aditya Deb Gooptu	Managing Director	2	2

3. Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the Company.

<https://www.vsthyd.com/mainsite/documents/corporate-social-responsibility-policy.pdf>

4. Provide the executive summary along with web-link(s) of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8, if applicable.

Not Applicable

5. (a) Average net profit of the company as per sub-section (5) of Section 135. ₹ 41,044.38 Lakhs
 (b) Two percent of average net profit of the company as per sub-section (5) of section 135. ₹ 820.89 Lakhs
 (c) Surplus arising out of the CSR Projects or programmes or activities of the previous financial years. Nil
 (d) Amount required to be set-off for the financial year, if any. Nil
 (e) Total CSR obligation for the financial year [(b)+(c)-(d)]. ₹ 820.89 Lakhs
6. (a) Amount spent on CSR Projects (both Ongoing Project and other than Ongoing Project). ₹ 571.34 Lakhs
 (b) Amount spent in Administrative Overheads. Nil
 (c) Amount spent on Impact Assessment, if applicable. N.A.
 (d) Total amount spent for the Financial Year [(a)+(b)+(c)]. ₹ 571.34 Lakhs
 (e) CSR amount spent or unspent for the Financial Year:

Total Amount Spent for the Financial Year (₹ Lakhs)	Amount Unspent (₹ Lakhs)			
	Total Amount transferred to Unspent CSR Account as per section sub-section (6) of section 135.		Amount transferred to any fund specified under Schedule VII as per second proviso to sub-section (5) of section 135.	
	Amount	Date of Transfer	Name of the Fund	Amount
571.34	249.55*	19.04.2023	Nil	Nil

* Pertains to Ongoing Project of current year with an outlay of ₹ 294.55 Lakhs. The amount transferred to an unspent CSR account shall be spent in pursuance of this obligation within the time frame prescribed under sub-section (6) of section 135.

(f) Excess amount for set-off, if any:

Sl. No.	Particular	Amount (₹ Lakhs.)
(i)	Two percent of average net profit of the company as per sub-section (5) of section 135	820.89
(ii)	Total amount spent for the Financial Year	571.34
(iii)	Excess amount spent for the financial year [(ii)-(i)]	Nil
(iv)	Surplus arising out of the CSR projects or programs or activities of the previous financial years, if any	Nil
(v)	Amount available for set off in succeeding financial year [(iii)-(iv)]	Nil

7. Details of Unspent Corporate Social Responsibility amount for the preceding three Financial Years:

Sl. No.	Preceding Financial Year.	Amount transferred to Unspent CSR Account under sub-section (6) of section 135 (₹ Lakhs)	Balance Amount in Unspent CSR Account under sub-section (6) of section 135 (₹ Lakhs)	Amount spent in the Financial Year (₹ Lakhs)	Amount transferred to any fund specified under Schedule VII as per second proviso to sub-section (5) of section 135, if any		Amount remaining to be spent in succeeding financial years. (₹ Lakhs.)	Deficiency, if any
					Amount (₹ Lakhs.)	Date of transfer.		
Not Applicable								

8. Whether any capital assets have been created or acquired through Corporate Social Responsibility amount spent in the Financial Year:

Yes No

If Yes, enter the number of Capital assets created/ acquired: Not Applicable

Furnish the details relating to such asset(s) so created or acquired through Corporate Social Responsibility amount spent in the Financial Year:

Sl. No.	Short particulars of the property or asset(s) [including complete address and location of the property]	Pincode of the property or asset(s)	Date of creation	Amount of CSR amount spent	Details of entity/ Authority/ beneficiary of the registered owner		
					CSR Registration Number, if applicable	Name	Registered address
Not Applicable							

9. Specify the reason(s) if the Company has failed to spend two percent of the average net profit as per sub-section (5) of section 135. Not Applicable

ADITYA DEB GOOPTU
 Managing Director
 DIN: 07849104

RAJIV GULATI
 Chairman-CSR Committee
 DIN: 06820663



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 arm's 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: Please refer the note given below*

*The details of transactions between the Company and its related parties, names, nature of such contracts /arrangements / transactions and other details are set out in the Notes to the Financial Statements under Serial No.28.

On behalf of the Board

Naresh Kumar Sethi

Chairman

DIN: 08296486

New Delhi, 25th April, 2023

ANNEXURE D

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

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 FY 2022-23	Mr. Naresh Kumar Sethi	19.9:1
	Mr. S. Thirumalai	8.0:1
	Ms. Rama Bijapurkar	6.4:1
	Mr. Sudip Bandyopadhyay	6.5:1
	Mr. Rajiv Gulati	4.9:1
	Mr. Aditya Deb Gooptu	41.4:1
ii) The percentage increase in remuneration of each Director, Chief Executive Officer, Chief Financial Officer, Company Secretary or Manager, if any, in the FY 2022-23	Directors	
	Mr. Naresh Kumar Sethi	(1.8%)
	Mr. S. Thirumalai	(7.2%)
	Ms. Rama Bijapurkar	(2.5%)
	Mr. Sudip Bandyopadhyay	(4.0%)
	Mr. Rajiv Gulati	(10.3%)
	Key Managerial Personnel	
	Mr. Aditya Deb Gooptu	3.2%
	Mr. Anish Gupta	10.4%
	Mr. Phani K. Mangipudi	26.7%
iii) The percentage increase in the median remuneration of employees in the FY 2022-23		(3.5%)
iv) The number of permanent employees on the rolls of Company as on 31st March, 2023		768
v) 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 decrease in the salaries of employees other than the managerial personnel in the FY 2022-23 was 7.2% in comparison with 0.06% decrease in the managerial remuneration	
vi) Affirmation that the remuneration is as per the remuneration policy of the company	Remuneration paid/payable during the FY 2022-23 is as per the Remuneration Policy of the Company.	

Liability for gratuity, leave encashment and group health premiums are provided on actuarial valuation basis or separately for the Company as a whole. Accordingly, payments made to KMPs for the above and Share based payments are not included.



ANNEXURE E

SECRETARIAL AUDIT REPORT

For the Financial year ended 31st March, 2023

(Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014)

To,
The Members,
VST Industries Limited,
Azamabad,
Hyderabad – 500 020.

We 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 us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our 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, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on **31st March, 2023 (hereinafter called as 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:

We 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, 2023 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, 2018 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
 - a) Foreign Direct Investment
 - b) Overseas Direct Investment (**Not applicable during the Audit period**); and

- c) External Commercial Borrowings (**Not applicable during the Audit period**)
- 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, 2015;
 - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; **Not Applicable for the Audit Period**
 - d) The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021;
 - e) The Securities and Exchange Board of India (Issue and listing of Non-Convertible Securities) Regulations, 2021; **Not Applicable for 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, 2021; and **Not Applicable for the Audit Period**
 - h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; **Not Applicable for the Audit Period**
- vi. We further report that having regard to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof, on test-check basis, the Company has complied with the following laws applicable specifically to the Company:
 - a) Tobacco Board Act, 1975 and Rules made thereunder; and

- b) Cigarette and Other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003 and Rules made thereunder.

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

We further report that -

- (i) 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.
- (ii) Adequate notice is given to all directors to schedule the Board Meetings agenda and detailed notes on agenda were 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.

- (iii) Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

We 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.

We further report that during the audit period:

- a) The Company has spent a sum of ₹ 45 Lakhs for ongoing projects and ₹ 526.34 Lakhs other than ongoing projects towards Corporate Social Responsibility during the financial year. ₹ 249.55 Lakhs is transferred to unspent CSR Account. 2% of the average net profits of the three preceding financial years is ₹ 820.89 Lakhs.

for **Tumuluru & Company**

Company Secretaries
B V Saravana Kumar
Partner
ACS NO. 26944
C. P. No. 11727

Place: Hyderabad Peer Review Cert No.1159/2021
Date: 25th April, 2023 UDIN: A026944E000184662

Note: This report is to be read with our letter of even date by the Secretarial Auditors, which is available on the website of the Company www.vsthyd.com.



To,
The Members,
VST Industries Limited,
Azamabad, Hyderabad.

Our report of even date is to be read along with this letter.

- Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
- We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
- We have not verified the correctness and appropriateness of financial records and Books of Account of the company.
- Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
- The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
- The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

for Tumuluru & Company

Company Secretaries
B V Saravana Kumar
Partner
ACS NO. 26944
C. P. No. 11727

Peer Review Cert No. 1159/2021
UDIN: A026944E000184662

Place: Hyderabad
Date: 25th April, 2023

ANNEXURE F

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, 2023.

A. CONSERVATION OF ENERGY

- 0.8% energy saved in DRF Plant by doing differential pressure purging system.
- 1.2% energy saved in lighting by installing all LED Light fittings with occupancy sensors.
- 10% Specific energy consumption was reduced by improving the machines productivity.
- Conducted energy conservation awareness program for 339 employees.

B. TECHNOLOGY ABSORPTION

Efforts made towards technology absorption

- High speed packer
Benefit - Improved quality and productivity and quick size change
- High speed maker
Benefit - Improved quality and productivity
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
2020-21	New high speed Maker	Yes
2021-22	R&D Equipment	Yes
2021-22	New high speed Packer	Yes
2022-23	New high speed Maker & Packer	Yes

iii. Expenditure incurred on Research and Development	₹ Lakhs
- On capital account	5.17
- On revenue account	754.08
	<u>759.25</u>
As a % of Gross Turnover	0.45

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	2238.17
Spare Parts	217.30
Capital Goods	4756.43
Travel, Advertisement, etc.	485.81
Dividends Paid	6257.04
Total	13954.75
* Net of withholding taxes, if any	
Total foreign exchange earned	
Tobacco - CIF	16648.99
Total	16648.99
Tobacco - FOB	9800.67
Total	9800.67



BUSINESS RESPONSIBILITY & SUSTAINABILITY REPORTING

SECTION A: GENERAL DISCLOSURES

I. Details of the listed entity

- | | |
|--|--|
| <p>1. Corporate Identity Number (CIN) of the Listed Entity - L29150TG1930PLC000576</p> <p>2. Name of the Listed Entity - VST Industries Limited</p> <p>3. Year of Incorporation - 10th November 1930</p> <p>4. Registered office address - 1-7-1063/1065, Azamabad, Hyderabad - 500 020, Telangana, India.</p> <p>5. Corporate address - 1-7-1063/1065, Azamabad, Hyderabad - 500 020, Telangana, India.</p> <p>6. E-mail - investors@vstind.com</p> <p>7. Telephone - 040-27688000</p> <p>8. Website - www.vsthyd.com</p> <p>9. Financial year for which reporting is being done - FY 2022-23</p> | <p>10. Name of the Stock Exchange(s) where shares are listed - BSE/NSE</p> <p>11. Paid-up Capital - ₹ 15,44,19,200/-</p> <p>12. Name and contact details (telephone, email address) of the person who may be contacted in case of any queries on the BRSR Report -
Mr. Phani K Mangipudi, Company Secretary & Vice President-Legal & Secretarial
Telephone: +91 040 2768 8000,
E-mail: phanimangipudi@vstind.com</p> <p>13. Reporting boundary - Are the disclosures under this report made on a standalone basis (i.e., only for the entity) or on a consolidated basis (i.e., for the entity and all the entities which form a part of its consolidated financial statements, taken together).
We do not have any subsidiary company/ companies, hence disclosures under this report are made on the standalone basis.</p> |
|--|--|

II. Products/services

14. Details of business activities (accounting for 90% of the turnover):

S. No.	Description of Main Activity	Description of Business Activity	% of Turnover of the Entity
1.	Manufacturing of cigarettes containing tobacco	Manufacturing and marketing cigarettes	100%

15. Products/Services sold by the entity (accounting for 90% of the entity's turnover):

S. No.	Product/Service	NIC Code	% of total Turnover Contributed
1.	Cigarettes containing tobacco	12003	80.33%
2.	Unmanufactured tobacco	46202	19.67%

III. Operations

16. Number of locations where plants and/or operations/offices of the entity are situated:

Location	Number of plants	Number of offices	Total
National	2 factories at Azamabad and Toopran	13	15
International	-	-	-

17. Markets served by the entity:

a. Number of locations

Locations	Number
National (No. of States)	26 States, 6 Union Territories
International (No. of Countries)	8

b. What is the contribution of exports as a percentage of total turnover of the entity?

10.03%

c. A brief on types of customers

Our customers are primarily adult consumers and new-age consumers who have an open mindset and are willing to try new brands introduced by us. Our robust brand portfolio caters to needs of diverse adult smoker groups across socio-economic strata through our New Age Brands (NABs) and Growth Heritage Brands (GHBs).

IV. Employees

18. Details as at the end of Financial Year i.e.

a. Employees and workers (including differently abled):

S. No.	Particulars	Total (A)	Male		Female	
			No. (B)	% (B / A)	No. (C)	% (C / A)
EMPLOYEES						
1.	Permanent (D)	366	352	96.17	14	3.83
2.	Other than Permanent (E)	-	-	-	-	-
3.	Total employees (D + E)	366	352	96.17	14	3.83
WORKERS						
4.	Permanent (F)	402	402	100.00	-	-
5.	Other than Permanent (G)	-	-	-	-	-
6.	Total workers (F + G)	402	402	100.00	-	-

b. Differently abled employees

S. No.	Particulars	Total (A)	Male		Female	
			No. (B)	% (B / A)	No. (C)	% (C / A)
DIFFERENTLY ABLED EMPLOYEES						
1.	Permanent (D)	-	-	-	-	-
2.	Other than Permanent (E)	-	-	-	-	-
3.	Total differently abled employees (D + E)	-	-	-	-	-
DIFFERENTLY ABLED WORKERS						
4.	Permanent (F)	-	-	-	-	-
5.	Other than permanent (G)	-	-	-	-	-
6.	Total differently abled workers (F + G)	-	-	-	-	-

19. Participation/inclusion/representation of women

	Total (A)	No. and percentage of females	
		No. (B)	% (B/A)
Board of Directors	6	1	16.67
Key Management Personnel (Senior Management)	8	-	-

20. Turnover rate for permanent employees

	FY 2022-23			FY 22			FY 21		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Permanent Employees	20%	29%	21%	12.78%	11.76%	12.74%	8.70%	21.43%	9.19%
Permanent Workers	8.7%	-	8.7%	8.53%	-	8.53%	10.64%	-	10.64%



V. Holding, subsidiary and associate companies (including joint venture)

- 21.
- a. Name of the holding / subsidiary / associate companies / joint ventures (A) - None
 - b. Do the entities indicated in the above table participate in the Business Responsibility initiatives of the listed entity? (Yes/No) - No

VI. CSR details

- 22.
- i. Whether CSR is applicable as per Section 135 of Companies Act, 2013: Yes
 - ii. Turnover: ₹ 1,67,018.04 Lakhs
 - iii. Net worth: ₹ 1,17,969.78 Lakhs

VII. Transparency and Disclosures Compliances

23. Complaints/grievances on any of the principles (Principles 1 to 9) under the National Guidelines on Responsible Business Conduct (NGRBC)

Stakeholder group from whom complaint is received	Grievance Redressal Mechanisms in Place (Yes/No) (If yes, then provide web-link for grievance redressal policy)	FY 2022-23			FY 22		
		Number of complaints filed during the year	Number of complaints pending resolution at close of the year	Remarks	Number of complaints filed during the year	Number of complaints pending resolution at close of the year	Remarks
Communities	Yes	-	-	None	-	-	None
Investors (other than shareholder)	Yes	-	-	None	-	-	None
Shareholder	Yes	66	-	None	61	-	None
Employees	Yes	-	-	None	-	-	None
Customers	Yes	-	-	None	-	-	None
Tobacco farmer and traders	Yes	-	-	None	-	-	None
Suppliers	Yes	-	-	None	-	-	None
Wholesale traders	Yes	-	-	None	-	-	None

24. Overview of the entity's material responsible business conduct issues:

Please indicate material responsible business conduct and sustainability issues pertaining to environmental and social matters that present a risk or an opportunity to your business, rationale for identifying the same, approach to adapt or mitigate the risk, as per the following format:

S. No.	Material issue identified	Indicate whether risk or opportunity	Rationale for identifying the risk/opportunity	Approach to adapt or mitigate	Positive/ Negative Implications
1.	Energy	Risk and Opportunity	<ul style="list-style-type: none"> • Energy management reduces costs while also reduces the risk of energy scarcity. • Effective energy management reduces the GHGs emissions and protects the environment. • To meet the statutory compliance. 	<p>We measure the facility's current energy consumption and identify opportunities to decrease energy consumption. We are also developing an energy management strategy with our team and act on the opportunities. We also educate our stakeholders i.e., employees, workers, and others on the importance of energy management and provide them guidance on managing the consumption.</p>	<ul style="list-style-type: none"> • Given the cost savings it can bring to the organization and bring down the GHG emissions. • Increased operational cost in short term. • Regulatory Implications

S. No.	Material issue identified	Indicate whether risk or opportunity	Rationale for identifying the risk/opportunity	Approach to adapt or mitigate	Positive/ Negative Implications
2.	Emissions	Risk and Opportunity	<ul style="list-style-type: none"> • Reducing greenhouse gas (GHG) emissions is a vital component of a larger sustainability plan to mitigate the impact of climate change. • Mitigate the regulatory risk. • Cost savings through resource efficiency. 	<p>We are measuring emissions on an annual basis and tracking the same to identify opportunities for reduction. We are also increasing the contribution of renewables at own premises, substituting with cleaner fuels, and promoting sustainable agricultural practice to reduce our scope 3.</p>	<ul style="list-style-type: none"> • Increased Operational costs in short term. • Reputational / Brand Image • Regulatory Implications
3.	Water	Risk & Opportunity	<ul style="list-style-type: none"> • Growing tobacco is a very water-intensive process. • Limiting the consumption and effective usage, recycling, and disposal presents an opportunity as an eco-friendly manufacturing. 	<p>We are supporting various initiatives towards water management & harvesting. Both of our manufacturing units have implemented Zero Liquid Discharge (ZLD). We are also finalising KPIs on measuring water withdrawal, consumption, discharged, recycled, and going to track the same on periodical basis to identify opportunities for reduction.</p>	<ul style="list-style-type: none"> • Increased operational costs. • Reputational / Brand Image • Non compliance resulting in fines / penalties
4.	Health and Safety	Risk	<ul style="list-style-type: none"> • Health and safety impact company's practice on responsible organization. Effective H&S performance assist in attracting and retaining quality talent. 	<p>We have an effective health and safety practices deployed in accordance with our policies on health and safety measures. We are finalising KPIs on measuring effectiveness of our safety practices including, conducting hazard identification and risk assessment across our value chain.</p>	<ul style="list-style-type: none"> • Bring the investment opportunities for us and reduces operational costs.
5.	Responsible Sourcing	Risk and Opportunity	<ul style="list-style-type: none"> • It eliminates sustainability risks in the supply chain. • It ensures the stakeholders especially investors and customers on the commodities that are sourced from responsible managed resources and responsible suppliers. 	<p>We have processes in place for integrating sustainability aspects in leaf sourcing. For the non-leaf suppliers, we assess performance on quality, delivery and price. However, going forward we will integrate sustainability aspects in all sourcing process.</p>	<ul style="list-style-type: none"> • Improves environmental and social impact while increasing operational costs. • Reputational / Brand Image.
6.	Waste Management	Risk and opportunity	<ul style="list-style-type: none"> • Management of tobacco product wastes (TPW) at the consumer end. • Waste management infrastructure has an important role in delivering sustainable development. 	<p>Hazardous waste being disposed of through PCB approved recycling vendor. We monitor hazardous wastes in our manufacturing units and the wastes are within permissible limits as laid down by the regulators.</p>	<ul style="list-style-type: none"> • High operating costs.
7.	Farmer livelihood	Risk & Opportunity	<ul style="list-style-type: none"> • Assisting farmers to cope the challenges related to agricultural practices. • Increasing their earnings by improving farm productivity • Supporting farmers to thrive in a marketplace. 	<ul style="list-style-type: none"> • Engaging with key stakeholders for evidence based, non-discriminatory taxation and regulations that safeguard farmer livelihoods. • Facilitating financing of agricultural equipment, awareness on reduction of crop losses, quality storage facilities and inventory management. 	<ul style="list-style-type: none"> • Increased operational costs in the short term, while on the positive side it would bring better harvest and hence quality raw materials.



S. No.	Material issue identified	Indicate whether risk or opportunity	Rationale for identifying the risk/opportunity	Approach to adapt or mitigate	Positive/ Negative Implications
8.	Circular economy	Opportunity	<ul style="list-style-type: none"> Achieve global climate and sustainable development commitments. Resource efficiency Protect human health and biodiversity. 	<ul style="list-style-type: none"> Ensure 100% recycling of post-consumer packaging waste Ensure 100% packaging is reusable/recyclable/biodegradable 	<ul style="list-style-type: none"> Investment opportunities. Reduction of costs in the long-term.
9.	Employment	Risk & Opportunity	<ul style="list-style-type: none"> Poverty reduction Enhanced productivities Boost companies' social performance as an attractive employer 	<ul style="list-style-type: none"> Employees are provided with skill enhancement training. We also undertake various feedback from employees on our HR practices and understand their need on a regular basis. 	Increased Operational costs however increase in financial earnings with increased productivity.
10.	Labour management relations	Risk	<ul style="list-style-type: none"> Essential for the success of businesses' operations-increased productivity and morale. Boost companies' social performance as an attractive employer. Better working relations with the union at the premises. 	We make contributions to defined contribution schemes such as labour welfare fund which are charged as an expense based on the amount of contribution required to be made as and when services are rendered by the workers. As a company, we ensure our relationship with our workers union are cordial. We recognise the needs of the workers and address their concerns proactively through long-term solutions post interactions and discussions with the Union. We also undertake various feedback from labours on various ESG aspects.	Increased Operational costs however increase in financial earnings with increased productivity.
11.	Human rights	Risk	<ul style="list-style-type: none"> Potential to negatively impact company's ESG performance Violation of Human Rights leads to Regulatory, legal, and legislative challenges 	We have all the policies to mitigate the challenges of human rights and track any issues related to child labour, forced labour, involuntary labour, sexual harassment. We also maintain harmonious working environment with the Union at the factory and undertake feedback exercise on a continuous basis. As a company, we proactively recognise the needs of the workforce and address their concerns through long-term solutions post interactions and discussions with the Union.	<ul style="list-style-type: none"> Increased operational costs. Punitive actions by regulators/legal authority Reputational / Brand Image
12.	Business ethics	Risk	<ul style="list-style-type: none"> Highly opinionated business segment in terms of ethics Regulatory and legal challenges associated with the nature of business we are in. 	We have ensured strong ethical business culture, undertaken measures to have effective risk management such as responsible marketing and promotion of products.	<ul style="list-style-type: none"> Increased operational costs in audit and various checks. Punitive actions by regulators/legal authority
13.	Innovation	Opportunity	<ul style="list-style-type: none"> Development of new products Access to new geographies 	<ul style="list-style-type: none"> Build-in innovative product feature(s) and/or creative taste profile(s) leading to consumer delight and consumer appreciation of product. Ensure best in class quality which shall enhance product image and thereby build competitive edge in markets for our products within the regulatory regime 	Increased operation costs in R&D, Investment opportunities.

S. No.	Material issue identified	Indicate whether risk or opportunity	Rationale for identifying the risk/opportunity	Approach to adapt or mitigate	Positive/ Negative Implications
14.	Consumer welfare	Risk & Opportunity	<ul style="list-style-type: none"> Our abilities to prevent counterfeit products Our ability to provide consumers with manufactured products that are aligned with societal expectation. Access to the new geographies 	<ul style="list-style-type: none"> Prevent counterfeit products or illegal trade we are partnering with the industry to identify inter-governmental efforts and public-private alliances in adopting appropriate measures like sensible taxation Launching new products to meet consumer expectations through new/ innovative brands 	<ul style="list-style-type: none"> Reduced profits associated with lower volumes and revenue loss Increased operational costs in identifying and preventing counterfeit products. Reduced ability to take price increase
15.	Community initiatives	Opportunity	<ul style="list-style-type: none"> Build strong relationship with the communities in which the company operates Promote economic growth and improve standard of living in the areas of CSR interventions. 	<ul style="list-style-type: none"> Identification of vulnerable communities Undertaking community need assessment Selection of implementing partner Baseline survey Project implementation Project monitoring and evaluation Social impact assessment 	<ul style="list-style-type: none"> Increase in operational cost Reputational / Brand Image
16.	Climate resilience	Risk & Opportunity	<ul style="list-style-type: none"> Disruption in tobacco raw material procurement. Reduced risk of climate change. Building operational resilience 	We are undertaking various steps to facilitate financing of agricultural equipment which are environmentally friendly and economically affordable. We have also started to monitor impact of climate change on our business process.	<ul style="list-style-type: none"> Increase in operational cost. Bring investment opportunities.
17.	Sustainable material	Opportunity	<ul style="list-style-type: none"> Opportunity to mitigate the challenges associated with climate change. Promote circular economy. Reduced environmental implications. 	<ul style="list-style-type: none"> Maximise use of recycled material Ensure 100% packaging is reusable/recyclable/biodegradable Ensure zero risk of deforestation in operations 	<ul style="list-style-type: none"> Increased operational costs in the short term. Bring investment opportunities. Increased costs in R&D.
18.	Training and education	Opportunity	<ul style="list-style-type: none"> Reduced turnover, reduced external hiring costs and a more engaged and committed workforce Mitigate risk of non-compliance Increased productivity High ROI 	Identify and develop the right skills and talent that can drive the business growth	Increased operational costs
19.	Regulatory compliance	Risk	<ul style="list-style-type: none"> Increase the costs of running a business Reduce the attractiveness of an investment Invalidating business model 	Responsibilities, accountabilities, and reporting lines are systemically defined in all divisions of the Company and conform to meet all the regulatory compliance with applicable regulations. There are also audit procedures to assess compliance preparedness.	Increase operational costs with increase in costs of meeting compliance



S. No.	Material issue identified	Indicate whether risk or opportunity	Rationale for identifying the risk/opportunity	Approach to adapt or mitigate	Positive/ Negative Implications
20.	Diverse and inclusive work environment	Opportunity	<ul style="list-style-type: none"> Improve company's performance as it increases the likelihood of bringing people with different types of knowledge, views, and perspectives together Better innovative and problem-solving skills, improves talent attraction and retention, increases employee engagement and results in higher efficiency 	<ul style="list-style-type: none"> We have ensured that the skill and capability-based hiring continues, with no differentiation. We have taken initiatives to look for diversity slates for all non-field roles. We provide emphasis on formation of Lean in Groups for better support and guidance among women employees in terms of career development and celebrate achievements at work. 	No major financial impact

SECTION B: MANAGEMENT AND PROCESS DISCLOSURES

The National Guidelines for Responsible Business Conduct (NGRBC) as prescribed by the Ministry of Corporate Affairs advocates nine principles referred as P1-P9 as given below:

P1	Businesses should conduct and govern themselves with integrity in a manner that is ethical, transparent and accountable
P2	Businesses should provide goods and services in a manner that is sustainable and safe
P3	Businesses should respect and promote the well-being of all employees, including those in their value chains
P4	Businesses should respect the interests of and be responsive towards all its stakeholders
P5	Businesses should respect and promote human rights
P6	Businesses should respect, protect and make efforts to restore the environment
P7	Businesses when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent
P8	Businesses should promote inclusive growth and equitable development
P9	Businesses should engage with and provide value to their consumers in a responsible manner

	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
Policy and management processes									
1. a. Whether your entity's policy/ policies cover each principle and its core elements of the NGRBCs. (Yes/No)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
b. Has the policy been approved by the Board? (Yes/No)	Yes. The policies are noted by the Board of Directors of the Company. Implementation of policy decision is carried out by the management.								
c. Web link of the policies, if available	Policies which are internal to the Company are available on the intranet portal of the Company. Other policies are available on the website of the Company, www.vsthyd.com.								
2. Whether the entity has translated the policy into procedures. (Yes / No)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3. Do the enlisted policies extend to your value chain partners? (Yes/ No)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4. Name the national and international codes/ certifications/ labels/standards (e.g., Forest Stewardship Council, Fairtrade, Rainforest Alliance, Trustea) standards (e.g., SA 8000, OHSAS, ISO, BIS) adopted by your entity and mapped to each principle.			ISO 45001:2018			ISO 14001:2015, Indian Green Building Council (IGBC) 'Gold Rating'			ISO 17025:2017

5. Specific commitments, goals and targets set by the entity with defined timelines, if any.

Principles	Targets	Mandatory/ Voluntary	6. Performance of the entity against the specific commitments, goals, and targets along-with reasons in case the same are not met.
P2	30% of contracted farmers (for Talmari & Oriental crops) to use drip irrigation by 2030	Voluntary	On Track
P2	30% of crop protection agents used by contracted farmers to be biofertilizer/biochemicals based by 2030	Voluntary	On Track
P2	20% improvement in soil organic matter by 2030 through green manuring crops for better water holding capacity	Voluntary	On Track
P2	Farm Mechanisation: Implement mechanization of field preparation and removal of stubbles for 100% of area under tobacco by 2030. Also, explore and implement mechanization of other farm operations (harvesting & plantation) for at least 20% of tobacco area by 2030.	Voluntary	On Track
P2	100% Contracted farmers to be provided with CPA (Crop Protection Agent) boxes for safe storage	Voluntary	On Track
P3	100% Contracted farmers to be trained on use of agrochemicals and safe disposal	Voluntary	On Track
P3	Zero accident in own operations	Voluntary	Zero
P4	Promote an inclusive work environment by: <ul style="list-style-type: none"> Being an equal opportunity employer and provide equal opportunity to all employees based on merit and ability Provide inclusiveness training to management staff in order to promote a work environment free from discrimination, sexual harassment and undue biases in compensation, training and employee benefits based on caste, religion, disability, gender, sexual orientation, race, colour, ancestry, marital status or affiliation with a political, religious or union organisation or majority/minority group. 	Voluntary	On Track
P4	Continue to invest in employee engagement and conduct the employee engagement survey at regular intervals to track for any course correction, track relevant KPIs for the workforce	Voluntary	On Track
P5	Child labour/forced labour: "We have zero tolerance towards child labour or forced labour. We shall continue to have adequate measures in place to identify and mitigate such risks within the leaf supply chain"	Voluntary	On Track
P5	Minimum wage for farm workers: "We shall continue to ensure minimum legal wage is provided to farm workers"	Voluntary	On Track
P5	80% Contracted farmers to be GMS (farm level data recording tool) compliant	Voluntary	On Track
P6	50% renewable energy in overall energy mix (provided favorable regulatory scenario exists) by 2030 (Baseline 2019-20)	Voluntary	17.88%
P6	Aim to operate 100% of fleet (owned and third party) on electric vehicles by 2030 (Baseline 2019-20)	Voluntary	On Track
P6	Achieve carbon neutrality for VST's own operations by 2030 (scope 1+2 emissions)	Voluntary	On Track
P6	Rainwater Harvesting Potential equivalent to over 3 times the Net Water Consumption from own operations (Baseline 2019-20)	Voluntary	On Track
P6	95.6% utilisation of tobacco at Primary manufacturing	Voluntary	On Track
P6	100% of packaging to be reusable, recyclable, or biodegradable by 2030 (Baseline 2019-20)	Voluntary	On Track
P6	Achieve plastic neutrality through sustainable management of waste equivalent to the amount of plastic utilised in Packaging (Baseline 2019-20)	Voluntary	On Track
P7	Continue to comply with applicable regulatory requirements	Voluntary	On Track



GOVERNANCE, LEADERSHIP AND OVERSIGHT

7. Statement by director responsible for the business responsibility report, highlighting ESG-related challenges, targets, and achievements (listed entity has flexibility regarding the placement of this disclosure)

We are pleased to publish our second Business Responsibility and Sustainability Report (BRSR) in alignment with the NGRBC principles for the FY 2022-23. The report demonstrates a link between the financial outcomes with its ESG (Environmental, Social, and Governance) performance and delineates the progress made by the Company in line with its commitment towards long term stakeholder value.

At VST, we have always believed in integrating ESG principles into our decision-making processes. Our longstanding support for agriculture in the arid region of Telangana is a testament to this commitment. Since last year, we have formally embarked on a journey to integrate ESG principles into our overall business strategy across the entire value chain. To achieve this, we have developed a comprehensive ESG framework, encompassing material aspects that are essential not only to our operations but also to our internal and external stakeholders. The framework has enabled the Company to integrate ESG into every aspect of its business strategy. It has not only enabled us to identify various risks & opportunities but also set an action plan to mitigate them and improve upon our performance against key objectives.

Our corporate governance framework serves as a strong demonstration of our dedication to integrity and accountability throughout our value chain. Since our inception, we have always strived to establish and maintain the highest standards of quality, environmental sustainability, health, and safety, in line with the latest management system standards. We are fully committed to promoting and respecting human rights across our value chain, fostering diversity and inclusivity in our workplaces, and upholding fundamental human rights and freedoms. Our extensive journey has enabled us to establish robust mutual trust, transparent systems, and long-term relationships with our stakeholders, driving sustainable development forward.

We have a well-defined vision, priorities and strategy in place to ensure the health and safety of our employees and have adopted a proactive approach to mitigate potential challenges. Our operating units have been certified with ISO standards, including ISO 14001:2015 for our environmental practices and ISO 45001:2018 for our safety practices. During the reporting period, we have received AWS –“Gold certification” for our Toopran facility. We consider this as one of the significant achievements to deliver our contribution towards sustainable water management. AWS’s objectives include enhancing water governance, improving water quality, and ensuring responsible water use in industries and communities. In line with the AWS principles, we have identified relevant risks, consulted with concerned stakeholders and further action plans were formulated on water reduction measures, enhancing water availability through harvesting and recycling. Recognising the concerns surrounding water stress in our community, we have focused on rainwater harvesting and initiatives to promote efficient water uses and conservation. Furthermore, both of our manufacturing units has successfully achieved Zero Liquid Discharge (ZLD), reflecting our commitment to environmental stewardship.

As a climate-conscious organization, we have enhanced our reliance on renewable energy by 200KW and built on existing measures to improve our energy efficiency by upgrading the green building factory certification of the Toopran facility from a “Gold certification” to “Platinum certification”. Through such measures we have reduced our absolute GHG footprint by approximately 20%. While we remain vigilant in mitigating our climate change risks due to our operational emissions, we have also initiated the process of estimating our Scope 3 emissions to understand the impact of the value chain. We actively engage with suppliers including contract farmers to identify the challenges faced at the grassroot level due to climate change and explore viable solutions to mitigate those challenges.

We actively engage in CSR practices to uplift the community and improve their livelihood. It is essential to have sustainable and fair business practices while working with farmers to ensure that their rights are protected. Investing in projects such as building rural toilets, facilitating clean drinking water, and equipping solar lights in villages have enabled significant improvement in the quality of life for rural households through our intervention. By continuing to implement such community upliftment projects, we can make a positive impact and contribute to sustainable development.

We hereby thank all our stakeholders for demonstrating unflinching faith in our endeavors. This has been a great source of motivation for us to perform to the best of our abilities. We look forward to your continued support and insights so as to benchmark ourselves with the best practices in the area of ESG.

8. Details of the highest authority responsible for oversight of the Business Responsibility policy(ies).

Oversight of the Business Responsibility policy(ies).

1. Mr. Rajiv Gulati (Independent Non-Executive Director; DIN: 06820663) as the Chairman
2. Ms. Rama Bijapurkar, (Independent Non-Executive Director; DIN: 00001835)
3. Mr. Naresh Kumar Sethi, (Non-Executive Director; DIN: 08296486)
4. Mr. S. Thirumalai and (Non-Executive Director; DIN: 00011899)
5. Mr. Aditya Deb Gooptu (Managing Director & CEO; DIN: 07849104)

Implementation of Business Responsibility policy(ies).

Mr. Phani K Mangipudi, Company Secretary & Vice President - Legal & Secretarial Telephone: +91 040 2768 8000, E-mail: phanimangipudi@vstind.com

9. Does the entity have a specified Committee of the Board/Director responsible for decision-making on sustainability related issues? (Yes / No). If yes, provide details.

Yes, the Board level Corporate Social Responsibility Committee are responsible for decision-making on CSR activities and overseeing Business Responsibility policy(ies). The following are the members of CSR committee of the Board.

1. Mr. Rajiv Gulati (Independent Non-Executive Director; DIN: 06820663) as the Chairman
2. Ms. Rama Bijapurkar, (Independent Non-Executive Director; DIN: 00001835)
3. Mr. Naresh Kumar Sethi, (Non-Executive Director; DIN: 08296486)
4. Mr. S. Thirumalai and (Non-Executive Director; DIN: 00011899)
5. Mr. Aditya Deb Gooptu (Managing Director & CEO; DIN: 07849104)

10. Details of Review of NGRBCs by the Company:

Subject for Review	Indicate whether review was undertaken by Director / Committee of the Board / Any other Committee								
	P1	P2	P3	P4	P5	P6	P7	P8	P9
Performance against above policies and follow-up action	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Compliance with statutory requirements of relevance to the principles, and rectification of any non-compliances	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

11. Has the entity carried out independent assessment/evaluation of the working of its policies by an external agency? (Yes/No). If yes, provide the name of the agency.

P1	P2	P3	P4	P5	P6	P7	P8	P9
We periodically conduct a comprehensive internal audit of our policies and evaluate and monitor any gaps found in the implementation of these policies.								

**SECTION C: PRINCIPLE-WISE PERFORMANCE DISCLOSURE**

PRINCIPLE 1: Businesses should conduct and govern themselves with integrity, and in a manner that is Ethical, Transparent and Accountable.

ESSENTIAL INDICATOR (Mandatory)

1. Percentage coverage by training and awareness programmes on any of the principles during the financial year.

Segment	Total number of training and awareness programmes held	Topics/principles covered under the training and its impact	% of persons in respective category covered by the awareness programmes
Board of Directors	1	Familiarisation was provided on various topics related to regulatory changes	100%
Key Managerial Personnel (KMP)	1	comprising NGRBC principles, economic development, and other various market scenarios.	100%
Employees other than Board of Directors or KMPs	1	ESG awareness programmes by implementation partner.	100%
Workers	9	EHS trainings	100%

2. Details of fines/penalties/punishment/award/compounding fees/settlement amount paid in proceedings (by the entity or by directors/KMPs) with regulators/law enforcement agencies/judicial institutions, in the financial year, in the following format (Note: The entity shall make disclosures on the basis of materiality as specified in Regulation 30 of SEBI (Listing Obligations and Disclosure Obligations) Regulations, 2015 and as disclosed on the entity's website):

During the reporting period there have been no instances of fines/penalties/punishment/award/compounding fees/settlement amount paid in proceedings with regulators/law enforcement agencies/judicial institutions.

Monetary				
Name of the regulatory / enforcement agencies / judicial institutions	NGRB Principle	Amount (₹)	Brief of the Case	Has an appeal been preferred? (Yes/No)
Penalty/Fine			Not applicable	
Settlement				
Compounding Fee				
Non-Monetary				
Name of the regulatory/ enforcement agencies/judicial institutions	NGRB Principle	Brief of the case	Has an appeal been preferred? (Yes/No)	
Imprisonment			Not applicable	
Punishment				

3. Of the instances disclosed in Question 2 above, details of the Appeal/Revision preferred in cases where monetary or non-monetary action has been appealed.

There have been no cases registered by the entity or by directors/KMPs which resulted in fines/penalties/punishment/award/compounding fees/settlement amount paid in proceedings with regulators/law enforcement agencies/judicial institutions, in the reporting year.

Case Details	Name of the regulatory/ enforcement agencies/ judicial institutions
	Not Applicable

4. Does the entity have an anti-corruption or anti-bribery policy? If yes, provide details in brief and if available, provide a web-link to the policy.

We do not have any standalone anti-corruption or anti-bribery policy. However, we adhere to the Code of Conduct and Ethics Policy which reflects the commitments made by us around ethics and integrity. This policy is adopted to set forth the basic standards of ethical behavior, detection & prevention of any wrongdoing and to outline the expectations from employees and Directors of the Company in this regard.

<https://www.vsthyd.com/mainsite/documents/code-of-conduct-ethics-policy-and-guidelines-on-recruitment.pdf>

5. Number of Directors/KMPs/employees/workers against whom disciplinary action was taken by any law enforcement agency for the charges of bribery/corruption:

	FY 2022-23	FY 22
Directors	-	-
KMPs	-	-
Employees	-	-

6. Details of complaints with regard to conflict of interest

	FY 2022-23		FY 22	
	Number	Remarks	Number	Remarks
Number of complaints received in relation to issues of conflict of interest of directors	-	None	1	Closed
Number of complaints received in relation to issues of conflict of interest of KMPs	-	None	-	None

7. Provide details of any corrective action taken or under way on issues related to fines/penalties/action taken by regulators/law enforcement agencies/judicial institutions, on cases of corruption and conflicts of interest.

There has been no fines/penalties/action taken by regulators/law enforcement agencies/judicial institutions, on cases of corruption and conflicts of interest.

LEADERSHIP INDICATORS (Voluntary)

1. Awareness programmes conducted for value chain partners on any of the principles during the financial year.

Total number of training and awareness programmes held	Topics/principles covered under the training and its impact	% of Business Value of Value Chain Member covered under BRSR training
1	Our company takes a proactive approach in working with our partners in the value chain to achieve mutual benefits through our business relationships. We collaborate with our suppliers to identify new opportunities for improvement, while also educating retailers and wholesalers on regulatory restrictions outlined by COTPA guidelines for packaging, labeling, advertising, and promotion. Our longstanding relationships with the tobacco farming community have allowed us to lead our business growth for decades. We strive to ensure that farmers have a sustainable livelihood by implementing good agricultural practices that increase crop yield and promote environmental benefits. To accomplish this, we have deployed field technicians who provide training and guidance on various agricultural practices, such as soil management, water management, nutrient management, cropping techniques, integrated pest management, and environmentally friendly curing practices	100%

2. Does the entity have processes in place to avoid/manage conflict of interests involving members of the board? (Yes/No) If yes, provide details of the same.

3. Yes. We have Related Party Transactions (RPT) and has also formulated a policy for determining the Material RPT and the details of such policies for dealing with RPT are disseminated on our website at <https://www.vsthyd.com/mainsite/documents/policy-on-related-party-transactions1.pdf>. There were no materially significant related party transactions between VST and the Directors, Promoters, Key Managerial Personnel, and other designated persons which may have a potential conflict with the interest of the company at large. We have obtained all Prior approval for all the related party transactions from the Audit Committee of the Board.



PRINCIPLE 2: Businesses should provide goods and services in a manner that is sustainable and safe

ESSENTIAL INDICATOR (Mandatory)

- Percentage of R&D and capital expenditure (capex) investments in specific technologies to improve the environmental and social impacts of product and processes to total R&D and capex investments made by the entity, respectively.

	FY 2022-23	FY 22	Details of improvements in environmental and social impacts
R&D	0%	0%	R&D investments were made for developing product variants and improving the quality of existing products
Capex	0.3%	9.5%	<ul style="list-style-type: none"> Equipment purchases for converting incinerator/boiler at Tobacco processing plant from Diesel to Piped Natural Gas (PNG). Enhanced Solar Power Plant (Azamabad/Toopran)

- Does the entity have procedures in place for sustainable sourcing? (Yes/No)

We have procedures in place for sustainable sourcing of tobacco leaves and stems. We maintain long term contracts with farmers, requiring them to comply with the applicable labour laws as per the ALP (Agriculture Labour Practices) code and to practice good agricultural practices prescribed in the farmer handbook.

Field technicians are deployed to sensitise farmers on the requirements and provide necessary guidance on implementation of the good agricultural practices. We provide our field technicians with the GMS application to collect data and monitor progress of the farmer against the compliance checklist. The compliance checklist encompasses measures associated with:

- Seedbed management
- Agriculture Labour Practices (ALP)
- Transplanting
- Crop Protection Agents (CPA)
- Topping
- Curing
- Bulking
- Bailing and marketing

Some of the practices that testify the sustainability in our tobacco supply chain include:

- Toxicity and Pollution Control:** Low tobacco specific nitrosamine (TSNA) is ensured through early purchase from farm and deraking tobacco leaves under natural conditions.
- Pesticide usage:** VST ensures supply of Crop Protection Agents (CPAs), approved by the Central Insecticides Board and the Registration Committee, to the farmers. Farmers follow the guidelines on the recommended doses of individual CPAs prescribed in the Farmer Handbook. During procurement of tobacco leaves we undertake CPA residue analysis to ensure threshold limits are maintained.
- Soil nutrient management:** Farmers practice crop rotation, multiple cropping, ploughing of the fields across the slope and addition of farmyard manure to enrich soil health.
- Curing:** Majority of the farmers indulge in sun curing and the balance farmers undertake fire curing using crop residues such as tobacco stalks, maize husk, saw dust, sunflower head, ground nutshell and cotton stalks. Further we have increased the size of the barns which has improved fuel efficiency and reduced the period of curing.
- Non-tobacco related material (NTRM) removal:** Bailing of tobacco is monitored by field staff. Bales identified to contain NTRM are rejected. Subsequently the bale is cleaned and purchased. Post purchases threshing is done in factories having NTRM Sorters.
- Health and safety:** Prevention of Green tobacco sickness (GTS) is ensured through provision of Personal Protective Equipment (PPE) kits and access to water for sanitation and hygiene.
- Human rights prevention:** Through implementation of the ALP code VST monitors and reviews the tobacco supply chain to prevent any form of discrimination, child labour, forced labour payment of minimum wages, as well as adherence to safe working conditions.

- Describe the processes in place to safely reclaim your products for reusing, recycling and disposing at the end of life, for:

- Plastics (including packaging),
- E-waste,
- Hazardous waste, and
- other waste.

Yes, we have the processes in place to safely reclaim our products for reusing, recycling, and disposing at the end of life particularly related to E-waste, Plastics and Hazardous waste. We have partnered with State Pollution Control Board (SPCB) approved vendors who are authorized recyclers.

- Whether Extended Producer Responsibility (EPR) is applicable to the entity's activities (Yes / No). If yes, whether the waste collection plan is in line with the Extended Producer Responsibility (EPR) plan submitted to Pollution Control Boards? If not, provide steps taken to address the same.

Yes, Extended Producer Responsibility (EPR) is applicable to us. We have partnered with SPCB approved recycler for implementation of EPR plan..

LEADERSHIP INDICATORS (Voluntary)

- Has the entity conducted Life Cycle Perspective/Assessments (LCA) for any of its products (for manufacturing industry) or for its services (for service industry)? If yes, provide details in the following format?

No. We have not conducted Life Cycle Perspective/Assessments (LCA) for any of our products.

NIC Code	Name of Product / Service	% of total Turnover contributed	% of total Turnover contributed	Whether conducted by independent external agency (Yes/No)	Results communicated in public domain (Yes/No) If yes, provide the web-link.
Not Applicable					

- If there are any significant social or environmental concerns and/or risks arising from production or disposal of your products / services, as identified in the Life Cycle Perspective/Assessments (LCA) or through any other means, briefly describe the same along with action taken to mitigate the same.

Name of Product / Service	Description of the risk / concern	Action Taken
Not Applicable		

- Percentage of recycled or reused input material to total material (by value) used in production (for manufacturing industry) or providing services (for service industry).

	Indicate input material		Recycled or re-used input material to total material		
			FY 2022-23	FY 22	
	None		-	-	-

- Of the products and packaging reclaimed at end of life of products, amount (in metric tonnes) reused, recycled, and safely disposed, as per the following format:

We employ processes that reclaim our packaging materials (particularly plastic waste) for safe disposal at the end of life. During FY 2022-23, we undertook plastic waste management programmes under the EPR guidelines for safely disposing all non MLP plastic waste categories. During the reporting period we have collected 184.94 MT of post-consumer plastic waste across 31 states and union territories in India.

	FY 2022-23			FY 22		
	Reused	Recycled	Safely disposal	Reused	Recycled	Safely disposal
Plastic waste	-	-	184.94 MT	-	-	173.33 MT

- Reclaimed products and their packaging materials (as percentage of products sold) for each product category

Indicate product category	Reclaimed products and their packaging materials as % of total products sold in respective category
Cigarettes	100%

**PRINCIPLE 3: Businesses should respect and promote the well-being of all employees, including those in their value chains****ESSENTIAL INDICATOR (Mandatory)****1. a. Details of measures for the well-being of employees**

Category	% of employees covered by										
	Total (A)	Health insurance		Accident insurance benefits		Maternity benefits		Paternity benefits		Day care facilities	
	No. (B)	% (B/A)	No. (C)	% (C/A)	No. (D)	% (D/A)	No. (E)	% (E/A)	No. (F)	% (F/A)	
Permanent employees											
Male	352	352	100	352	100	-	-	-	-	-	-
Female	14	14	100	14	100	14	100	-	-	-	-
Total	366	366	100	366	100	14	100	-	-	-	-
Other than Permanent employees											
Male	-	-	-	-	-	-	-	-	-	-	-
Female	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-

b. Details of measures for the well-being of workers:

Category	% of employees covered by										
	Total (A)	Health insurance		Accident insurance benefits		Maternity benefits		Paternity benefits		Day care facilities	
	No. (B)	% (B/A)	No. (C)	% (C/A)	No. (D)	% (D/A)	No. (E)	% (E/A)	No. (F)	% (F/A)	
Permanent employees											
Male	402	402	100	402	100	-	-	-	-	-	-
Female	-	-	-	-	-	-	-	-	-	-	-
Total	402	402	100	402	100	-	-	-	-	-	-
Other than Permanent employees											
Male	-	-	-	-	-	-	-	-	-	-	-
Female	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-

2. Details of retirement benefits for the current and previous financial year

Benefits	FY 2022-23			FY 22		
	No. of employees covered as a % of total employees	No. of workers covered as a % of total workers	Deducted and deposited with the authority (Y/N/N.A.)	No. of employees covered as a % of total employees	No. of workers covered as a % of total workers	Deducted and deposited with the authority (Y/N/N.A.)
PF	100	100	Y	100	100	Y
Gratuity	100	100	N	100	100	N
ESI	-	8	Y	-	8	Y
Others – NPS	55	-	Y	62	-	Y

3. Accessibility of workplaces Are the premises/offices accessible to differently abled employees as per the requirements of the Rights of Persons with Disabilities Act, 2016? If not, whether any steps are being taken by the entity in this regard.

Yes, the Company's establishments are accessible to the differently abled. For easy commute and movements within the Company's locations, adequate wheelchair facilities are available along with ramp structures.

4. Does the entity have an equal opportunity policy as per the Rights of Persons with Disabilities Act, 2016? If so, provide a web-link to the policy.

Although our company does not have an equal opportunity policy in accordance with the Rights of Persons with Disabilities Act, 2016, we strive to recruit the most qualified talent who share our company's values. We do not discriminate based on age, color, disability, religion, caste, or sexual orientation during the recruitment process. All employees are treated with respect and dignity, and opportunities for development and career advancement are based on performance, ability, and potential in alignment with our business requirements. Most of our establishments are accessible to the differently abled. For easy commute and movements within the Company's locations, adequate wheelchair facilities are available along with ramp structures.

5. Return to work and retention rates of permanent employees that took parental leave.

As VST, we promote a healthy and inclusive workplace. We provide our female employees with access to maternity benefits and ensure their financial and physical wellbeing. During the last two reporting period no female employee has availed maternity leaves.

6. Is there a mechanism available to receive and redress grievances for the Permanent and Non-permanent employees' categories of employees? If yes, give details of the mechanism in brief.

	Yes/No (If Yes, then give details of the mechanism in brief)
Permanent Workers	Yes, we have mechanism available to receive and redress grievances for the Permanent and Non-permanent employees' categories of employees. Employee feedback for workplace improvement helps in building trusted relations with the employees and ensures talent management through higher retention rates and less grievances that demand quick resolution.
Other than Permanent Workers	We also undertake employee satisfaction surveys every 3 years based on 6 major dimensions: positive work environment, trust in leadership, collaboration and communication, supportive management, meaningful work and growth opportunity.

7. Membership of employees and worker in association(s) or Unions recognised by the listed entity:

Benefits	FY 2022-23			FY 22		
	Total employees / workers in respective category (A)	No. of employees / workers in respective category, who are part of association(s) or Union (B)	% (B / A)	Total employees / workers in respective category (A)	No. of employees / workers in respective category, who are part of association(s) or Union (B)	% (B / A)
Total Permanent Employees	366	-	-	369	-	-
Male	352	-	-	352	-	-
Female	14	-	-	17	-	-
Total Permanent Workers	402	402	100	404	404	100
Male	402	402	100	404	404	100
Female	-	-	-	-	-	-

8. Details of training given to employees

Category	FY 2022-23						FY 22			
	Total (A)	On Health and safety measures		On Skill upgradation		Total (D)	On Health and safety measures		On Skill upgradation	
	No. (B)	% (B/A)	No. (C)	% (C/A)	No. (E)	% (E/D)	No. (F)	% (F/D)		
Employees										
Male	352	42	11.9	352	100	352	352	100	352	100
Female	14	-	-	14	100	17	17	100	17	100
Total	366	42	11.9	366	100	369	369	100	369	100
Workers										
Male	402	339	84.3	402	100	404	300	74.3	404	100
Female	-	-	-	-	-	-	-	-	-	-
Total	402	339	84.3	402	100	404	300	74.3	404	100



9. Details of performance and career development reviews of employees

Category	FY 2022-23			FY 22		
	Total (A)	No. (B)	% (B/A)	Total (C)	No. (D)	% (D/C)
Employees						
Male	352	352	100	352	352	100
Female	14	14	100	17	17	100
Total	366	366	100	369	369	100
Workers						
Male	402	402	100	404	404	100
Female	-	-	-	-	-	-
Total	402	402	100	404	404	100

10. Health and safety management system:

- a. Whether an occupational health and safety management system has been implemented by the entity? (Yes/No). If yes, the coverage of such a system?

We have implemented ISO 45001:2018 occupational health and safety management system at our manufacturing units located at Azamabad and Toopran.

- b. What are the processes used to identify work-related hazards and assess risks on a routine and non-routine basis by the entity?

We undertake Hazard Identification and Risk Assessment (HIRA) on an annual basis and Job Safety Analysis for individual activities on a routine basis to identify work related hazards. We have developed control measures which are designed to mitigate the identified work-related hazards and record the same in the risk register

- c. Whether you have processes for workers to report the work-related hazards and to remove themselves from such risks.

Yes. We have processes for workers to report the work-related hazards and to remove themselves from such risks. We encourage our workers to remove themselves from work in unsafe conditions and create awareness amongst other workers on the mechanisms to report near miss cases while bringing to the attention of the management on any unsafe conditions for investigation. We duly undertake subsequent implementation of corrective and preventive actions.

- d. Do the employees/workers of the entity have access to non-occupational medical and healthcare services?

Employees have access to first aid through the health care centre available within the premises.

11. Details of safety-related incidents

Safety Incident/Number	Category	FY 2022-23	FY 22
Lost Time Injury Frequency Rate (LTIFR) (per one million-person hours worked)	Employees	-	-
	Workers	-	-
Total recordable work-related injuries	Employees	-	-
	Workers	-	-
No. of fatalities (safety incident)	Employees	-	-
	Workers	-	-
High consequence work-related injury or ill-health (excluding fatalities)	Employees	-	-
	Workers	-	-

12. Describe the measures taken by the entity to ensure a safe and healthy workplace

We ensure safe and healthy workplace by:

- Implementing a robust emergency response plan in consideration of fire or explosion, electrical failures, chemical and fuel leakage; and conducting mock drills on quarterly basis

- Implementing safety guidelines to mitigate safety risks identified through job safety analysis
- Conducting internal safety audit as per IS 14489 on semiannual basis and external safety audit on biannual basis
- Quarterly reviewing of safety performance by the Board and top management
- Providing continuous training to employees and workers
- Undertaking periodic medical survey and medical checkups
- Inducing a safety culture by motivating and encouraging employees to provide suggestions to improving safety performance.
- Upgrading and replacing of machinery with class IV machine guarding

13. Number of complaints on the following made by employees:

	FY 2022-23			FY 22		
	Filed during the year	Filed during the year	Remarks	Filed during the year	Filed during the year	Remarks
Working conditions	-	-	None	-	-	None
Health and safety	-	-	None	-	-	None

14. Assessments for the year:

	% of your plants and offices that were assessed (by entity or statutory authorities or third parties)
Health and safety practices	100%
Working Conditions	100%

15. Provide details of any corrective action taken or underway to address safety-related incidents (if any) and on significant risks / concerns arising from assessments of health and safety practices and working conditions.

Not Applicable

LEADERSHIP INDICATORS (Voluntary)

1. Does the entity extend any life insurance or any compensatory package in the event of death of?

	(Y/N)
Employees	Y
Workers	Y

2. Provide the measures undertaken by the entity to ensure that statutory dues have been deducted and deposited by the value chain partners.

VST engage vendors who are 100% compliant based on the track record.

3. Provide the number of employees having suffered high consequence work-related injury / ill-health / fatalities (as reported in Q11 of Essential Indicators above), who have been rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment:

	Total no. of affected employees		No. of employees that are rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment	
	FY 2022-23	FY 22	FY 2022-23	FY22
Employees	-	-	-	-
Workers	-	-	-	-

4. Does the entity provide transition assistance programmes to facilitate continued employability and the management of career endings resulting from retirement or termination of employment? (Yes/No)

No



5. Details on assessment of value chain partners

% of value chain partners (by value of business done with such partners) that were assessed	
Health and safety practices	100%
Working Conditions	100%

6. Provide details of any corrective actions taken or underway to address significant risks/concerns arising from assessments of health and safety practices and working conditions of value chain partners.

We currently undertake environmental and social assessment for our tobacco farmers. These assessments consider health & safety and working condition for the farming communities. One of the key risks in our tobacco value chain include exposure to Green Tobacco Sickness (GTS). We ensure the risk is mitigated by regularly sensitising and monitoring the farmers on the use of PPE while and during the time of harvesting and stitching. Going forward we plan to come up with a comprehensive assessment framework for our value chain partners incorporating relevant ESG considerations including checks on health & safety and working conditions. We plan to undertake corrective action once risks/concerns are identified through these assessments.

PRINCIPLE 4: Businesses should respect the interests of and be responsive to all its stakeholders

ESSENTIAL INDICATOR (Mandatory)

1. Describe the processes for identifying key stakeholder groups of the entity.

We are committed to building strong relationships with our stakeholders, and as such, we have developed a rigorous stakeholder identification process that takes into account both the relevance and influence they have on the growth and success of our company. We firmly understand that our decisions can affect employees, suppliers, farmers, partners, shareholders, and communities. So, we seek to ensure that our stakeholders concerns are considered as we make business decisions. We receive various input from our wide stakeholders' group (ranging from individuals to policymakers) every year.

Stakeholders who have a fundamental impact on company's performance	Needs of the Company's stakeholders	Stakeholders relevance and influence	Mutually beneficial relationship
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The Company map stakeholders' expectations and consideration for determining stakeholders.

Key Stakeholders	Whether identified as Vulnerable & Marginalised Group (Yes/No)	Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website), Others	Frequency of engagement (Annually/Half Yearly/ Quarterly / Others - please specify)	Purpose and scope of engagement including key topics and concerns raised during such engagement
Investors & Shareholders	No	➤ Emails ➤ Newspaper ➤ Advertisement ➤ Website ➤ Notice Board	➤ Quarterly ➤ Annually	➤ Company's quarterly and annual earnings, ➤ Company's plan for the next financial year ➤ New market development ➤ Regulatory procedures
Customers	No	➤ Product labelling	➤ Ongoing activities	➤ Information as per COTPA guidelines
Farmers	Yes	➤ Advertisement, ➤ Notice, ➤ Communications during procurement	➤ Ongoing	➤ Procurement ➤ Quality assessment ➤ Grievance redressal ➤ Contract and Payment terms
Communities/ NGOs	Yes	➤ Community Meetings ➤ Focused group discussion ➤ Grievance redressal	Annually and on need basis	➤ Grievances ➤ Feedback ➤ Program improvement sessions ➤ Capacity building

Key Stakeholders	Whether identified as Vulnerable & Marginalised Group (Yes/No)	Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website), Others	Frequency of engagement (Annually/Half Yearly/ Quarterly / Others - please specify)	Purpose and scope of engagement including key topics and concerns raised during such engagement
Employee	No	➤ Employee forums ➤ Leadership forums ➤ Employee surveys ➤ Workplace platform	➤ Annually ➤ Need basis ➤ Ongoing	➤ Learning and development ➤ Well-being ➤ Grievance redressal ➤ Growth opportunities
Wholesalers	No	➤ Emails ➤ Meetings	➤ On going	➤ Product quality and availability
Suppliers	No	➤ Vendor meetings ➤ Capacity building	➤ Annual ➤ Need-basis	➤ Quality ➤ Local procurement
Government and Regulators	No	➤ Policy intervention ➤ Advocacy	➤ Need basis	➤ Taxation ➤ Promotions ➤ Best practices

LEADERSHIP INDICATORS (Voluntary)

1. Provide the processes for consultation between stakeholders and the Board on economic, environmental, and social topics or if consultation is delegated, how is feedback from such consultations provided to the Board.

We have established a Corporate ESG Committee comprising of MD & CEO and ESG Lead (CS) having the role of planning of ESG strategy, overall performance review, and monitoring of operational direction. The Corporate ESG committee will provide feedback to the CSR committee on regular basis.

2. Whether stakeholder consultation is used to support the identification and management of environmental, and social topics (Yes / No). If so, provide details of instances as to how the inputs received from stakeholders on these topics were incorporated into policies and activities of the entity.

Yes. During the exercise of identifying material issues pertaining to the company, we consulted both internal and external stakeholders to identify issues with significant social or environmental impact for us. We also understood the stakeholder's point of view on these issues.

3. Provide details of instances of engagement with, and actions taken to, address the concerns of vulnerable/marginalised stakeholder groups.

Towards upliftment of vulnerable and marginalised stakeholders, we have initiated support towards agriculture & horticulture development, water management & harvesting, training in farming techniques to the farmers etc.

We are also involved in various programs for the improvement of living conditions in tobacco growing areas. To further strengthen the social equity of the community, we sponsor initiatives like household toilets and solar street lighting to ensure higher standard of living of the farmers and their families.

PRINCIPLE 5: Businesses should respect and promote human rights

ESSENTIAL INDICATORS (Mandatory)

1. Employees who have been provided training on human rights issues and policy(ies)

We understand our fundamental obligation to uphold and safeguard human rights, and we are dedicated to fostering a work environment that is diverse, inclusive, and equitable for all. Our approach towards maintaining a decent work environment and upholding the human rights of every individual involves strengthening our monitoring systems and systematic implementation of policies and procedures. Pursuant to our objectives for zero human rights incidents, we aim to make our employees conversant with the human rights principles and empower them to bring to our attention any acts of violation at our workplace through training. We plan to include human rights training as part of our annual training calendar for the upcoming reporting period to enable this process.



2. Details of minimum wages paid to employees

Category	FY 2022-23				FY 22					
	Total (A)	Equal to Minimum Wage		More than Minimum Wage		Total (D)	Equal to Minimum Wage		More than Minimum Wage	
		No. (B)	% (B/A)	No. (C)	% (C/A)		No. (E)	% (E/D)	No. (F)	% (F/D)
Employees										
Permanent	366	-	-	366	100	369	-	-	369	100
Male	352	-	-	352	100	352	-	-	352	100
Female	14	-	-	14	100	17	-	-	17	100
Other than Permanent	-	-	-	-	-	-	-	-	-	-
Male	-	-	-	-	-	-	-	-	-	-
Female	-	-	-	-	-	-	-	-	-	-
Workers										
Permanent	402	-	-	402	100	404	-	-	404	100
Male	402	-	-	402	100	404	-	-	404	100
Female	-	-	-	-	-	-	-	-	-	-
Other than Permanent	-	-	-	-	-	-	-	-	-	-
Permanent	-	-	-	-	-	-	-	-	-	-
Male	-	-	-	-	-	-	-	-	-	-
Female	-	-	-	-	-	-	-	-	-	-

3. Details of remuneration/salary

	Male		Female	
	Number	Median remuneration/ salary/wages of respective category in ₹	Number	Median remuneration/ salary/wages of respective category in ₹
Board of Directors (BoD)	5	77,20,000	1	61,60,000
Key Managerial Personnel (other than BoD)	2	1,06,35,543	-	-
Employees other than BoD and KMP	349	10,74,717	14	11,31,946
Workers	402	10,37,718	-	-

4. Do you have a focal point (Individual/ Committee) responsible for addressing human rights impact or issues caused or contributed to by the business?

Our Audit Committee has the responsibility of reviewing employee concerns that are reported through the Whistle Blower mechanism. Through the whistleblower mechanism, employees are encouraged to report any concerns related to human rights violations, such as harassment, victimisation, bullying, and discrimination, for a formal investigation and satisfactory resolution of the grievance.

To ensure that the tobacco supply chain follows ethical practices and complies with the human rights requirements outlined in the ALP code, we deploy field technicians to continuously monitor farm holdings for any violations. If any human rights violations are identified, they are reported through the GMS application, and we take appropriate action based on the severity of the violation to resolve the issue.

5. Describe the internal mechanisms in place to redress grievances related to human rights issues

Our organization has established a Whistle Blower mechanism that empowers individuals to report any concerns related to human rights violations to management without fear of retaliation through a designated email or contact information. The mechanism also provides employees and Directors direct access to the Chairperson of the Audit Committee in exceptional cases.

To ensure that the tobacco supply chain operates ethically and complies with human rights requirements outlined in the ALP code, we have deployed field technicians to continuously monitor farm holdings for any violations. If any human rights violations are identified, they are reported through the GMS application, and we take appropriate action based on the severity of the situation to address the issue.

6. Number of Complaints on the following made by employees and workers:

	FY 2022-23			FY 22		
	Filed during the year	Filed during the year	Remarks	Filed during the year	Filed during the year	Remarks
Sexual Harassment	-	-	None	-	-	None
Discrimination at workplace	-	-	None	-	-	None
Child labour	-	-	None	-	-	None
Forced labour /Involuntary labour	-	-	None	-	-	None
Wages	-	-	None	-	-	None
Other human rights related issues	-	-	None	-	-	None

7. Mechanisms to prevent adverse consequences to the complainant in discrimination and harassment cases

Our Whistle Blower mechanism empowers the complainant to bring to the attention of the management, any concerns related to discrimination and harassment without fear of punishment or unfair treatment by reporting at designated e-mail or contact details.

8. Do human rights requirements form part of your business agreements and contracts? (Yes/No)

Yes, human right requirements are covered in business agreements and contracts with farmers through the Agriculture Labour Practices (ALP) Code. Through implementation of the ALP code, we monitor and review the tobacco supply chain to prevent any form of discrimination including child labour, forced labour, payment of minimum wages, as well as adherence to safe working conditions.

9. Assessments for the year

	% of offices that were assessed (by entity or statutory authorities or third parties)
Child labour	100%
Forced/involuntary labour	100%
Sexual harassment	100%
Discrimination at workplace	100%
Wages	100%
Others - please specify	100%

10. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 9 above.

We implement necessary steps and remedial measures in accordance with the established laws. Additionally, we maintain a continuous vigilance over these areas and ensure the implementation of effective checks and balances.

LEADERSHIP INDICATORS (Voluntary)

1. Details of a business process being modified / introduced as a result of addressing human rights grievances/ complaints.

There have been no significant changes in business processes during the reporting period.

2. Details of the scope and coverage of any human rights due diligence conducted.

Yes, human right due diligence is undertaken across the tobacco supply chain in accordance with the Agriculture Labour Practices (ALP) Code.

3. Is the premise/office of the entity accessible to differently abled visitors, as per the requirements of the Rights of Persons with Disabilities Act, 2016?

We at VST promote an inclusive workplace to a diverse people from different culture and background of society meet. We strive towards providing an inclusive infrastructure that takes into consideration the demographics of our workforce.



4. Details on assessment of value chain partners:

	% of value chain partners (by value of business done with such partners) that were assessed
Sexual harassment	100%
Discrimination at workplace	100%
Child labour	100%
Forced labour/Involuntary labour	100%
Wages	100%
Others - please specify	100%

5. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 4 above.

Based on the assessment done, there were no cases identified in the reporting period.

PRINCIPLE 6: Businesses should respect and make efforts to protect and restore the environment**ESSENTIAL INDICATORS (Mandatory)**

1. Details of total energy consumption (in Joules or multiples) and energy intensity

Parameter	FY23	FY 22
	TJ	TJ
Total electricity consumption (A)	16.85 TJ	17.50 TJ
Total fuel consumption (B)	11.00 TJ	11.56 TJ
Energy consumption through other sources (C)	-	-
Total energy consumption (A+B+C)	27.85 TJ	29.06 TJ
Energy intensity per rupee of turnover (Total energy consumption / (per rupee of turnover)	1667.48 J/₹	1863.88 J/₹
Energy intensity (optional) - the relevant metric may be selected by the entity (Per million cigarettes)	4.38 GJ/Million Cigarettes	4.28 GJ/Million Cigarettes

Note: Indicate if any independent assessment/evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

We are in process of carrying out the independent assessment/evaluation/assurance by an external agency.

2. Does the entity have any sites / facilities identified as designated consumers (DCs) under the Performance, Achieve and Trade (PAT) Scheme of the Government of India? (Y/N) If yes, disclose whether targets set under the PAT scheme have been achieved. In case targets have not been achieved, provide the remedial action taken, if any.

No.

3. Provide details of the following disclosures related to water.

Parameter	FY 2022-23	FY 22
Water withdrawal by source (in kiloliters)		
(i) Surface water	-	-
(ii) Groundwater	23,527 KL	26,113 KL
(iii) Third party water	1,332 KL	1,094 KL
(iv) Seawater/ desalinated water	-	-
(v) Others	-	-
Total volume of water withdrawal (in kilolitres) (i + ii + iii + iv + v)	24,859 KL	27,204 KL
Total volume of water consumption (in kilolitres)	24,859 KL	27,204 KL
Water intensity per rupee of turnover (Water consumed / turnover)	1.48 cum/₹	1.74 cum/₹
Water intensity (optional) - the relevant metric may be selected by the entity (Per million cigarettes)	3.92KL/Million Cigarettes	4 KL/million cigarettes

4. Has the entity implemented a mechanism for Zero Liquid Discharge? If yes, provide details of its coverage and implementation.

Yes, both the manufacturing units of the company have implemented mechanism for Zero Liquid Discharge. The treated wastewater from the effluent treatment plant is utilised for landscaping purposes.

5. Please provide details of air emissions (other than GHG emissions) by the entity.

Parameter	Please specify unit	FY 2022-23	FY 22
NO _x	tonnes	41.03	22.36
SO _x	tonnes	33.67	28.68
Particulate matter (PM)	tonnes	9.7	6.72
Persistent organic pollutants (POP)	tonnes	-	-
Volatile organic compounds (VOC)	tonnes	-	-
Hazardous air pollutants (HAP)	tonnes	-	-
Others - please specify	tonnes	-	-

6. Provide details of greenhouse gas emissions (Scope 1 and Scope 2 emissions) & its intensity

Parameter	FY 2022-23	FY 22
Total Scope 1 emissions -Metric tonnes of CO ₂ equivalent (Break-up of the GHG into CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , if available)	642.51 tCO ₂ e	762 tCO ₂ e
Total Scope 2 emissions -Metric tonnes of CO ₂ equivalent (Break-up of the GHG into CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , if available)	2,819.45 tCO ₂ e	3,559 tCO ₂ e
Total Scope 1 and Scope 2 emissions (per rupee of turnover) tCO ₂ e	0.0207 tCO ₂ e/Lakhs	0.027tCO ₂ e/Lakhs
Total Scope 1 and Scope 2 emission intensity (optional) - the relevant metric may be selected by the entity (Per million cigarettes)	0.53 tCO ₂ e/ Million Cigarettes	0.65 tCO ₂ e/ Million Cigarettes

7. Does the entity have any project related to reducing Green House Gas emission? If yes, then provide details.

Yes, we have undertaken projects on GHG reduction. The projects are mentioned below:

- Onsite installation of solar rooftop at corporate office and two manufacturing units
- Migrating to cleaner fuel - HSD to PNG for boiler operations at Toopran manufacturing unit
- Continuous improvement in energy efficiency

8. Provide details related to waste management by the entity, in the following format:

Parameter	FY 2022-23 (In MT)	FY 22 (In MT)
Plastic waste (A)	34.84	38.93
E-waste (B)	-	-
Bio-medical waste (C)	0.20	0.16
Construction and demolition waste (D)	-	-
Battery waste (E)	-	1.36
Radioactive waste (F)	-	-
Other Hazardous waste. Please specify, if any. (G)	0.96	-
Other Non-hazardous waste generated (H). Please specify, if any. (Break-up by composition i.e., by materials relevant to the sector)	-	-
Total (A+B + C + D + E + F + G + H)	36.00 MT	40.45 MT
For each category of waste generated, total waste recovered through recycling, re-using or other recovery operations (in metric tonnes)		
Category of waste		
(i) Recycle	-	-
(ii) Re-used	-	-
(iii) Other recovery operations	-	-
Total	-	-
For each category of waste generated, total waste disposed by nature of disposal method (in metric tonnes)		
(i) Incineration	-	-
(ii) Landfilling	-	-
(iii) Other disposal operations	-	-
Total	-	-



Indicate if any independent assessment/evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

We are in the process of carrying out the independent assessment/evaluation/assurance by an external agency.

9. Briefly describe the waste management practices adopted in your establishments. Describe the strategy adopted by your company to reduce usage of hazardous and toxic chemicals in your products and processes and the practices adopted to manage such wastes.

Our environment management practices emphasize on conservation of natural resources and efficient waste management procedures. We continuously monitor any hazardous wastes in our manufacturing units and have built processes to manage the wastes within the permissible limit as laid down by the regulators.

10. If the entity has operations/offices in/around ecologically sensitive areas (such as national parks, wildlife sanctuaries, biosphere reserves, wetlands, biodiversity hotspots, forests, coastal regulation zones etc.) where environmental approvals/clearances are required, please specify details in the following format:

The operations /offices are not in/around ecologically sensitive areas. However, we have obtained No Objection Certificate (NOC) issued by the pollution board and acquired consent to operate (CTO) from the department and get the same reviewed periodically.

S. No.	Location of operations/offices	Type of operations	Whether the conditions of environmental approval / clearance are being complied with? (Y/N) If no, the reasons thereof and corrective action taken, if any.
Not applicable			

11. Details of environmental impact assessments of projects undertaken by the entity based on applicable laws, in the current financial year:

Name and brief details of project	EIA Notification No.	Date	Whether conducted by independent external agency (Yes / No)	Results communicated in public domain (Yes / No)	Relevant Web link
Not applicable. We are not required to conduct EIA as we fall under orange category					

12. Is the entity compliant with the applicable environmental law/regulations/guidelines in India, such as the Water (Prevention and Control of Pollution) Act, Air (Prevention and Control of Pollution) Act, and Environment Protection Act and Rules thereunder (Y/N). If not, provide details of all such non-compliances.

Yes, we are compliant with the applicable environmental law/regulations/guidelines in India, such as the Water (Prevention and Control of Pollution) Act, Air (Prevention and Control of Pollution) Act, and Environment Protection Act and Rules thereunder. We adhere to the mechanism of state pollution control board on controlling pollution by optimising our production by improving technologies. We have obtained Consent to Establish and Consent to Operate as per Water Act, Air Act, EPA etc. The CTO is renewed on periodic basis.

S. No.	Specify the law / regulation / guidelines which was not complied with	Provide details of the non-compliance	Any fines / penalties /action taken by regulatory agencies such as pollution control boards or by courts	Corrective action taken, if any
Not applicable				

LEADERSHIP INDICATOR (Voluntary)

1. Provide break-up of the total energy consumed (in Joules or multiples) from renewable and non-renewable sources, in the following format:

Parameter	FY23	FY 22
	TJ	TJ
From renewable sources		
Total electricity consumption (A)	4.32TJ	1.26 TJ
Total fuel consumption (B)	-	-
Energy consumption through other sources (C)	-	-
Total energy consumed from renewable sources (A+B+C)	4.32TJ	1.26 TJ
From non-renewable sources		
Total electricity consumption (D)	12.53 TJ	16.24 TJ
Total fuel consumption (E)	11.00 TJ	11.56TJ
Energy consumption through other sources (F)	-	-
Total energy consumed from non-renewable sources (D+E+F)	23.53 TJ	27.80 TJ

Note: Indicate if any independent assessment/evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

We are in process of carrying out the independent assessment/evaluation/assurance by an external agency.

2. Provide the following details related to water discharged:

Our plants at both the locations have installed Zero Liquid which remove all the liquid waste from a system. The system helps us in reducing wastewater economically and produce clean water that is suitable for reuse. We reuse this water for the gardening purpose.

Parameter	FY 2022-23	FY 22
Water discharge by destination and level of treatment (in kiloliters)		
(i) To Surface water	-	-
• No treatment	-	-
• With treatment - please specify level of treatment	-	-
(ii) To Groundwater	-	-
• No treatment	-	-
• With treatment - please specify level of treatment	-	-
(iii) To Seawater	-	-
• No treatment	-	-
• With treatment - please specify level of treatment	-	-
(IV) Sent to third parties	-	-
• No treatment	-	-
• With treatment - please specify level of treatment	-	-
(v) Others	-	-
• No treatment	-	-
• With treatment - please specify level of treatment	-	-
Total water discharged (in kilolitres)	-	-

Note: Indicate if any independent assessment/evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

We are in process of carrying out the independent assessment/evaluation/assurance by an external agency.

3. Water withdrawal, consumption, and discharge in areas of water stress (in kilolitres):

For each facility / plant located in areas of water stress, provide the following information:

- Name of the area
- Nature of operations
- Water withdrawal, consumption, and discharge in the following format

No, our factories are not located in the water stress areas. Being an environmental stewardship company, we have installed Zero Liquid which remove all the liquid waste from a system. The system helps us in reducing wastewater economically and produce clean water that is suitable for reuse. We reuse this water for the gardening purpose.



4. Please provide details of total Scope 3 emissions & its intensity, in the following format:

We are developing appropriate Data Management Systems to collect relevant data of Scope 3 emissions across our value chain.

Note: Indicate if any independent assessment/evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency

Not applicable

5. With respect to the ecologically sensitive areas reported at Question 10 of Essential Indicators above, provide details of significant direct & indirect impact of the entity on biodiversity in such areas along with prevention and remediation activities.

Not applicable

6. If the entity has undertaken any specific initiatives or used innovative technology or solutions to improve resource efficiency, or reduce impact due to emissions / effluent discharge / waste generated, please provide details of the same as well as outcome of such initiatives, as per the following format:

S. No.	Initiative undertaken	Details of the initiative (Web-link, if any, may be provided along with summary)	Outcome of the initiative
1.	Boiler Fuel conversion from HSD to PNG	Identified sustainability project for conversion of fuel HSD from PNG for our boiler operations in Toopran unit.	Significant reduction of the proportion of HSD consumption to the total direct energy consumption from 48% to 8%, thereby resulting in reduction of 85 tCO ₂ e.
2.	Renewable energy	Installation of 1MW solar power plant.	Achieving 17.88% of our energy mix from renewable energy sources
3	Roof-top Solar Panel Modules Cleaning System	Initiated a automated cleaning system using water to effectively clean roof-top Solar Panels by eliminating safety risk due to work at height	Effective and Reliable cleaning of Roof-top Solar Panels by conserving water as well as by eliminating safety risk due to work at height

7. Does the entity have a business continuity and disaster management plan? Give details in 100 words/web-link.

The Company is committed to implement and maintain robust Business Continuity Management Systems (BCMS) for ensuring resilient business operations. To fulfill this commitment, we have established a holistic business continuity management system that identifies potential threats which may disrupt our operations and develop effective responses to minimise their impacts. This BCMS is fully aligned and integrated into our operations and processes across the organisation including technological capabilities. This ensures quick recovery of business operations after a disruption to minimise the impact on business, our customers, protect the interests of all our stakeholders, safeguard our brand image and reputation.

Our endeavor is to develop, implement, exercise and maintain Business Continuity Plans for critical business operations to ensure they can continue to operate with acceptable levels of disruption. We are also working on providing business continuity awareness to all employees and interested parties through trainings and consultations. The effectiveness of the BCMS will be reviewed on a regular basis to ensure continual improvement and to embed business continuity culture in the Company.

8. Disclose any significant adverse impact to the environment, arising from the value chain of the entity. What mitigation or adaptation measures have been taken by the entity in this regard?

To ensure the responsible sourcing of tobacco, we require our supply chain to adhere to the rigorous audit procedures outlined in the Sustainable Tobacco Programme. Our contracts with farmers are designed to align with these standards, and we monitor compliance through a team of field technicians who use the GMS application to track farmers' progress and ensure adherence to both contractual obligations and audit requirements.

Below, we have outlined the key environmental risks associated with our tobacco value chain and our strategies for mitigating these risks.

I. Waste management - Tobacco cultivation requires high volumes of agrochemical usage. The containers of agrochemicals are hazardous in nature; hence it is essential to responsibly dispose the waste. Our contracts

specify guidelines on safe disposal of the containers. Upon emptying a container, the farmer is required to rinse the container three times and pour the liquid into the spray tank, following which the container is to be punctured to prevent re-use. Finally, the empty container is required to be disposed/recycled in accordance with the manufacturer's label recommendations and/or national regulations.

II. Water management - A small portion of VST's farmers is dependent on irrigation facilities for cultivation of the tobacco crop. We have developed plans to mitigate this risk by creating access to micro sprinklers and drip irrigation facilities to optimise water consumption and increasing water holding capacity of the soil through green manuring.

III. Climate change - Globally most farmers prefer curing of tobacco leaves through flue curing process which requires large scale deforestation for firewood. Majority of the farmers in our supply chain undertake sun curing, hence the risk of biodiversity loss is less. However, for the small portion of farmers undertaking flue curing, we are mitigating the risk by ensuring farmers utilise agricultural waste such as tobacco stalks, maize husk, saw dust, sunflower head, groundnut shell and cotton stalks as a substitute to firewood.

9. Percentage of value chain partners (by value of business done with such partners) that were assessed for environmental impacts.

16.58% of our value chain partners comprising of material suppliers and contract farmers are assessed on the basis of environmental criteria on an ongoing basis.

PRINCIPLE 7: Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent

ESSENTIAL INDICATORS (Mandatory)

1. **a. Number of affiliations with trade and industry chambers/associations. 4**
- b. List the top 10 trade and industry chambers/associations (determined based on the total members of such a body) the entity is a member of/affiliated to.**

S. No.	Name of the trade and industry chambers/ associations	Reach of trade and industry chambers/associations (State/National)
1.	All India Management Association	National
2.	Telangana and Andhra Pradesh Chambers of Commerce and Industry	State
3.	Confederation of Indian Industry	National
4.	Tobacco Institute of India	National

2. Provide details of corrective action taken or underway on any issues related to anti-competitive conduct by the entity, based on adverse orders from regulatory authorities.

The Company has not engaged in any anti-competitive conduct.

LEADERSHIP INDICATORS (Voluntary)

1. Details of public policy positions advocated by the entity:

S. No.	Public policy advocated	Method resorted for such advocacy	Whether information available in public domain? (Yes/No)	Frequency of Review by Board (Annually/ Half yearly/ Quarterly / Others - please specify)	Web Link, if available
1.	The Company pursues a Policy of interaction with the relevant regulatory authorities on issues pertaining to its Industry	The Company works with industry level associations which are governed by values of trust and commitment in the interest of all relevant stakeholders	Information under this head forms part of the Report of the Board Of Directors & Management Discussion Analysis for the year ending 31st March, 2023.	-	www.vsthyd.com

**PRINCIPLE 8: Businesses should promote inclusive growth and equitable development****ESSENTIAL INDICATORS (Mandatory)**

1. Details of Social Impact Assessments (SIA) of projects undertaken by the entity based on applicable laws, in the current financial year.

There has been no Social Impact Assessments (SIA) of projects undertaken in compliance with laws such as the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 as these are not applicable to us.

Name and brief details of project	SIA Notification No.	Date of notification	Whether conducted by independent external agency (Yes / No)	Results communicated in public domain (Yes / No)	Relevant Web link
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Not Applicable

2. Provide information on project(s) for which ongoing Rehabilitation and Resettlement (R&R) is being undertaken by your entity.

S. No.	Name of Project for which R&R is ongoing	State	District	No. of Project Affected Families (PAFs)	% of PAFs covered by R&R	Amounts paid to PAFs in the FY (In ₹)
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Not Applicable

3. Describe the mechanisms to receive and redress grievances of the community.

We regularly engage in dialogue with the community and collaboratively design interventions to address their concerns. We also carry out annual need assessment studies to identify societal needs of target groups. We prioritise the requirements and allocate funds for the various social interventions in alignment with the CSR policy.

4. Percentage of input material (inputs to total inputs by value) sourced from suppliers.

	FY 2022-23*	FY 22*
Directly sourced from MSMEs/ small producers	1.49%	1.29%
Sourced directly from within the district and neighboring districts	6.68%	7.01%

* this data does not include farmers

LEADERSHIP INDICATORS (Voluntary)

1. Provide details of actions taken to mitigate any negative social impacts identified in the Social Impact Assessments (Reference: Question 1 of Essential Indicators above):

Details of negative social impact identified	Corrective action taken
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Not Applicable

2. Provide the following information on CSR projects undertaken by your entity in designated aspirational districts as identified by government bodies:

Our CSR programmes are not located in any aspirational districts.

S. No.	State	Aspirational District	Corrective action taken
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Not Applicable

3. (a) Do you have a preferential procurement policy where you give preference to purchase from suppliers comprising marginalised/vulnerable groups? (Yes/No)

No

- (b) From which marginalised / vulnerable groups do you procure?

None

- (c) What percentage of total procurement (by value) does it constitute?

0%

4. Details of the benefits derived and shared from the intellectual properties owned or acquired by your entity (in the current financial year), based on traditional knowledge.

We have not engaged with any entity during the reporting period for deriving or sharing any benefits from the intellectual properties owned and acquired by us.

S. No.	Intellectual Property based on traditional knowledge	Owned/ Acquired (Yes/No)	Benefit shared (Yes / No)	Basis of calculating benefit share
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Not Applicable

5. Details of corrective actions taken or underway, based on any adverse order in intellectual property related disputes wherein usage of traditional knowledge is involved.

Name of authority	Brief of the Case	Brief of the Case
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Not Applicable

6. Details of beneficiaries of CSR Projects

S. No.	CSR Project	No. of persons benefited from CSR projects	% of beneficiaries from vulnerable and marginalised groups
1	Naari Shakti	3,150	100%
2	Swachh Ghar Mission	4250	100%
3	VST Cares	210	100%
4	Swachh Roshni	300	100%
5	Mid-day Meal	25,000	100%
6	Gyandeeep	1,050	100%

PRINCIPLE 9: Businesses should engage with and provide value to their consumers in a responsible manner**ESSENTIAL INDICATORS (Mandatory)**

1. Describe the mechanisms in place to receive and respond to consumer complaints and feedback.

We have a well-established consumer grievance handling system. We have put up a toll-free number, accessible on the product label as well as on the VST website through which consumers can register their complaints. The registered complaints are checked by the grievance redressal executive and based on the nature of the complaint after which concerned department is assigned for quick resolution.

2. Turnover of products and/services as a percentage of turnover from all products/service that carry information about:

	As a percentage to total turnover
Environmental and social parameters relevant to the product	100%
Safe and responsible usage	100%
Recycling and/or safe disposal	100%

3. Number of consumer complaints in respect of the following:

	FY 2022-23			FY 22		
	Filed during the year	Filed during the year	Remarks	Filed during the year	Filed during the year	Remarks
Data privacy	-	-	None	-	-	None
Advertising	-	-	None	-	-	None
Cyber-security	-	-	None	-	-	None
Restrictive Trade Practices	-	-	None	-	-	None
Unfair Trade Practices	-	-	None	-	-	None
Others	-	-	None	-	-	None



4. Details of instances of product recalls on account of safety issues:

	Number	Reasons for recall
Voluntary recalls	-	Not applicable
Forced recalls	-	Not applicable

5. Does the entity have a framework/policy on cyber security and risks related to data privacy? (Yes/No) If available, provide a web-link of the policy.

We have framework/policy on cyber security and risks covered under data privacy. We firmly understand 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 our business operations and potentially cause legal challenges in both monetary and non-monetary terms. Considering these potential impacts on us, we have put in place information technology policies and procedures which are reviewed periodically. We also have established information technology controls like data backup mechanism, disaster recovery centre, authorisation verification, etc. to protect the system.

6. Provide details of any corrective actions taken or underway on issues relating to advertising, and delivery of essential services; cyber security and data privacy of customers; re-occurrence of instances of product recalls; penalty / action taken by regulatory authorities on safety of products / services.

No cases were raised during the reporting year and hence no corrective actions were taken.

LEADERSHIP INDICATORS (Voluntary)

1. Channels / platforms where information on products and services of the entity can be accessed (provide web link, if available).

We ensure our product packaging and labelling are in accordance with the Cigarettes and other Tobacco Products (prohibition of advertisement and regulation of trade and commerce, production, supply and distribution) Act, 2003 (COTPA). Our labelling on the products carries information on the product's characteristics including health impacts, traceability of product batch.

2. Steps taken to inform and educate consumers about safe and responsible usage of products and/or services.

Our product labelling carry information on the product's characteristics including health impacts, in strict adherence to COTPA regulations.

3. Mechanisms in place to inform consumers of any risk of disruption/discontinuation of essential services.

As Tobacco and cigarette products are not essential to consumers, hence there is no mandate to communicate any risk due to disruption/discontinuation of essential services to our consumers.

4. Does the entity display product information on the product over and above what is mandated as per local laws? (Yes/No/Not Applicable) If yes, provide details in brief. Did your entity carry out any survey with regard to consumer satisfaction relating to the major products / services of the entity, significant locations of operation of the entity or the entity as a whole? (Yes/No)

We do not display product information over and above applicable acts and regulations however we ensure product packaging and labelling are in accordance with the COTPA rules (Cigarettes and other Tobacco Products Act).

5. Provide the following information relating to data breaches:

a. Number of instances of data breaches along-with impact**b. Percentage of data breaches involving personally identifiable information of customers**

There were no instances of data breach observed during the reporting year.

Independent Auditors Report

To the Members of VST Industries Limited**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS****OPINION**

We have audited the financial statements of VST Industries Limited (the "Company"), which comprise the balance sheet as at 31st March, 2023, and the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information in which are included the financial information from VST ESOP Trust ("Trust").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2023, and its profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Litigations related to taxation and other claims

Refer Note 6, 17 and Note 25 to financial statements and "significant & material orders passed by the regulators or courts or tribunals" section in the Reports of the Board of Directors & Management Discussion and Analysis.

The Key Audit matter	How the matter was addressed in our audit
<p>The Company is subjected to certain central and state tax litigations/proceedings and other claims pending before various judicial forums, which could have a significant impact on the results depending upon the outcome of the matter.</p> <p>The amounts involved are significant, and the application of accounting standards to determine the amount, if any, to be provided as a liability or disclosed as a contingent liability, is inherently subjective.</p> <p>The Company regularly updates and assesses its legal positions with the use of internal and external legal experts.</p> <p>We considered the tax related litigations and other claims a key audit matter, given the size, complexity and number of cases pending and contingency related to other claims.</p>	<p>In view of the significance of the matter we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence:</p> <ul style="list-style-type: none"> We understood the Company's process around the evaluation and continuous re-assessment of tax related liabilities, accounting policy thereof and other claims. Assessed the appropriateness of design and implementation of the Company's key controls over assessment of litigations and appropriateness of disclosures. Performed substantive procedures on the underlying calculations supporting the liabilities recorded. Assessed the management's conclusion through understanding relevant judicial precedents in similar cases and the applicable rules and regulations. Engaged subject matter specialists to gain an understanding of the current status of litigation and developments in the disputes, if any, through discussion with the management and by reading external advice received by the Company, where relevant, to validate management's conclusion. Assessed the adequacy of the Company's disclosures in the financial statements made in relation to tax litigations and other claims.

BASIS FOR OPINION

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our opinion on the financial statements.

KEY AUDIT MATTERS

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



Revenue Recognition

Refer Note 1 and 18 – Significant Accounting Policies and Notes to the financial statements.

The Key Audit matter

Revenue from sale of goods is recognised when control over goods is transferred to a customer as per the terms of the contract. This is usually evidenced by a transfer of all of the significant risks and rewards of ownership upon delivery of goods to the customer, which in terms of timing is not materially different to the date of shipping.

Revenue is measured at contracted (transaction) price after deduction of any trade discount, trade incentive and other similar discounts and any taxes or duties collected on behalf of the Government which are levied on sales such as Goods and Services Tax etc.

We considered revenue recognition as a key audit matter because:

Revenue is a key performance indicator of the Company. Accordingly, there could be pressure to meet the expectation of investors/other stakeholders. We have considered that there is a risk of fraud related to revenue being overstated by recognition in the wrong period or before control has passed.

How the matter was addressed in our audit

In view of the significance of the matter we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence:

- Evaluated the appropriateness of the Company's revenue recognition accounting policies and compliance with the applicable accounting standards.
- Tested the design, implementation and operating effectiveness of the Company's key controls including IT controls over measurement and recognition of revenue in accordance with customer contracts.
- Performed substantive testing (including period end cut-off testing) on selected samples of revenue transactions, recorded during the year by testing the underlying documents, which includes sales contract and shipping documents/customer acceptance to test evidence for transfer of control.
- Assessed the overall trade discounts/trade incentive issued in the current year in comparison with previous year.
- Assessed the adequacy of accrual made as at year end toward trade incentive schemes.
- Other audit procedures specifically designed to address risk of management override of controls including journal entry testing.
- Assessed the adequacy of the Company's disclosures in the financial statements.

OTHER INFORMATION

The Company's Management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

MANAGEMENT'S AND BOARD OF DIRECTORS'/ BOARD OF TRUSTEES' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Company's Management and Board of Directors are responsible for the matters stated in Section 134(5) of

the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act. The respective Management and Board of Directors of the Company/Board of Trustees of the Trust are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of Company/Trust 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.

In preparing the financial statements, the Management and Board of Directors/ Board of Trustees are responsible for assessing the ability of the Company/ Trust to continue as a going concern, disclosing, as applicable, matters related

to going concern and using the going concern basis of accounting unless the Board of Directors/ Board of Trustees either intends to liquidate the Company/ Trust or to cease operations, or has no realistic alternative but to do so.

The Board of Directors/Board of Trustees are also responsible for overseeing the financial reporting process of Company/Trust.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management and Board of Directors.
- Conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting in preparation of financial statements

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order") issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.



2 **A. 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 (including other comprehensive income), the statement of changes in equity and the statement of cash flows dealt with by this Report are in agreement with the books of account.
- d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act.
- e) On the basis of the written representations received from the directors on various dates taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2023 from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

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

- a) The Company has disclosed the impact of pending litigations as at 31st March, 2023 on its financial position in its financial statements - Refer Note 6, 17 and 25 to the financial statements.
- b) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- c) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
- d) (i) The Management has represented that, to the best of its knowledge and belief, no funds have been advanced or loaned

or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other persons or entities, including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall:

- directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever ("Ultimate Beneficiaries") by or on behalf of the Company or
- provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries.

(ii) the Management has represented, that, to the best of its knowledge and belief, no funds have been received by the Company from any persons or entities, including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall:

- directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever ("Ultimate Beneficiaries") by or on behalf of the Funding Party or
- provide any guarantee, security or the like From or on behalf of the Ultimate Beneficiaries.

(iii) Based on the audit procedures performed that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (i) and (ii) above, contain any material misstatement.

e) The final dividend paid by the Company during the year, in respect of the same declared for the previous year, is in accordance with Section 123 of the Act to the extent it applies to payment of dividend.

As stated in Schedule B of Statement of Changes in Equity to the financial statements, the Board of Directors of the Company has proposed final dividend for the year which is subject to the approval of the members at the ensuing Annual General Meeting. The dividend declared is in

accordance with Section 123 of the Act to the extent it applies to declaration of dividend.

f) As proviso to rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable for the Company only with effect from 1st April, 2023, reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 is not applicable.

C. With respect to the matter to be included in the Auditor's Report under Section 197(16) of the Act:

In our opinion and according to the information and explanations given to us the remuneration paid/ payable by the Company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid/

payable to any director by the Company is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) of the Act which are required to be commented upon by us.

for B S R & Associates LLP

Chartered Accountants

Firm's Registration Number: 116231W/ W-100024

Arpan Jain

Partner

Membership Number: 125710

ICAI UDIN:23125710BGYBQH2543

Place: Hyderabad

Date: 25th April, 2023



Annexure A to the Independent Auditors' Report on the Financial Statements of VST Industries Limited for the year ended 31st March, 2023

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i) (a) (A) The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment.
- (B) The Company has maintained proper records showing full particulars of intangible assets.
- (i) (b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has a regular programme of physical verification of its Property, Plant and Equipment by which all property, plant and equipment are verified in a phased manner over a period of three years. In accordance with this programme, certain property, plant and equipment were verified during the year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us no discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties (other than immovable properties where the Company is the lessee and the leases agreements are duly executed in favour of the lessee) (refer note 2A) below disclosed in the financial statements are held in the name of the Company.
- (d) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not revalued its Property, Plant and Equipment or intangible assets or both during the year.
- (e) According to the information and explanations given to us and on the basis of our examination of the records of the Company, there are no proceedings initiated or pending against the Company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 and rules made thereunder.
- ii. (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable and procedures and coverage as followed by management were appropriate. No discrepancies were noticed on verification between the physical stocks and the book records that were more than 10% in the aggregate of each class of inventory.
- (b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not been sanctioned any working capital limits in excess of five crore rupees in aggregate from banks and financial institutions on the basis of security of current assets at any point of time of the year. Accordingly, clause 3(ii)(b) of the Order is not applicable to the Company.
- iii. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not provided any guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured to companies, firms, limited liability partnership or any other parties during the year. The Company has made investments in other parties, in respect of which the requisite information is as below. The Company has not made any investments in companies, firms or limited liability partnership.

- (a) Based on the audit procedures carried on by us and as per the information and explanations given to us the Company has provided loans or provided advances in the nature of loans to any other entity as below:

Particulars	Aggregate amount during the year (₹ in Lakhs)	Balance outstanding as at balance sheet date (₹ in Lakhs)
Loan to Employees	Nil	5.32

- (b) According to the information and explanations given to us and based on the audit procedures conducted by us, in our opinion the investments made during the year are, prima facie, not prejudicial to the interest of the Company.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, in the case of loans given, in our opinion the repayment of principal and payment of interest has been stipulated and the repayments or receipts have been regular. Further, the Company has not given any advance in the nature of loan to any party during the year.
- (d) According to the information and explanations given to us and on the basis of our examination of the records of the Company, there is no overdue amount for more than ninety days in respect of loans given. Further, the Company has not given any advances in the nature of loans to any party during the year.
- (e) According to the information and explanations given to us and on the basis of our examination of the records of the Company, there is no loan or advance in the nature of loan granted falling due during the year, which has been renewed or extended or fresh loans granted to settle the overdues of existing loans given to same parties.
- (f) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not granted any loans or advances in the nature of loans either repayable on demand or without specifying any terms or period of repayment.
- iv. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not given any loans, or provided any guarantee or security as specified under Sections 185 and 186 of the Companies Act, 2013 ("the Act"). In respect of the investments made by the Company, in our opinion the provisions of Section 186 of the Act have been complied with.
- v. The Company has not accepted any deposits or amounts which are deemed to be deposits from the public. Accordingly, clause 3(v) of the Order is not applicable.
- vi. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 148(1) of the Act for the products manufactured by it. Accordingly, clause 3(vi) of the Order is not applicable.
- vii. (a) The Company does not have liability in respect of Service tax, Sales tax and Value added tax during the year since effective 1st July, 2017, these statutory dues has been subsumed into GST.
- According to the information and explanations given to us and on the basis of our examination of the records of the Company, in our opinion amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Goods and Service Tax, Provident Fund, Employees State Insurance, Income-Tax, Duty of Customs or Cess or other statutory dues have been regularly deposited by the Company with the appropriate authorities.
- According to the information and explanations given to us and on the basis of our examination of the records of the Company, no undisputed amounts payable in respect of Goods and Service Tax, Provident Fund, Employees State Insurance, Income-Tax, Duty of Customs or Cess or other statutory dues were in arrears as at 31st March, 2023 for a period of more than six months from the date they became payable.



- (b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, statutory dues relating to Goods and Service Tax, Service Tax, Entry Tax or other statutory dues which have not been deposited on account of any dispute are as follows:

Name of the statute	Nature of the dues	Amount in lakhs (₹)	Period to which the amount relates	Forum where dispute is pending
The Finance Act, 1944	Service tax credit ineligibility under Cenvat Credit Rules, 2002	260.20 (18.89)*	August, 2015 to March, 2016; April, 2014 to March, 2015; October, 2012 to September, 2013; April, 2016 to March, 2017	Customs, Excise & Service Tax Appellate Tribunal
The Goods and Services Tax Act, 2017	Goods & Services Tax	101.76 (5.09)*	Financial year 2019-20	High Court of Allahabad
West Bengal Tax on Entry of Goods into Local Areas Act, 2012	Entry Tax	1751.62	December, 2014 to June, 2017	High Court of Calcutta
UP Tax on entry of Goods into, Local Areas Act, 2007	Entry Tax	848.24 (275.00)*	January, 2007 to March, 2011	Supreme Court of India
The Jharkhand Entry Tax on Consumption or Use of Goods Act, 2011	Entry Tax	87.15	August, 2006 to March, 2007	High Court of Jharkhand
The Assam Entry Tax Act, 2008	Entry Tax	151.08	October, 2006 to March, 2007	The Gauhati High Court

* Represents amount paid under protest/pre-deposit. Above amount are disclosed as per assessment/ demand order and includes interest/ penalty wherever specified in the order.

- viii. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not surrendered or disclosed any transactions, previously unrecorded as income in the books of account, in the tax assessments under the Income Tax Act, 1961 as income during the year.
- ix. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company did not have any loans or borrowings from any lender during the year. Accordingly, clause 3(ix)(a) of the Order is not applicable to the Company.
- (b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not been declared a wilful defaulter by any bank or financial institution or government or government authority.
- (c) According to the information and explanations given to us by the management, the Company has not obtained any term loans during the year. Accordingly, clause 3(ix)(c) of the Order is not applicable.
- (d) The Company has not raised any funds on short-term basis and hence, reporting under clause 3(ix)(d) of the Order is not applicable.
- (e) The Company does not hold any investment in any subsidiaries, associates or joint ventures (as defined under the Act) during the year ended 31st March, 2023. Accordingly, clause 3(ix)(e) is not applicable.
- (f) The Company has not raised any loans during the year and hence reporting on clause 3(ix)(f) of the Order is not applicable.
- x. (a) The Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments). Accordingly, clause 3(x)(a) of the Order is not applicable.
- (b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, clause 3(x)(b) of the Order is not applicable.
- xi. (a) Based on examination of the books and records of the Company and according to the information and explanations given to us, no fraud by the Company or on the Company has been noticed or reported during the course of the audit.
- (b) According to the information and explanations given to us, no report under sub-section (12) of Section 143 of the Act has been filed by the

auditors in Form ADT-4 as prescribed under Rule 13 of the Companies (Audit and Auditors) Rules, 2014 with the Central Government.

- (c) As represented to us by the management, there are no whistle-blower complaints received by the Company during the year.
- xii. According to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, clause 3(xii) of the Order is not applicable.
- xiii. In our opinion and according to the information and explanations given to us, the transactions with related parties are in compliance with Section 177 and 188 of the Act, where applicable, and the details of the related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- xiv. (a) Based on information and explanations provided to us and our audit procedures, in our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (b) We have considered the internal audit reports of the Company issued till date for the period under audit.
- xv. In our opinion and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with its directors or persons connected to its directors and hence, provisions of Section 192 of the Act are not applicable to the Company.
- xvi. (a) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, clause 3(xvi)(a) of the Order is not applicable.
- (b) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, clause 3(xvi)(b) of the Order is not applicable.
- (c) The Company is not a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India. Accordingly, clause 3(xvi)(c) of the Order is not applicable.

- (d) The Company is not part of any group (as per the provisions of the Core Investment Companies (Reserve Bank) Directions, 2016 as amended). Accordingly, the requirements of clause 3(xvi)(d) are not applicable.

- xvii. The Company has not incurred cash losses in the current and in the immediately preceding financial year.
- xviii. There has been no resignation of the statutory auditors during the year. Accordingly, clause 3(xviii) of the Order is not applicable.
- xix. According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that the Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.
- xx. (a) In our opinion and according to the information and explanations given to us, there is no unspent amount under sub-section (5) of Section 135 of the Act pursuant to any project other than ongoing projects. Accordingly, clause 3(xx)(a) of the Order is not applicable.
- (b) In respect of ongoing projects, the Company has transferred the unspent amount to a Special Account within a period of 30 days from the end of the financial year in compliance with Section 135(6) of the said Act.

for B S R & Associates LLP

Chartered Accountants

Firm's Registration Number: 116231W/ W-100024

Arpan Jain

Partner

Membership Number: 125710

ICAI UDIN:23125710BGYBQH2543

Place: Hyderabad

Date: 25th April, 2023



Annexure B to the Independent Auditors' Report on the financial statements of VST Industries Limited for the year ended 31st March, 2023

Report on the internal financial controls with reference to the aforesaid financial statements under Clause (i) of sub-section 3 of Section 143 of the Act

(Referred to in paragraph (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

OPINION

We have audited the internal financial controls with reference to financial statements of VST Industries Limited ("the Company") as of 31st March, 2023 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31st March, 2023, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of such internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

MANAGEMENT'S AND BOARD OF DIRECTORS' RESPONSIBILITIES FOR INTERNAL FINANCIAL CONTROLS

The Company's Management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the Company's internal financial controls with reference to

financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

MEANING OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are

being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

Because of the inherent limitations of internal financial controls with reference to financial statements, including

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

for B S R & Associates LLP
Chartered Accountants

Firm's Registration Number: 116231W/ W-100024

Arpan Jain
Partner

Membership Number: 125710
ICAI UDIN:23125710BGYBQH2543

Place: Hyderabad
Date: 25th April, 2023



BALANCE SHEET

AS AT 31ST MARCH, 2023

		₹ in Lakhs			
		Note	As at 31st March, 2023	As at 31st March, 2022	
I ASSETS					
1 Non-Current Assets					
(a)	Property, Plant and Equipment	2A	59013.17	19495.30	
(b)	Capital Work-in-Progress	2B	25.17	1044.48	
(c)	Intangible Assets	2C	11.02	1.80	
(d)	Financial Assets				
(i)	Investments	3	20172.05	20305.05	
(ii)	Loans	4	3.71	8.33	
(iii)	Other Financial Assets	5	-	20313.38	
(e)	Deferred Tax Assets (Net)	6	1783.75	2159.71	
(f)	Other Non-Current Assets	7	1159.86	1844.94	
Total Non-Current Assets			82168.73	44859.61	
2 Current Assets					
(a)	Inventories	8	34932.78	29562.86	
(b)	Financial Assets				
(i)	Investments	9	37563.51	76760.90	
(ii)	Trade Receivables	10	4317.80	3330.43	
(iii)	Cash and Cash Equivalents	11	882.30	418.81	
(iv)	Other Bank Balances	12	1091.72	1122.13	
(v)	Loans	4	1.62	37.76	
(vi)	Other Financial Assets	5	278.20	44135.15	81952.37
(c)	Other Current Assets	7	4128.83	2687.67	
Total Current Assets			83196.76	114202.90	
TOTAL ASSETS			165365.49	159062.51	
II EQUITY AND LIABILITIES					
1 Equity					
(a)	Equity Share Capital	13	1544.19	1544.19	
(b)	Other Equity		116425.59	105885.42	
Total Equity			117969.78	107429.61	
2 Liabilities					
Non-Current Liabilities					
(a)	Provisions	15	2153.10	2296.11	
Total Non-Current Liabilities			2153.10	2296.11	
Current Liabilities					
(a)	Financial Liabilities				
(i)	Trade Payables	14			
-	Total outstanding dues of micro enterprises and small enterprises		260.57	122.48	
-	Total outstanding dues of creditors other than micro enterprises and small enterprises		9420.10	10218.03	
(ii)	Other Financial Liabilities	16	4245.08	3160.16	13500.67
(b)	Other Current Liabilities	17	29275.94	34231.34	
(c)	Current Tax Liabilities (Net)	6	2040.92	1604.78	
Total Current Liabilities			45242.61	49336.79	
TOTAL EQUITY AND LIABILITIES			165365.49	159062.51	

The accompanying notes 1 to 32 form an integral part of the Financial Statements.

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

For B S R & Associates LLP
Firm Registration No. 116231W/ W - 100024
Chartered Accountants

ARPAN JAIN
Partner
Membership No. 125710

Hyderabad, 25th April, 2023

On behalf of the Board,
NARESH KUMAR SETHI
DIN: 08296486
Chairman

ADITYA DEB GOOPTU
DIN: 07849104
Managing Director

ANISH GUPTA
Chief Financial Officer

PHANI K. MANGIPUDI
Company Secretary

New Delhi, 25th April, 2023

STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 31ST MARCH, 2023

		₹ in Lakhs		
		Note	For the year ended 31st March, 2023	For the year ended 31st March, 2022
I Revenue from operations				
II Other Income				
III Total Income (I + II)			174890.72	160733.63
IV Expenses				
Cost of Materials Consumed		20	61221.41	51626.10
Changes in Inventories of Finished Goods and Work-in-Progress		21	875.16	(275.88)
Excise Duty			38006.98	38250.24
Employee Benefits Expense		22	12032.74	11634.66
Depreciation and Amortisation Expense			3020.05	3009.99
Other Expenses		23	16845.54	13667.72
Total Expenses			132001.88	117912.83
V Profit before tax (III - IV)			42888.84	42820.80
VI Tax expense:				
1) Current tax		6	9816.79	10417.66
2) Deferred tax		6	373.77	380.03
			10190.56	10797.69
VII Profit for the year (V - VI)			32698.28	32023.11
Other Comprehensive Income				
A (i) Items that will not be reclassified to profit or loss:				
- Remeasurements of the defined benefit plans (net)			41.17	(32.19)
- Change in Fair Value of Equity instruments			28.23	(5.02)
(ii) Income tax relating to items that will not be reclassified to profit or loss		6	(13.59)	8.67
B (i) Items that will be reclassified to profit or loss:				
- Change in Fair Value of effective portion of Cash flow hedges			(4.14)	(58.42)
(ii) Income tax relating to items that will be reclassified to profit or loss		6	1.04	14.71
VIII Other Comprehensive Income [A+B]			52.71	(72.25)
IX Total Comprehensive Income for the year (VII + VIII)			32750.99	31950.86
X Earnings per equity share (Face Value ₹ 10 each):				
1) Basic (in ₹)		24	211.75	207.38
2) Diluted (in ₹)		24	211.75	207.38

The accompanying notes 1 to 32 form an integral part of the Financial Statements.

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

For B S R & Associates LLP
Firm Registration No. 116231W/ W - 100024
Chartered Accountants

ARPAN JAIN
Partner
Membership No. 125710

Hyderabad, 25th April, 2023

NARESH KUMAR SETHI
DIN: 08296486
Chairman

ADITYA DEB GOOPTU
DIN: 07849104
Managing Director

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Chief Financial Officer

PHANI K. MANGIPUDI
Company Secretary

New Delhi, 25th April, 2023



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH, 2023

₹ in Lakhs

A EQUITY SHARE CAPITAL

	Balance at the beginning of the reporting year	Changes in equity share capital during the year	Balance at the end of the reporting year
For the year ended 31st March, 2022	1544.19	-	1544.19
For the year ended 31st March, 2023	1544.19	-	1544.19

B OTHER EQUITY

	Reserve and Surplus			Other Reserves		Other Comprehensive Income (OCI)		Total
	Capital Redemption Reserve	General Reserve	Retained Earnings	Share-Based Payment Reserve	Treasury Shares	Equity Instruments	Cash Flow Hedge	
Balance as at 31st March, 2021	1000.25	31552.15	59765.08	-	-	123.96	58.64	92500.08
Profit for the year			32023.11					32023.11
Recognition of share-based payments to employees				99.11				99.11
Other Comprehensive Income (net of tax)			(24.09)			(4.45)	(43.71)	(72.25)
Treasury Shares held by VST ESOP Trust					(1065.78)			(1065.78)
Dividend on Ordinary Shares - Final (₹ 114/- per share)*			(17598.85)					(17598.85)
Transfer to General Reserve	3000.00	(3000.00)						-
Balance as at 31st March, 2022	1000.25	34552.15	71165.25	99.11	(1065.78)	119.51	14.93	105885.42
Profit for the year			32698.28					32698.28
Recognition of share-based payments to employees				143.47				143.47
Other Comprehensive Income (net of tax)			30.81			25.00	(3.10)	52.71
Treasury Shares held by VST ESOP Trust					(815.71)			(815.71)
Dividend on Ordinary Shares - Final (₹ 140/- per share)*			(21538.58)					(21538.58)
Transfer to General Reserve	3000.00	(3000.00)						-
Balance as at 31st March, 2023	1000.25	37552.15	79355.76	242.58	(1881.49)	144.51	11.83	116425.59

An amount of ₹ 150/- per ordinary share (2022- ₹ 140/-) amounting to total of ₹ 23162.88 Lakhs (2022 - ₹ 21618.69 Lakhs) is recommended to be paid as dividend by the Board of Directors of the Company, subject to approval of the Shareholders at their Annual General Meeting and has not been recognised as a liability in these financial statements.

* net of dividend paid to VST ESOP Trust

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH, 2023

B OTHER EQUITY (CONTD..)

Nature and purpose of reserves

- Capital Redemption Reserve: The Company has recognised Capital Redemption Reserve on redemption of cumulative preference shares.
- General Reserve: The Company has transferred a portion of the net profit of the Company to General Reserve and the same can be utilised by the Company in accordance with the provisions of the Companies Act, 2013.
- Retained Earnings: Retained earnings are the profits that the Company has earned till date, less any transfers to general reserve, dividends or other distributions paid to shareholders.
- Equity Instruments through Other Comprehensive Income: This Reserve represents the cumulative gains (net of losses) arising on revaluation of Equity Instruments measured at fair value through Other Comprehensive Income, net of amounts reclassified, if any, to Retained Earnings when those instruments are disposed off.
- Cash Flow Hedge: This Reserve represents the cumulative effective portion of change in fair value of derivatives that are designated as Cash Flow Hedge. It will be reclassified to statement of profit or loss in accordance with the Company's accounting policy.
- Remeasurement of Defined Benefit Plans: This represents net actuarial gain/loss arising on account of remeasurement of defined employee benefit plans.
- Share-Based Payment Reserve: This Reserve is created as required by Ind AS 102 "Share Based Payments" on the employee stock option scheme operated by the Company for its employees.
- Treasury Shares: This represents the equity shares of the Company purchased and held by the VST ESOP Trust ("ESOP Trust") under its employees stock option scheme, to be issued and allotted to its employees at the time of exercise of the option.

The accompanying notes 1 to 32 form an integral part of the Financial Statements.

This is the Statement of Changes in Equity referred to in our report of even date.

On behalf of the Board,

For B S R & Associates LLP
Firm Registration No. 116231W/ W - 100024
Chartered Accountants

NARESH KUMAR SETHI
DIN: 08296486

Chairman

ADITYA DEB GOOPTU
DIN: 07849104

Managing Director

ANISH GUPTA

Chief Financial Officer

PHANI K. MANGIPUDI

Company Secretary

ARPAN JAIN
Partner
Membership No. 125710

Hyderabad, 25th April, 2023

New Delhi, 25th April, 2023



STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST MARCH, 2023

	₹ in Lakhs	
	For the year ended 31st March, 2023	For the year ended 31st March, 2022
A Cash Flow from Operating Activities		
Profit Before Tax	42888.84	42820.80
Adjustments:		
Depreciation and Amortisation Expense	3020.05	3009.99
Gain on sale of Property, Plant and Equipment (Net)	(6.53)	(70.78)
Liabilities no Longer Required Written Back	(1750.52)	(551.17)
Share Based Payment Expense	143.47	99.11
Unrealised (Gain) / Loss on Exchange (Net)	1.70	(9.08)
Interest Income	(1734.61)	(975.10)
Dividend Income	(5.36)	(4.57)
Net gain arising on Investments measured at FVTPL	(3914.45)	(2919.30)
Operating Profit before Working Capital Changes	38642.59	41399.90
Movement in Working Capital:		
Inventories	(5369.92)	154.79
Trade Receivables	(987.58)	(1799.03)
Advances and Other Assets	(1438.39)	547.33
Trade Payables	(660.90)	(634.31)
Other Liabilities and Provisions	(2649.22)	(1338.53)
Cash generated from Operations	27536.58	38330.15
Income Taxes Paid (Net)	(9391.01)	(10608.41)
Net cash generated from Operating Activities	18145.57	27721.74
B Cash Flow from Investing Activities		
Purchase of Property, Plant and Equipment, Intangibles, etc	(40388.12)	(4890.57)
Sale of Property, Plant and Equipment	6.53	71.76
Purchase of Non-Current Investments	-	(20,164.40)
Purchase of Current Investments	(297306.99)	(263389.83)
Sale/ Redemption of Current Investments	340418.82	277991.08
Dividend Income from Non-Current Investments	5.36	4.57
Interest realised	1895.84	837.10
Loans Realised	40.77	12.76
Loans Given	-	(47.50)
Net cash from/(used in) Investing Activities	4672.21	(9575.03)
C Cash Flow from Financing Activities		
Dividend paid on equity shares	(21538.58)	(17598.85)
Purchase of Treasury Shares by VST ESOP Trust	(815.71)	(1065.78)
Net cash used in Financing Activities	(22354.29)	(18664.63)
Net change in cash and cash equivalents	463.49	(517.92)
Opening cash and cash equivalents	418.81	936.73
Closing cash and cash equivalents	882.30	418.81

The accompanying notes 1 to 32 form an integral part of the Financial Statements.

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

On behalf of the Board,

For B S R & Associates LLP
Firm Registration No. 116231W/ W - 100024
Chartered Accountants

NARESH KUMAR SETHI
DIN: 08296486
Chairman

ADITYA DEB GOOPTU
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Chief Financial Officer

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Company Secretary

ARPAN JAIN
Partner
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Hyderabad, 25th April, 2023

New Delhi, 25th April, 2023

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

COMPANY INFORMATION

VST Industries Limited (the 'Company') is a public limited Company domiciled in India with its registered office located at 1-7-1063/1065, Azamabad, Hyderabad - 500020. The Company is listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE).

The Company is engaged *inter alia* in manufacture and trading of Cigarettes, Tobacco and Tobacco products.

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015 as amendment from time to time.

The financial statements have been prepared on accrual and going concern basis. The Accounting Policies are applied consistently to all the periods presented in the financial statements. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria as set out in the Division II of Schedule III to the Companies Act, 2013 as amended from time to time.

Based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

The statement of cash flows has been prepared under indirect method.

The financial statements have also been prepared in accordance with the relevant presentation requirements of the Companies Act, 2013.

The financial statements were authorised for issue by the Company's Board of Directors on 25th April, 2023.

BASIS OF MEASUREMENT

These financial statements are prepared in accordance with Indian Accounting Standards (Ind AS) under the historical cost convention on accrual basis, except for certain items that are measured at fair value, as explained in the accounting policies. Fair Value is the

price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability, if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except leasing transactions that are within the scope of Ind AS 116 - Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in Ind AS 2 - Inventories or value in use in Ind AS 36 - Impairment of Assets.

KEY ACCOUNTING ESTIMATES AND Judgements

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses for the year. The estimates and underlying assumptions are reviewed on an ongoing basis. Actual results could differ from those estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; they are recognised in the period of the revision and future periods if the revision affects both current and future periods.

Following is the information about critical judgements in applying accounting policies, as well as estimates and assumptions that have the most significant effect to the carrying amounts of assets and liabilities within the next financial year.

(a) Useful lives of property, plant and equipment and intangible assets

As described in the significant accounting policies, the Company reviews the estimated useful lives of property, plant and equipment, and intangible assets at the end of each reporting period.



NOTES TO THE FINANCIAL STATEMENTS

(b) Recognition of deferred tax assets

Deferred tax is recorded on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted at the reporting date. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax loss carry-forwards become deductible. The Company considers expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. The amount of deferred tax assets considered realisable, however, could reduce in the carry-forward period are reduced.

(c) Measurement and likelihood of occurrence of provisions and contingencies – Refer Note 25

As described in the significant accounting policies, the Company has ongoing litigations with various regulatory authorities and third parties. Where an outflow of funds is believed to be probable and a reliable estimate of the outcome of the dispute can be made based on management's assessment of specific circumstances of each dispute and relevant external advice, management accrues a liability for its best estimate of it. Such accruals are by nature complex and can take number of years to resolve and can involve estimation uncertainty. Information about such litigations is provided in notes to the financial statements.

(d) Fair value measurements and valuation processes

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where market observable inputs are not available, the Company engages third party valuers, where required, to perform the valuation. Information about the valuation techniques and inputs used in determining the fair value of various

assets, liabilities and share-based payments are disclosed in the concerned notes to the financial statements.

(e) Measurement of defined benefit obligations

The determination of Company's liability towards defined benefit obligation to employees is made through independent actuarial valuation including determination of amounts to be recognised in the Statement of Profit and Loss and in other comprehensive income.

Such valuation depends upon assumptions determined after taking into account inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market. Information about such valuation is provided in notes to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at acquisition or construction cost, net of accumulated depreciation and accumulated impairment losses, if any. Upon adoption of Ind AS, the Company had elected to measure all its property, plant and equipment at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e. 1st April, 2016.

Cost is inclusive of freight, installation costs, duties and taxes, interest on specific borrowings utilised for financing the assets and other incidental expenses.

All upgradations/enhancements are charged off as revenue expenditure unless they bring similar significant future economic benefits.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on retirement or disposal of property, plant and equipment is determined as difference between the sale proceed and the carrying amount of the asset and is recognised in the Statement of Profit and Loss.

Property, plant and equipment which are not ready for intended use as on the date of Balance Sheet are disclosed as "Capital work-in-progress".

NOTES TO THE FINANCIAL STATEMENTS

DEPRECIATION

Depreciation is provided on the straight-line method at the rates based on estimated useful life of assets as prescribed under Part C of Schedule II to the Companies Act, 2013 with the exception of the following:

Building - 20 Years

Plant & Equipment - 5 - 20 Years

Motor Vehicles - 4 Years.

Assets costing ₹ 5,000 or less-fully depreciated in the year of purchase.

Freehold land is not depreciated.

Based on technical evaluation, the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence, the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013.

The residual values, useful lives and method of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

INTANGIBLE ASSETS

Intangible assets are stated at cost less any accumulated amortisation and accumulated impairment losses, if any.

Computer Software (including licence fee and cost of implementation / system integration services) is capitalised where ever it is expected to provide future enduring economic benefits. Cost of upgradation/enhancements is charged off as revenue expenditure unless they bring similar significant benefits.

The useful lives of intangible assets are assessed as either finite or infinite. Finite-life intangible assets are amortised on a straight-line basis over the period of their expected useful lives. Estimated useful lives by major class of finite-life intangible assets are as follows:

Computer software - 4 years

The amortisation period and the amortisation method for finite-life intangible assets is reviewed at each financial year end and adjusted prospectively, where appropriate.

The assessment of infinite life is reviewed annually to determine whether the infinite life continues, if not, it is impaired or changed prospectively basis such revised estimates.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assessment for impairment is done at each Balance Sheet date as to whether there is any indication that a non-financial asset may be impaired.

Impairment loss, if any, is provided to the extent, the carrying amount of non-financial assets or cash generating units exceed their recoverable amount.

Recoverable amount is higher of an asset's or cash generating unit's fair value less cost of disposal and its value in use. Value in use is the net present value of estimated future cash flows expected to arise from the continuing use of an asset or cash generating unit and from its disposal at the end of its useful life.

Assessment is also done at each Balance Sheet date as to whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased. Basis the assessment a reversal of an impairment loss of an asset is recognised in the Statement of Profit and Loss.

DERIVATIVES AND HEDGE ACCOUNTING

Derivatives are initially recognised at fair value and are subsequently re-measured to their fair value at the end of each reporting period.

The resulting gain / loss is recognised in the Statement of Profit and Loss immediately unless the derivative is designated as an effective hedging instrument, in which event the timing of recognition in profit or loss / inclusion in the initial cost of non-financial asset depends on the nature of the hedging relationship and the nature of the hedged item.

The Company complies with the principles of hedge accounting where derivative contracts are designated as hedge instruments. At the inception of the hedge relationship, the Company documents the relationship between the hedge instrument and the hedged item along with the risk management objectives and its strategy for undertaking hedge transaction, which can be a fair value hedge or a cash flow hedge.

(i) Fair value hedges

Changes in fair value of the designated portion of derivatives / hedging instruments that qualify



NOTES TO THE FINANCIAL STATEMENTS

as fair value hedges together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk are recognised in the Statement of Profit and Loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

(ii) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the other comprehensive income and accumulated as 'Cash Flow Hedge' in Equity. The gains / losses relating to the ineffective portion is recognised in the statement of profit and loss. Amounts previously recognised and accumulated in other comprehensive income are reclassified to profit or loss when the hedged item affects the Statement of Profit and Loss. However, when the hedged item results in the recognition of a non-financial asset, such gains / losses are transferred from equity (but not as reclassification adjustment) and included in the initial measurement cost of the non-financial asset.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gains/losses recognised in other comprehensive income and accumulated in equity at that time remains in equity and is reclassified to statement of profit and loss when the underlying transaction is ultimately recognised. When an underlying transaction is no longer expected to occur, the gains / losses accumulated in equity is recognised immediately in the Statement of Profit and Loss.

FOREIGN CURRENCIES

The financial statements are presented in ₹, the functional currency of the Company. Items included in the financial statements of the Company are recorded using the currency of the primary economic environment in which the Company operates (the 'functional currency').

Foreign currency transactions are translated into the functional currency using exchange rates on the date of the transaction. Foreign exchange gains and losses from settlement of these transactions and from translation of monetary assets and liabilities at the exchange rate prevailing on reporting date are recognised in the Statement of Profit and Loss.

FINANCIAL INSTRUMENTS

I. Financial Assets

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, a financial asset is recognised at fair value. In case of financial assets which are recognised at fair value through profit and loss, its transaction cost are recognised in the Statement of Profit and Loss. In other cases, the transaction cost are attributed to the acquisition value of the financial asset. Financial assets are subsequently classified as measured at

- amortised cost
- fair value through profit and loss ('FVTPL')
- fair value through other comprehensive income ('FVOCI').

Financial assets are not reclassified subsequent to their recognition, except if and in the period the Company changes its business model for managing financial assets.

Trade Receivables and Loans

Trade receivables are initially recognised at fair value. Subsequently, these assets are held at amortised cost, using the effective interest rate ('EIR') method net of any expected credit losses. The EIR is the rate that discounts estimated future cash flow through the expected life of financial instrument.

Debt Instruments

Debt instruments are initially measured at amortised cost, or FVTPL or FVOCI till derecognition, on the basis of (i) the entity's business model for managing the financial assets and (ii) the contractual cash flow characteristics of the financial asset.

- (a) Measured at amortised cost: Financial assets that are held within a business model whose objective is to hold financial assets in

NOTES TO THE FINANCIAL STATEMENTS

order to collect contractual cash flows that are solely payment of principal and interest, are subsequently measured at amortised cost using the EIR method less impairment, if any. The amortisation of EIR and loss arising from impairment, if any is recognised in the Statement of Profit and Loss.

- (b) Measured at fair value through other comprehensive income: Financial assets that are held within a business model whose objective is achieved by both, selling financial assets and collecting contractual cash flows that are solely payments of principal and interest, are subsequently measured at fair value through other comprehensive income. Fair value movements are recognised in the other comprehensive income (OCI). Interest income measured using the EIR method and impairment losses, if any are recognised in the Statement of Profit and Loss. On derecognition, cumulative gain or loss previously recognised in OCI is reclassified from the equity to 'other income' in the Statement of Profit and Loss.

- (c) Measured at fair value through profit or loss: A financial asset not classified as either at amortised cost or FVOCI, is classified as FVTPL.

Such financial assets are measured at fair value with all changes in fair value, including interest income and dividend income if any, recognised as 'other income' in the Statement of Profit and Loss.

Equity Instruments

All investments in equity instruments classified under financial assets are initially measured at fair value, the Company may, on initial recognition, irrevocably elect to measure the same either at FVOCI or FVTPL. The Company makes such election on an instrument-by-instrument basis. Fair value changes on an equity instrument is recognised as 'Other Income' in the Statement of Profit and Loss unless the Company has elected to measure such instrument at FVOCI. Fair value changes excluding dividends, on an equity instrument measured at FVOCI is

recognised in OCI. Amounts recognised in OCI are not subsequently reclassified to the Statement of Profit and Loss.

Dividend income on the investment in equity instruments are recognised as 'other income' in the Statement of Profit and Loss.

Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the contractual rights to receive the cash flows from the asset.

Impairment of Financial Asset

Expected credit losses are recognised for all financial assets subsequent to initial recognition other than financial assets in FVTPL category.

For financial assets other than trade receivables, as per Ind AS 109, the Company recognises 12 month expected credit losses for all originated or acquired financial assets if at the reporting date the credit risk of the financial asset has not increased significantly since its initial recognition.

The expected credit losses are measured as lifetime expected credit losses if the credit risk on financial asset increases significantly since its initial recognition. The Company's trade receivables do not contain significant financing component and loss allowance on trade receivables is measured at an amount equal to life time expected losses i.e. expected cash shortfall.

The impairment losses and reversals are recognised in the Statement of Profit and Loss.

II. Financial Liabilities

Initial recognition and measurement

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at the amortised cost unless at initial recognition, they are classified as fair value through profit and loss. In case of trade payables, they are initially recognised at fair value and subsequently, these liabilities are held at amortised cost, using the EIR method.



NOTES TO THE FINANCIAL STATEMENTS

Subsequent measurement

Financial liabilities are subsequently measured at amortised cost using the EIR method. Financial liabilities carried at fair value through profit or loss are measured at fair value with all changes in+ fair value recognised in the Statement of Profit and Loss.

Derecognition

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Offsetting Financial Instrument

Financial assets and liabilities are offset and the net amount is included in the Balance Sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liability simultaneously.

INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Cost is computed on a weighted average basis. Cost includes all costs of purchases net of input tax credit availed, conversion costs and other attributable expenses incurred in bringing the inventories to their present location and condition and includes, where applicable, appropriate overhead cost based on normal level of activity. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

Obsolete, slow moving and defective inventories are identified from time to time and, where necessary, a provision is made for such inventories.

ASSETS HELD FOR SALE

Non-current assets or disposal groups comprising of assets and liabilities are classified as 'held for sale' when all of the following criteria's are met: (i) decision has been made to sell (ii) the assets are available for immediate sale in its present condition (iii) the assets are being actively marketed and (iv) sale has been agreed or is expected to be concluded within 12 months of the Balance Sheet date. Subsequently, such non-current assets and disposal groups classified as held for sale are measured at the lower of its carrying value and fair value less costs to sell.

Non-current assets held for sale are not depreciated or amortised.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are cash, balances with bank and short-term (three months or less from the date of acquisition), highly liquid investments that are readily convertible into cash and which are subject to an insignificant risk of changes in value.

PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance Sheet date.

If the effect of the time value of money is material, provisions are discounted to reflect their present value using a current pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.

REVENUE RECOGNITION

Revenue from sale of goods is recognised when control over goods is transferred to a customer as per the terms of the contract.

This is usually evidenced by a transfer of all the significant risks and rewards of ownership upon delivery of goods to the customer, which in terms of timing is not materially different to the date of shipping. Revenue is measured at the contracted (transaction) price received or receivable (includes

NOTES TO THE FINANCIAL STATEMENTS

Excise Duties and National Calamity Contingent Duty which are payable on manufacture of goods) after deduction of any trade discount, incentive and other similar discounts and any taxes or duties collected on behalf of the Government which are levied on sales such as Goods and Service tax, etc.

Income from export incentives such as duty drawback is recognised on accrual basis.

Interest income is recognised using the effective interest rate (EIR) method.

Dividend income on investments is recognised when the right to receive dividend is established.

EXPENDITURE

Expenses are accounted on accrual basis.

EMPLOYEE BENEFITS

Defined Contribution Plans

Contributions to defined contribution schemes such as employees' state insurance, labour welfare fund, superannuation scheme, employee pension scheme etc. are charged as an expense based on the amount of contribution required to be made as and when services are rendered by the employees. Provident fund contribution in respect of certain employees, who are members of constituted and approved trusts, the Company recognises contribution payable to such trusts as an expense including any shortfall in interest between the amount of interest realised from the investment and the interest payable to members at the rate declared by the Government of India. In respect of other employees, provident funds are deposited with the government administered fund and charged as an expense to the Statement of Profit and Loss.

The Company makes contribution to defined contribution pension plan. The contribution payable is recognised as an expense, when an employee renders the related service.

Defined Benefit Plans

The Company also makes contribution to defined benefit pension and gratuity plan. The cost of providing benefits under the defined benefit obligation is calculated by independent actuary using the projected unit credit method. Service costs and net interest expense or income is reflected in the Statement of Profit and Loss. Gain or loss on account of remeasurements are recognised immediately through other comprehensive income in the period in which they occur.

Other Long-term Employee Benefits

The employees of the Company are entitled to compensated leave for which the Company records the liability based on actuarial valuation computed using projected unit credit method. These benefits are funded.

Termination Benefits

Termination benefits, in the nature of voluntary retirement benefits or termination benefits arising from restructuring, are recognised in the Statement of Profit and Loss. The Company recognises termination benefits at the earlier of the following dates:

- when the Company can no longer withdraw the offer of those benefits; or
- when the Company recognises costs for a restructuring that is within the scope of Ind AS 37 and involves the payment of termination benefits.

Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Share-based Payments

Employees of the Company receive remuneration in the form of share-based payments in consideration for the services rendered. Under the equity-settled share-based payment, fair value of the option / equity instruments at the grant date determined by an independent valuer using Black Scholes Model and this recognised in the Statement of Profit and Loss as 'Employee benefit expense' on a systematic basis over the vesting period of the option, based on the Company's estimate of option/equity instruments that will eventually vest with corresponding increase in Other Equity.

In case of forfeiture/lapse of stock options, which are not vested, amortised portion is reversed by credit to employee benefit expense.

Treasury Shares

The Company has created an Employee Benefit Trust (EBT) for providing share-based payment to its employees. The Company uses EBT as a vehicle for distributing shares to employees under the Employee Stock Option Scheme. The EBT purchases shares from the market, for giving shares to employees. The Company treats EBT as its extension and the shares held by EBT are treated as treasury shares.



NOTES TO THE FINANCIAL STATEMENTS

Own equity instruments that are re-acquired (treasury shares) are recognised at cost and deducted from Other Equity. No gain or loss is recognised in Statement of Profit and Loss on purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between carrying amount and the consideration, if reissued or sold, is recognised in capital reserve. Share options exercised during the reporting period are settled with treasury shares.

INCOME TAXES

Income tax expense for the year comprises of current tax and deferred tax. It is recognised in the Statement of Profit and Loss except to the extent it relates to a business combination or to an item which is recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable/ recoverable on the taxable income/ loss for the year using applicable tax rates at the Balance Sheet date, and any adjustment to taxes in respect of previous years. Interest income/expenses and penalties, if any, related to income tax are included in current tax expense.

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes.

A deferred tax assets / liability is recognised based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted, or substantively enacted, by the end of the reporting period. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable the related tax benefit will be realised.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxing authority.

EARNINGS PER SHARE

Basic earnings per share is computed by dividing the net profit for the period attributable to the equity shareholders of the Company by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity Shares.

DIVIDEND DISTRIBUTION

Dividend paid (including income tax thereon, if any) is recognised in the period in which the interim dividends are approved by the Board of Directors and in respect of final dividend when approved by shareholders.

LEASES

Leases which are short-term that have a lease term of 12 months and low value leases in which a substantial portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments and receipts under such leases are recognised to the Statement of Profit and Loss on a straight-line basis over the term of the lease unless the lease payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases, in which case the same are recognised as an expense in line with the contractual term.

RECENT AMENDMENTS

Ministry of Corporate Affairs ('MCA') notifies new standards or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On 31st March, 2023, MCA amended the Companies (Indian Accounting Standards) Amendment Rules, 2023, applicable from 1st April, 2023.

Based on current evaluation, the Company does not expect the amendment to have any significant impact in its financial statements.

NOTES TO THE FINANCIAL STATEMENTS

	Gross Block		Disposals		Additions		Balance as at 31st March, 2022		Accumulated Depreciation & Amortisation		Adjustment		Balance as at 31st March, 2023		Net Block	
	Balance as at 31st March, 2021	Disposals	Disposals	Balance as at 31st March, 2022	For the year	on Disposals 31st March, 2022	Balance as at 31st March, 2022	For the year	on Disposals 31st March, 2022	Balance as at 31st March, 2023	For the year	on Disposals 31st March, 2023	Balance as at 31st March, 2023	Balance as at 31st March, 2022	Balance as at 31st March, 2023	
2A. PROPERTY PLANT AND EQUIPMENT																
Land (refer note below)	2281.22	-	0.94	2280.28	34873.44	-	37153.72	-	-	-	-	-	37153.72	-	2280.28	
Buildings on Freehold Land (refer note below)	5763.14	108.57	-	5871.71	7.50	-	5879.21	319.73	438.63	-	-	-	2114.18	3765.03	4196.16	
Plant & Equipment	26225.32	4873.11	-	31098.43	7248.23	-	38346.66	2278.66	2129.08	-	-	-	21266.05	17080.61	11961.46	
Electrical Installation & Equipment	1298.01	14.64	-	1312.65	40.77	-	1353.42	129.53	132.42	-	-	-	720.80	632.62	724.27	
Furniture & Fixtures	310.12	37.57	0.20	347.49	60.79	0.17	408.11	35.15	40.90	-	-	-	212.50	195.61	175.72	
Motor Vehicles	142.03	-	32.49	109.54	5.03	-	114.57	26.01	24.80	-	-	-	103.02	11.55	31.32	
Office Equipment	4097.4	1977.6	9.68	597.82	299.56	4.62	892.76	219.09	251.62	-	-	-	718.73	174.03	126.09	
Total Property, Plant and Equipment	36429.58	5231.65	43.31	41617.92	42535.32	4.79	84148.45	3008.17	42.33	22122.62	3017.45	4.79	25135.28	59013.17	19495.30	
2B. CAPITAL WORK-IN-PROGRESS																
2C. INTANGIBLE ASSETS																
Computer Software, etc.	14.28	-	-	14.28	11.82	-	26.10	1.82	2.60	-	-	-	15.08	11.02	1.80	
Total Intangible assets	14.28	-	-	14.28	11.82	-	26.10	1.82	2.60	-	-	-	15.08	11.02	1.80	

Notes:

- During the current year, pursuant to a proposal initiated by the Government of Telangana, the Company has undertaken conversion of its leasehold factory premises co-located with its registered office situated in the Azamabad Industrial Area of the Hyderabad. Accordingly, the Building on such leasehold land having net block of ₹ 130.41 Lakhs as on 31st March, 2022 has been merged with Building on freehold land shown above.
- The amortisation expense of Intangible assets have been included under " Depreciation and amortisation expense" in the Statement of Profit and Loss.
- The Company continue to hold appropriate documents including registered sale deed/ transfer deed/ conveyance deed with respect to immovable properties (Land & Buildings) shown above.
- Capital-work-in-progress ageing schedule:**

	2022-2023			2021-2022			Total
	Less than 1 year	1-2 Years	More than 3 years	Less than 1 year	1-2 Years	More than 3 years	
Projects in progress	25.17	-	-	25.17	-	-	1044.48
Projects temporarily suspended	-	-	-	-	-	-	-
	25.17	-	-	25.17	-	-	1044.48

The Company does not have any Capital-work-in-progress which is past its expected completion date or where cost has exceeded the original plan.



NOTES TO THE FINANCIAL STATEMENTS

3. NON-CURRENT INVESTMENTS

	₹ in Lakhs	
	As at 31st March, 2023	As at 31st March, 2022
Investment in Government / Trust Securities (at amortised cost)		
UNQUOTED		
National Savings Certificate cost ₹ 500 (2022 - ₹ 500) Lodged with Government Authority		
QUOTED		
Government Securities	19879.30	20040.53
	19879.30	20040.53
Investment in Mutual Funds (at fair value through other comprehensive income)		
HDFC - Top 100 Fund - Regular Plan- Dividend Option 50,000 units of ₹ 10 each	22.58	23.61
	22.58	23.61
Investment in Equity instruments (at fair value through other comprehensive income)		
QUOTED		
Duncan Industries Limited		
184 Equity Shares of ₹ 10 each fully paid up	0.02	0.02
Godfrey Phillips India Limited		
1000 Equity Shares of ₹ 2 each fully paid up	18.20	10.10
Golden Tobacco Limited		
50 Equity Shares of ₹ 10 each fully paid up	0.02	0.05
Housing Development Finance Corporation Limited		
6,000 Equity Shares of ₹ 2 each fully paid up	157.51	143.30
HDFC Bank Limited		
5,000 Equity Shares of ₹ 1 each fully paid up	80.48	73.50
	256.23	226.97
UNQUOTED		
Andhra Pradesh Gas Power Corporation Limited		
1,39,360 shares of ₹ 10 each fully paid up	13.94	13.94
Twin Towers Premises Co-operative Society Limited *		
10 Shares of ₹ 50 each fully paid up (Cost ₹ 500, 2022 - ₹ 500)		
Tobacco Institute of India - (Limited by Guarantee Maximum * Contribution ₹ 10.00 Lakhs)		
CREF 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		
	13.94	13.94
Total of Non-Current Investments	20172.05	20305.05
Aggregate amount of Quoted Investments-Market Value	19653.62	20356.97
Aggregate amount of Unquoted Investments	13.94	13.94

* Fair value of these investments is negligible.

NOTES TO THE FINANCIAL STATEMENTS

4. LOANS

	₹ in Lakhs			
	As at 31st March, 2023		As at 31st March, 2022	
	Current	Non-Current	Current	Non-Current
Loans to Employees (incl. employee societies)				
Secured, considered good	1.62	3.71	1.95	8.33
Unsecured, considered good	-	-	35.81	-
TOTAL	1.62	3.71	37.76	8.33

5. OTHER FINANCIAL ASSETS

	₹ in Lakhs			
	As at 31st March, 2023		As at 31st March, 2022	
	Current	Non-Current	Current	Non-Current
Other financial assets				
Interest accrued on Loans, Deposits, Investments, etc.	262.39	-	262.39	-
Other receivables				
- On account of Foreign Currency Forward Contracts	15.81	-	19.95	-
TOTAL	278.20	-	282.34	-

6. INCOME TAXES

	As at 31st March, 2023	As at 31st March, 2022
A. Income tax expense recognised in Statement of Profit and Loss		
Current tax		
Current tax for the year	9809.99	10547.61
Adjustments/(credits) related to previous years - (net)	6.80	(129.95)
Total Current tax expense (a)	9816.79	10417.66
Deferred tax		
Origination and reversal of temporary differences	373.77	380.03
Total Deferred tax expense (b)	373.77	380.03
TOTAL (a + b)	10190.56	10797.69
B. Income tax expense recognised in Other Comprehensive Income		
Current tax		
On item that will not be reclassified to Statement of Profit and Loss		
- Related to remeasurement of defined benefit plans (net)	10.36	(8.10)
Total Current tax expense (a)	10.36	(8.10)
Deferred tax		
On item that will not be reclassified to Statement of Profit and Loss		
- Related to change in fair value of equity instruments	3.23	(0.57)
On item that will be reclassified to Statement of Profit and Loss		
- Related to change in fair value of effective portion of cash flow hedges	(1.04)	(14.71)
Total Deferred tax expense (b)	2.19	(15.28)
TOTAL (a + b)	12.55	(23.38)
Reconciliation of estimated income tax expense at statutory income tax rate to income tax expense reported in Statement of Profit and Loss is as under:		
Profit before tax	42888.84	42820.80
Statutory income tax rate	25.17%	25.17%
Expected income tax expense	10794.26	10777.14
Adjustment:		
Effect of expenses not deductible for tax purposes	206.60	194.97
Effect of allowances / income deductible for tax purposes	(879.30)	-
Others *	69.00	(174.42)
Income tax expense recognised in Statement of Profit and Loss	10190.56	10797.69
* Others include adjustments / (credits) related to previous years - (net)		
C. Current Tax Liabilities (net of advance tax) *	2040.92	1604.78

* The Company has reviewed all its pending income tax disputes relating to tax treatment of certain expenses claimed as deductions, and computation of, or eligibility of certain tax incentives or allowances. It believes that it has a valid basis for appeals and intends to defend all such pending disputes vigorously. However, pending disposal of such disputes, as a matter of prudence, it has recognised these liabilities in the books and is included above.



NOTES TO THE FINANCIAL STATEMENTS

6. INCOME TAXES (CONTD..)

D. Significant components of Deferred Tax Assets / (Liabilities)

	₹ in Lakhs			
	Opening balance	Recognised in profit or loss	Recognised in/reclassified from OCI	Closing Balance
2022-2023				
Deferred tax assets / (liabilities) in relation to:				
- Employees' separation and retirement	571.36	23.59	-	594.95
- Central and State Taxes, etc.	2451.28	(1.67)	-	2449.61
- Fiscal allowances on Property, Plant and Equipment, etc.	210.93	(205.73)	-	5.20
- Financial Instruments measured at Amortised cost	31.18	1.44	-	32.62
- Cash flow hedges	(5.02)	-	1.04	(3.98)
- Unrealised gain on Equity instruments measured at FVOCI	(5.01)	-	(3.23)	(8.24)
- Unrealised gain on financial assets measured at FVTPL	(1355.01)	(221.63)	-	(1576.64)
- Other temporary differences	260.00	30.23	-	290.23
Deferred Tax Assets - Net	2159.71	(373.77)	(2.19)	1783.75
2021-2022				
Deferred tax assets / (liabilities) in relation to:				
- Employees' separation and retirement	549.06	22.30	-	571.36
- Central and State Taxes, etc.	2589.47	(138.19)	-	2451.28
- Fiscal allowances on Property, Plant and Equipment, etc.	119.46	91.47	-	210.93
- Financial Instruments measured at Amortised cost	-	31.18	-	31.18
- Cash flow hedges	(19.73)	-	14.71	(5.02)
- Unrealised loss on Equity instruments measured at FVOCI	(5.58)	-	0.57	(5.01)
- Unrealised gain on financial assets measured at FVTPL	(934.11)	(420.90)	-	(1,355.01)
- Other temporary differences	225.89	34.11	-	260.00
Deferred Tax Assets - Net	2524.46	(380.03)	15.28	2159.71

7. OTHER ASSETS

	₹ in Lakhs			
	As at 31st March, 2023		As at 31st March, 2022	
	Current	Non-Current	Current	Non-Current
Capital Advances	-	1090.70	-	1773.01
Advances other than capital advances				
Security Deposits				
- With Statutory Authorities	-	0.35	-	0.55
- Commercial deposits	-	68.81	-	71.38
Advances recoverable in cash or kind for value to be received	247.87	-	269.53	-
GST credits/refundable	3404.35	-	1818.10	-
Balance with Statutory / Government Authorities	24.78	-	164.69	-
Other Advances - Prepaid Expenses	449.65	-	434.24	-
Other Receivables *	2.18	-	1.11	-
TOTAL	4128.83	1159.86	2687.67	1844.94

* Includes export incentives receivables

NOTES TO THE FINANCIAL STATEMENTS

8. INVENTORIES

(At lower of cost and net realisable value)

	₹ in Lakhs	
	As at 31st March, 2023	As at 31st March, 2022
Raw Materials including packing materials	30200.58	23221.59
Work-in-Progress	493.62	634.19
Finished Goods	3735.15	5092.04
Stores and Spares	503.43	615.04
TOTAL	34932.78	29562.86
The cost of inventories recognised as an expense (net) on account of write-down of inventory to net realisable value.	218.75	120.61

9. CURRENT INVESTMENTS

	Face Value ₹ (Fully Paid)	As at 31st March, 2023		As at 31st March, 2022	
		No. of units	₹ in Lakhs	No. of units	₹ in Lakhs
Quoted - at fair value through profit or loss					
Investment in Mutual Funds *					
Liquid Funds					
Aditya Birla Sun Life Mutual Fund	100	-	-	9,19,271	3154.25
HDFC Mutual Fund	1000	-	-	86,191	3606.88
ICICI Prudential Mutual Fund	100	1,50,158	500.30	12,70,671	4005.87
Bandhan Mutual Fund (formerly IDFC Mutual Fund)	1000	-	-	1,23,709	3180.49
Kotak Mahindra Mutual Fund	1000	21,999	1000.61	1,04,750	4507.50
Nippon India Mutual Fund	1000	18,170	1000.63	64,517	3360.08
SBI Mutual Fund	1000	8,556	301.45	1,38,259	4608.30
Money Market Funds					
Aditya Birla Sun Life Mutual Fund	100	9,39,948	2972.06	19,73,437	5898.81
HDFC Mutual Fund	1000	46,729	2299.87	91,113	4241.12
ICICI Prudential Mutual Fund	100	7,21,454	2339.74	18,97,766	5824.13
Kotak Mahindra Mutual Fund	1000	45,450	1739.97	1,45,680	5274.64
Nippon India Mutual Fund	1000	79,604	2823.96	1,56,105	5230.41
SBI Mutual Fund	10	76,40,461	2870.62	1,48,87,462	5294.19
Ultra Short-term Funds					
Aditya Birla Sun Life Mutual Fund	100	7,89,632	3713.32	7,89,632	3516.33
HDFC Mutual Fund	10	43,11,951	565.12	1,29,25,898	1604.47
Bandhan Mutual Fund (formerly IDFC Mutual Fund)	10	-	-	42,77,305	530.86
Kotak Mahindra Mutual Fund	10	-	-	14,79,588	533.10
SBI Mutual Fund	1000	-	-	10,859	531.80
Low Duration Funds					
Aditya Birla Sun Life Mutual Fund	100	1,87,339	1145.48	1,87,339	1083.49
HDFC Mutual Fund	10	21,75,018	1142.33	21,75,018	1082.90
ICICI Prudential Mutual Fund	100	8,14,584	3768.21	8,14,584	3565.54
Nippon India Mutual Fund	1000	-	-	50,548	1601.77
Floating Rate Funds					
HDFC Mutual Fund	10	72,28,970	3062.92	72,28,970	2898.47
Nippon India Mutual Fund	10	28,80,184	1138.12	28,80,184	1087.11
Banking & PSU Debt Funds					
Bandhan Mutual Fund (formerly IDFC Mutual Fund)	10	-	-	26,39,254	538.39
Target Maturity Index Funds					
Aditya Birla Sun Life Mutual Fund	10	2,97,25,079	3111.32	-	-
Kotak Mahindra Mutual Fund	10	1,99,41,369	2067.48	-	-
Total of Current Investments			37563.51		76760.90
Aggregate amount of quoted Investments - Market Value			37563.51		76760.90

* All these investments have been made under "Direct Plan-Growth Option".



NOTES TO THE FINANCIAL STATEMENTS

10. TRADE RECEIVABLES

	₹ in Lakhs	
	As at 31st March, 2023	As at 31st March, 2022
Unsecured, considered good (Refer Note 29)	4317.80	3330.43
TOTAL	4317.80	3330.43

Ageing Details

Particulars	Outstanding for the following periods from the due date of payment						Total
	Not Due	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed - considered good	3626.93	663.44	27.43	-	-	-	4317.80
Undisputed - which have significant increase in credit risk	-	-	-	-	-	-	-
Undisputed - credit impaired	-	-	-	-	-	-	-
Disputed - considered good	-	-	-	-	-	-	-
Disputed - which have significant increase in credit risk	-	-	-	-	-	-	-
Disputed - credit impaired	-	-	-	-	-	-	-
	3626.93	663.44	27.43	-	-	-	4317.80

Particulars	Outstanding for the following periods from the due date of payment						Total
	Not Due	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed - considered good	2853.42	477.01	-	-	-	-	3330.43
Undisputed - which have significant increase in credit risk	-	-	-	-	-	-	-
Undisputed - credit impaired	-	-	-	-	-	-	-
Disputed - considered good	-	-	-	-	-	-	-
Disputed - which have significant increase in credit risk	-	-	-	-	-	-	-
Disputed - credit impaired	-	-	-	-	-	-	-
	2853.42	477.01	-	-	-	-	3330.43

11. CASH AND CASH EQUIVALENTS

	₹ in Lakhs	
	As at 31st March, 2023	As at 31st March, 2022
Balances with Banks		
- On Current Accounts	881.46	418.31
Cash including cheques on-hand	0.84	0.50
TOTAL	882.30	418.81

12. OTHER BANK BALANCES

	₹ in Lakhs	
	As at 31st March, 2023	As at 31st March, 2022
Earmarked Balances		
- On Unclaimed Ordinary Dividend Account	1091.72	1122.13
TOTAL	1091.72	1122.13

NOTES TO THE FINANCIAL STATEMENTS

13. EQUITY SHARE CAPITAL

	As at 31st March, 2023		As at 31st March, 2022	
	No. of Shares	₹ in Lakhs	No. of Shares	₹ in Lakhs
Authorised				
Ordinary Shares of ₹ 10 each	5,00,00,000	5000.00	5,00,00,000	5000.00
Cumulative Redeemable Preference Shares of ₹ 100 each	50,00,000	5000.00	50,00,000	5000.00
		10000.00		10000.00
Issued and Subscribed				
Ordinary Shares of ₹ 10 each fully paid up	1,54,41,920	1544.19	1,54,41,920	1544.19

There is no movement in number of Ordinary Shares during the year.

Details of shareholders holding more than 5% of Ordinary Shares:

Name of the Shareholder	No. of Shares (in Lakhs)	% holding	No. of Shares (in 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
HDFC Trustee Company Limited	10.51	6.81	11.05	7.15
A/c HDFC Midcap Opportunities Fund				

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 *pari passu* in all respects including voting rights and entitlement to dividend.

Details of Promoter shareholders of Ordinary Shares:

Name of the Shareholder	No. of Shares	% holding	% change during the period	No. of Shares	% holding	% change during the period
The Raleigh Investment Company Limited	3,620,420	23.45	-	3,620,420	23.45	-
Tobacco Manufacturers (India) Limited	1,278,942	8.28	-	1,278,942	8.28	-
Rothmans International Enterprises Limited	66,540	0.43	-	66,540	0.43	-
TOTAL	4,965,902	32.16	-	4,965,902	32.16	-

14. TRADE PAYABLES

	₹ in Lakhs	
	As at 31st March, 2023	As at 31st March, 2022
Payables for Goods and Services		
Total outstanding dues of micro enterprises and small enterprises	260.57	122.48
Total outstanding dues of creditors other than micro enterprises and small enterprises	9420.10	10218.03
TOTAL	9680.67	10340.51
DUE TO MICRO ENTERPRISES AND SMALL ENTERPRISES (MSME)		
a) Principal amount remaining unpaid	260.57	122.48
b) Interest due remaining unpaid	-	-
c) Interest paid, in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006 along with the amount of the payment made beyond the appointed day during the year	-	-
d) Interest due and payable for the period of delay in making payment	-	-
e) Interest accrued and remaining unpaid	-	-
f) Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises	-	-



NOTES TO THE FINANCIAL STATEMENTS

14. TRADE PAYABLES (CONTD..)

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management.

Ageing Details

2022-2023 ₹ in Lakhs

Particulars	Outstanding for the following periods from the due date of payment					Total
	Not Due	Less than 1 year	1-2 years	2-3 years	More than 3 years	
MSME	260.57	-	-	-	-	260.57
Others	5031.78	607.93	-	-	-	5639.71
Disputed dues - MSME	-	-	-	-	-	-
Disputed dues - Others	-	3.95	68.20	45.98	909.67	1027.80
	5292.35	611.88	68.20	45.98	909.67	6928.08
Accrued Expenses						2752.59
						9680.67

2021-2022 ₹ in Lakhs

Particulars	Outstanding for the following periods from the due date of payment					Total
	Not Due	Less than 1 year	1-2 years	2-3 years	More than 3 years	
MSME	122.48	-	-	-	-	122.48
Others	6374.42	74.40	-	3.50	3.50	6455.82
Disputed dues - MSME	-	-	-	-	-	-
Disputed dues - Others	-	68.20	45.98	132.59	777.08	1023.85
	6496.90	142.60	45.98	136.09	780.58	7602.15
Accrued Expenses						2738.36
						10340.51

15. PROVISIONS

₹ in Lakhs

	As at 31st March, 2023	As at 31st March, 2022
Non-Current		
Provision for Employee Benefits		
Retirement and Other benefits (Refer Note 30)	2153.10	2296.11
TOTAL	2153.10	2296.11

16. OTHER FINANCIAL LIABILITIES

₹ in Lakhs

	As at 31st March, 2023	As at 31st March, 2022
Current		
Accrued Payroll	2353.55	1945.60
Unpaid / Unclaimed Dividends	1091.72	1122.13
Security Deposits	2.70	2.70
Other Liabilities		
- Others (including payable for property, plant and equipment, etc.)	797.11	89.73
TOTAL	4245.08	3160.16

There is no amount due and outstanding to be credited to Investor Education and Protection Fund as at the year end.

NOTES TO THE FINANCIAL STATEMENTS

17. OTHER CURRENT LIABILITIES

₹ in Lakhs

	As at 31st March, 2023	As at 31st March, 2022
Advances from Customers	2963.90	2513.21
Statutory Liabilities including tax related matters	26312.04	31718.13
TOTAL	29275.94	34231.34

- (i) The Company has ongoing indirect tax and legal matters comprising of numerous cases/ proceedings under various Central and State Acts pending before various judicial forums.
- (ii) The Company has reviewed all its pending litigations and proceedings and believes that it has valid basis for appeals and intends to defend all such pending disputes vigorously. However, pending disposal of such disputes, as a matter of prudence, it has adequately recognised a liability in the books wherever required and is reflected above under 'Statutory Liabilities' - ₹ 9666.62 Lakhs (2022: ₹ 13169.04 Lakhs) - refer foot note below.

The then Government of Andhra Pradesh introduced a levy of luxury tax on cigarettes and its vires was challenged before the then High Court of Andhra Pradesh and before the Supreme Court which struck it down. The Commercial Tax department claimed that during the pendency of matter before the courts between 1999 - 2005, the Company had collected luxury tax amounting to ₹ 3486.38 Lakhs but not paid to the Government. While the Company has denied collecting any such sums, the dispute continued. Keeping in view long protracted litigation, during the year, the Company availed the benefit of an amnesty scheme introduced by the Government of Telangana by settling the dispute. Accordingly, ₹ 1750.52 Lakhs has been written back and disclosed under head "Other Income" in the Statement of Profit and Loss.

- (iii) Contingent liabilities where applicable are disclosed under note 25(a) of the financial statements.

18. REVENUE FROM OPERATIONS

₹ in Lakhs

	For the year ended 31st March, 2023	For the year ended 31st March, 2022
Particulars in respect of sales		
Cigarettes*	134168.93	134662.49
Unmanufactured Tobacco	32849.11	21249.22
	167018.04	155911.71
Other Operating Income		
Scrap Sales	207.69	140.58
Other receipts	25.14	14.25
TOTAL	167250.87	156066.54

* net of trade promotions - ₹ 425.51 Lakhs (2022 - ₹ 1260.13 Lakhs)

19. OTHER INCOME

₹ in Lakhs

	For the year ended 31st March, 2023	For the year ended 31st March, 2022
Particulars		
Interest Income on:		
Financial assets carried at amortised cost (net)	1290.50	969.41
Financial assets measured at FVTPL	439.69	-
Loans and Deposits, etc.	4.42	5.69
Dividend Income from:		
Equity Instruments measured at FVOCI	5.36	4.57
Other net gains and (losses) from:		
- sale of property, plant and equipment, etc.	6.53	70.78
- financial assets measured at FVTPL*	3899.85	2905.92
Gain / (Loss) on foreign exchange (Net)	177.71	105.77
Liabilities no longer required written back (refer note 17 (ii))	1750.52	551.17
Other non-operating Income	65.27	53.78
TOTAL	7639.85	4667.09

* Includes ₹ 3019.24 Lakhs (2022 - ₹ 1233.54 Lakhs) being net gain arising on sale of Investments



NOTES TO THE FINANCIAL STATEMENTS

20. COST OF MATERIALS CONSUMED

Particulars	₹ in Lakhs	
	For the year ended 31st March, 2023	For the year ended 31st March, 2022
Raw Materials Consumed *		
Opening Stock	23221.59	23925.33
Purchases	68200.40	50922.36
	91421.99	74847.69
Less: Closing Stock	30200.58	23221.59
TOTAL	61221.41	51626.10

The above includes cost of unmanufactured tobacco sold - Value ₹ 28455.34 Lakhs (2022 - ₹ 17997.53 Lakhs).

* Includes Packing Material

21. CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS

	₹ in Lakhs	
	For the year ended 31st March, 2023	For the year ended 31st March, 2022
(a) (Increase) / Decrease in Finished Goods		
Opening Stock	5092.04	4210.18
Closing Stock	3735.15	5092.04
	1356.89	(881.86)
(b) Increase / (Decrease) in Excise Duties on Finished Goods	(622.30)	329.54
(c) (Increase) / Decrease in Work-in-Progress		
Opening Stock	634.19	910.63
Closing Stock	493.62	634.19
	140.57	276.44
TOTAL	875.16	(275.88)

22. EMPLOYEE BENEFITS EXPENSES

	₹ in Lakhs	
	For the year ended 31st March, 2023	For the year ended 31st March, 2022
Salaries and wages	10617.10	10207.79
Contribution to Provident and other funds	634.96	559.40
Share based payment to employees	143.47	99.11
Staff welfare expenses	637.21	768.36
TOTAL	12032.74	11634.66

NOTES TO THE FINANCIAL STATEMENTS

23. OTHER EXPENSES

	₹ in Lakhs	
	For the year ended 31st March, 2023	For the year ended 31st March, 2022
Insurance	376.65	376.30
Consumption of Stores and Spares	1525.51	1224.63
Power and Fuel	657.74	751.07
Rent	434.93	397.23
Repairs and Maintenance	286.15	371.13
Rates and Taxes	77.04	89.08
Distribution Expenses	839.93	648.35
Advertisement / Sales Promotion Expenses	2417.83	1514.32
Outward Freight	2153.22	2269.89
Consultancy and Professional Expenses	1385.28	758.44
Travelling and Conveyance Expenses	1512.67	1056.85
Contract Manufacturing Charges	485.36	488.45
Miscellaneous	3377.50	2436.94
Payment to Auditors (see note (a) below)	56.44	52.75
Corporate Social Responsibility (see note (b) below)	820.89	774.69
Directors' Sitting Fees, Remuneration & Commission	438.40	457.60
TOTAL	16845.54	13667.72
(a) Payment to Auditors		
Audit fees	40.00	40.00
Fees for audit related services, Limited Reviews, etc.	8.00	8.00
Fees for certification	5.25	2.50
Reimbursement of expenses	3.19	2.25
	56.44	52.75
(b) Corporate Social Responsibility (CSR)		
As per Section 135 of the Companies Act, 2013, the Company is required to spend at least 2% of its average net profit for the immediately preceding three years on CSR activities. The funds were primarily allocated to a corpus and utilised through the year on activities which are specified in Schedule VII of the Companies Act, 2013:		
(i) Gross amount required to be spent by the Company during the year	820.89	774.69
(ii) Amount approved by the Board to be spent during the year	820.89	774.69
(iii) Amount spent during the year on:		
(1) On Construction / Acquisition of any asset	-	-
(2) For purposes other than (1) above (Revenue account)	571.34	1004.65
	571.34	1004.65
(iv) (Shortfall)/Excess at the end of the year*	(249.55)	-
(v) Total of previous years shortfall	-	-
(vi) Details of related party transactions	NA	NA
(vii) Reason for shortfall	ongoing projects	NA
(viii) Nature of CSR activities	Promotion of education, health & sanitation, eradicating hunger & malnutrition, women empowerment & environmental sustainability	
(ix) Where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movement in the provision during the year	NA	NA

* The unspent amount has been transferred to unspent CSR account on 19th April, 2023, in accordance with the Companies Act, 2013 read with CSR Amendment Rules.



NOTES TO THE FINANCIAL STATEMENTS

24. EARNINGS PER SHARE

	₹ in Lakhs	
	For the year ended 31st March, 2023	For the year ended 31st March, 2022
Earnings per Share is computed as under:		
(a) Profit for the year (₹ in Lakhs)	32698.28	32023.11
(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) ₹	211.75	207.38
(d) Diluted Earnings Per Share (Face Value per Share - ₹ 10) ₹	211.75	207.38

25. CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES

(a) Contingent Liabilities

- (i) Claims against the Company not acknowledged as debts ₹ 647.03 Lakhs (2022 - ₹ 663.11 Lakhs)
These Comprise -
Excise duty, service tax and customs duty matters ₹ 142.78 Lakhs (2022 - ₹ 158.86 Lakhs)
Other matters including employees / ex-employees, etc. ₹ 504.25 Lakhs (2022 - ₹ 504.25 Lakhs)
- (ii) In addition to the above, the Company is subject to certain other litigations, in the ordinary course of business and the industry in which it operates in, which are pending.
- (iii) It is not practicable for the Company to estimate the closure of these issues and the consequential timings of cash outflows and estimate of financial effect, if any, in respect of the above as its determinable only on occurrence of uncertain future events/ receipt of judgements pending at various forums.

(b) Commitments

Estimated amount of contracts remaining to be executed on Capital Account, net of advances (not provided for) - ₹ 9480.70 Lakhs (2022 - ₹ 14074.53 Lakhs)

(c) Disclosure under Section 186(4) of the Companies Act, 2013

Details of Loans, Guarantees or Investments covered under the provisions of Section 186 of the Companies Act, 2013, as applicable are provided in Notes 3, 4 and 9.

26. FUTURE LEASE OBLIGATIONS

The Company has entered into various short-term and low value operating lease agreements and the amounts paid under such agreements have been charged to revenue as Rent under Note 23. All these agreements are cancellable in nature.

27. SEGMENT REPORTING

The Chief Operating Decision-Maker (CODM) has been identified as Management Committee evaluates the Company's performance and allocates resources at an overall level considering the business and industry it operates in. Accordingly, the Company's business activity primarily falls within a single operating segment viz. Tobacco and related products. Therefore, the disclosures as per Ind AS 108 - 'Operating Segments' is not applicable.

Geographical segments considered for disclosure mainly consists of sales within India and sales outside India, information in respect thereof is as under:

	₹ in Lakhs	
	For the year ended 31st March, 2023	For the year ended 31st March, 2022
a) Sales within India	150261.37	146056.03
b) Sales outside India	16756.67	9855.68
	167018.04	155911.71

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 TO THE FINANCIAL STATEMENTS

28. RELATED PARTIES AND TRANSACTIONS WITH THEM DURING THE YEAR

	₹ in Lakhs	
	For the year ended 31st March, 2023	For the year ended 31st March, 2022
(a) Promoter entity and entity having shareholding of 20% or more		
(i) Promoter entities		
British American Tobacco Group		
• The Raleigh Investment Company Limited		
• Tobacco Manufacturers (India) Limited		
• Rothmans International Enterprises Limited		
Dividend Paid	6952.26	5661.13
(ii) Entities having shareholding of 20% or more including Person Acting in Concert (PAC)		
Bright Star Investments Private Limited		
Derive Trading and Resorts Private Limited		
Damani Estates & Finance Private Limited		
Gulmohar Private Beneficiary Trust		
Karnikar Private Beneficiary Trust		
Bottle Palm Private Beneficiary Trust		
Royal Palm Private Beneficiary Trust		
Mountain Glory Private Beneficiary Trust		
Derive Investments		
Radhakishan Shivkishan Damani		
Gopikishan Shivkishan Damani		
Dividend Paid	7113.80	5677.22
(b) Remuneration to Key Managerial Personnel		
(i) Non-Executive Directors		
Mr. Naresh Kumar Sethi		
Mr. S. Thirumalai		
Ms. Rama Bijapurkar		
Mr. Sudeep Bandyopadhyay		
Mr. Rajeev Gulati		
Dividend Paid	0.04	0.03
Remuneration & Commission	368.00	400.00
Sitting fees	70.40	57.60
(ii) Executive Directors		
Mr. Aditya Deb Gooptu, Managing Director		
Remuneration:		
- Short-term benefits	382.13	371.63
- Share-based payment	61.48	34.05
- Other remuneration	15.62	13.83
(iii) Other Key Managerial Personnel		
Mr. Anish Gupta, Chief Financial Officer		
Mr. Phani K. Mangipudi, Company Secretary		
Remuneration:		
- Short-term benefits	225.81	195.14
- Share-based payment	35.14	19.45
- Other remuneration	13.31	9.07
- Dividend Paid #		

Amount is negligible

Note: Liability for Gratuity, Leave encashment and Group Health Premiums are provided on actuarial valuation basis / separately for the Company as a whole. Accordingly, amounts pertaining to key managerial personnel are not included.



NOTES TO THE FINANCIAL STATEMENTS

Terms and Conditions of transactions with related parties

All Related Party Transactions entered during the year were in the ordinary course of the business and at arm's length basis.

Remuneration to directors and key executives is determined by the Nomination and Remuneration Committee of the Board having regard to individual performance and market trends.

29. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

A. CAPITAL MANAGEMENT

The Company's financial strategy aims to provide adequate capital to its business for growth on a going concern basis thereby creating sustainable stakeholder value. The Company funds its operations mainly through internal accruals.

B. CATEGORIES OF FINANCIAL INSTRUMENTS - FAIR VALUE MEASUREMENT AND FAIR VALUE HIERARCHY

The fair value of the financial assets and liabilities is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Methods and assumptions used to estimate the fair value are consistent with those used for the earlier period.

Financial assets and liabilities are measured at fair value as at Balance Sheet date as under:

- The fair value of investment in government securities and quoted investment in equity shares are based on the current bid price of respective investments as at the Balance Sheet date.
- The fair value of investments in mutual fund units is based on the net asset value ('NAV') as stated by the issuers of these mutual fund units in their published statements as at Balance Sheet date. NAV represents the price at which the issuer will issue further units of mutual fund as well as the price at which issuers will redeem such units for the investors.
- The fair values of the derivative financial instruments has been determined using valuation techniques with market observable inputs such as foreign exchange spot rates and forward rates as at end of reporting period, interest yield curves, volatility, etc., as applicable.
- Cash and cash equivalents (except for investments in units of mutual fund), other bank balances, trade receivables, trade payables and other current financial assets and liabilities (except derivative financial instruments), have fair value that approximates to their carrying amount due to their short-term nature.

Fair value of the financial instruments have been classified into various fair value hierarchies respective three levels as under: Level 1 - Quoted prices for identical assets or liabilities in an active market.

Level 2 - Directly or indirectly observable market inputs, other than Level 1 inputs; and

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

If one or more of the significant inputs is not based on observable market data, the fair value is determined using generally accepted pricing model based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of the counterparty.

The following table shows the carrying amount and fair value of financial assets and liabilities, including their levels in the fair value hierarchy:

Particulars	Note	Fair Value Hierarchy (Level)	As at 31st March, 2023		As at 31st March, 2022	
			Carrying Value	Fair Value	Carrying Value	Fair Value
₹ in Lakhs						
FINANCIAL ASSETS						
Measured at Fair value through OCI						
i) Equity Instruments incl. equity schemes of Mutual Funds	3	Level 1	278.81	278.81	250.58	250.58
ii) Equity Instruments	3	Level 3	13.94	13.94	13.94	13.94
Sub-total			292.75	292.75	264.52	264.52
Measured at Fair value through Profit and Loss						
i) Investment in Mutual Funds	9	Level 1	37563.51	37563.51	76760.90	76760.90
Sub-total			37563.51	37563.51	76760.90	76760.90

NOTES TO THE FINANCIAL STATEMENTS

₹ in Lakhs

Particulars	Note	Fair Value Hierarchy (Level)	As at 31st March, 2023		As at 31st March, 2022	
			Carrying Value	Fair Value	Carrying Value	Fair Value
Derivatives measured at fair value						
i) Foreign exchange forward contracts	5	Level 2	15.81	15.81	19.95	19.95
Sub-total			15.81	15.81	19.95	19.95
Measured at amortised cost						
i) Investments in Government Securities	3	Level 1	19879.30	19374.81	20040.53	20106.39
ii) Loans	4	-	5.33	5.33	46.09	46.09
iii) Other Financial Assets	5	-	262.39	262.39	262.39	262.39
iv) Trade receivables	10	-	4317.80	4317.80	3330.43	3330.43
v) Cash and cash equivalents	11	-	882.30	882.30	418.81	418.81
vi) Other bank balances	12	-	1091.72	1091.72	1122.13	1122.13
Sub-total			26438.84	25934.35	25220.38	25286.24
Total financial assets			64310.91	63806.42	102265.75	102331.61
FINANCIAL LIABILITIES						
Measured at amortised cost						
i) Trade Payables	14	-	9680.67	9680.67	10340.51	10340.51
ii) Other financial liabilities	16	-	4245.08	4245.08	3160.16	3160.16
Sub-total			13925.75	13925.75	13500.67	13500.67
Total financial liabilities			13925.75	13925.75	13500.67	13500.67

There were no significant changes in the classification and no significant movements between the fair value hierarchy classifications of assets and liabilities during current financial year.

C. FINANCIAL RISK MANAGEMENT OBJECTIVES

The Company's risk management framework anchored in its policies and procedures and internal financial controls aim to ensure that the Company's business activities that are exposed to a variety of financial risks namely liquidity risk, market risks, credit risk and foreign currency risk are identified at an early stage and managed within acceptable and approved risk parameters in a disciplined and consistent manner and in compliance with applicable regulations.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Cash flow from operating activities provides the funds to service the financial liabilities on a day-to-day basis. The Company's approach in managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring any unacceptable losses. In doing this, Management considers both normal and stressed conditions. The Company maintained a cautious liquidity strategy, with a positive cash balance throughout the year ended 31st March, 2023 and 31st March, 2022.

On the reporting date, the Company's Current assets aggregate to ₹ 83196.76 Lakhs (2022 - ₹ 114202.90 Lakhs) including Current investments, Cash and cash equivalents and Other bank balances of ₹ 39537.53 Lakhs (2022 - ₹ 78301.84 Lakhs) against an aggregate Non-Current liabilities of ₹ 2153.10 Lakhs (2022 - ₹ 2296.11 Lakhs) and Current liabilities of ₹ 45242.61 Lakhs (2022 - ₹ 49336.79 Lakhs) and also there are no difference in value as per contracts and its carrying value as at the Balance Sheet date and are due within a year. Further, the Company's total equity stood at ₹ 117969.81 Lakhs (2022 - ₹ 107429.61 Lakhs). Accordingly, liquidity risk or the risk that the Company may not be able to settle its dues as they become due does not exist. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

Market Risk

The Company does not trade in equity instruments; it continues to hold certain investments in equity for long-term value accretion which are measured at fair value through Other Comprehensive Income. The value of investment in such equity instruments as at 31st March, 2023 is ₹ 292.75 Lakhs (2022 - ₹ 264.52 Lakhs).

The Company's investments are predominantly held in fixed deposits and debt schemes of mutual funds. The decision-making is centralised and administered under a set of approved policies and procedures guided by the principles of safety, liquidity and returns. This ensures that investments are only made within acceptable risk parameters after due evaluation.



NOTES TO THE FINANCIAL STATEMENTS

Fixed deposits are held with highly rated banks and companies and have a short to medium tenure and accordingly, are not subject to interest rate volatility. Investment in debt schemes of mutual funds are susceptible to market price risk that arise mainly from change in interest rate from time to time which may impact the return and value of such investments. However, given the relatively short tenure of the underlying portfolio of such mutual fund schemes in which the Company has invested, such price risk is not significant. Investment in Government Securities are primarily fixed rate interest bearing investments. Hence, the Company is not significantly exposed to interest rate risk.

As the Company is debt-free and its liabilities do not carry interest, the exposure to interest rate risk from the perspective of Financial Liabilities is negligible.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter-party fails to meet its contractual obligations. The Company's customer base is large and diverse and credit is extended in business interest in accordance with well laid out guidelines issued centrally. Exceptions, if any, are approved by appropriate authority after due consideration of the customers credentials and financial capacity, trade practices and prevailing business and economic conditions. Our historic experience of collecting receivables is high and accordingly, the credit risk is low. Hence, all trade receivables together are considered to be a single class of financial assets.

The value of Trade Receivables as at 31st March, 2023 is ₹ 4,317.80 Lakhs (2022 - ₹ 3,330.43 Lakhs)

Further, the Company maintains exposure in cash and cash equivalents, term deposits with banks, government securities, debt schemes of mutual funds and derivative instruments with financial institution. The Company has set counter-parties limits based on multiple factors including conditionals, financial capacity, credit rating, etc.

The Company's maximum exposure to credit risk as at 31st March, 2023 and 31st March, 2022 is the carrying value of each class of financial assets.

Foreign Currency Risk

The Company undertakes transactions denominated in foreign currency (mainly US Dollar, Euro and Pound Sterling) which are subject to the risk of exchange rate fluctuations. Financial assets and liabilities denominated in foreign currency, arising out of such transactions, are also subject to reinstatement risk.

The Company has an established risk management policy to hedge the volatility arising from exchange rate fluctuation in respect of firm commitments and highly probable forecast transactions, through foreign exchange forward contracts. The proportion of forecast transactions that are to be hedged is decided based on the size of the forecasted transaction and market conditions. As the counterparty for such transactions are Scheduled banks, the risk of their non-performance is considered to be insignificant.

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:

Forward exchange contracts designated under Hedge Accounting that were outstanding on respective reporting dates:

Currency Pair	Currency	₹ in Lakhs			
		As at 31st March, 2023		As at 31st March, 2022	
		Buy	Sell	Buy	Sell
USD / ₹	₹	-	4167.99	-	3496.64

The aforesaid hedges have a maturity of less than 1 year as on respective reporting dates.

The carrying amount of foreign currency denominated financial assets and liabilities, are as follows:

Currency Pair	Currency	₹ in Lakhs			
		As at 31st March, 2023		As at 31st March, 2022	
		Currency	Assets	Currency	Assets
USD / ₹	₹	2188.72	22.64	1894.73	4.88
EUR / ₹	₹	-	253.22	-	46.90
GBP / ₹	₹	-	-	-	7.32

Hedges of foreign currency risk and derivative financial instrument

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 in Other Comprehensive Income under 'Cash Flow Hedge' in Equity to the extent considered highly effective and are reclassified into the Statement of Profit and 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.

NOTES TO THE FINANCIAL STATEMENTS

The movement in the cash flow hedging reserve in respect of designated cash flow hedges is summarised below:

Particulars	₹ in Lakhs	
	2022-2023	2021-2022
At the beginning of the year	14.93	58.64
Add: Changes in the fair value of effective portion of matured cash flow hedges during the year	(135.61)	25.60
Add: Changes in the fair value of effective portion of outstanding cash flow hedges as at year end	15.81	19.95
Less: Amounts transferred to the statement of profit and loss on occurrence of transaction during the year	(115.66)	103.97
(Less)/Add: Deferred tax	1.04	14.71
At the end of the year	11.83	14.93

Foreign Currency Sensitivity

A 1% strengthening of the ₹ against key currencies to which the Company is exposed (net of hedges) would have led to the profit before tax for the year ended 31st March, 2023 to be lower by ₹ 19.13 Lakhs (2022 - ₹ 18.36 Lakhs) and total equity (pre-tax) as at 31st March, 2023 would change by ₹ 19.13 Lakhs (2022 - ₹ 18.36 Lakhs).

A 1% weakening of the ₹ against these currencies would have led to an equal but opposite effect.

General Risk Assessment

(i) The Company, to the extent possible, has considered the risks that may result from the uncertainties and its impact on the carrying amounts of trade receivables, investments, financial instruments and effectiveness of its hedges. Based on the Company's analysis of the current indicators of the future economic condition on its business and the estimates used in its financial statements, the Company does not foresee any material impact in the recoverability of the carrying value of the assets. The risk assessment is a continuous process and the Company will continue to monitor the impact of the changes in future economic conditions on its business.

(ii) Code on Social Security 2020 - update

The Indian parliament has passed and approved the Code on Social Security 2020, however, the effective date of the code and complete clarity on the rules/interpretations are still awaited. The Company will evaluate the subject rules once they are notified and recognise the consequent impact, if any, in its financial statements in the period in which, the Code becomes effective.

(iii) Satisfaction of Charges

The Company has no outstanding borrowing amount since year 2005 and accordingly appropriate form for satisfaction of charges was filed on time before Registrar of Companies, Hyderabad and the Company has been continuously pursuing with the authorities to reflect the same on their website.

30. EMPLOYEE BENEFIT PLANS

Employee Retirement Benefit Plans of the Company include Provident fund, Retirement Allowances, Gratuity, Pension and Leave Encashment. These plans expose the Company to a number of actuarial risks such as investment risk, interest rate risk, longevity risk and inflation risk. The Company has developed policy guidelines within the applicable statutory framework, for allocation of assets to different classes with the objective of maintaining the right balance between risks and long-term returns. Further, investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

Description of Plans

(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 Govt. 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 ₹ 338.00 Lakhs (2022 - ₹ 314.20 Lakhs).



NOTES TO THE FINANCIAL STATEMENTS

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

		2022-2023	2021-2022
Central Government Securities	(%)	10.2	12.2
State Government Securities	(%)	49.4	46.9
High Quality Corporate Bonds	(%)	34.9	35.7
Equity Instruments	(%)	5.4	5.1
Cash and cash equivalent	(%)	0.1	0.1

(ii) 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 on actuarial valuation performed by an independent actuary at each balance sheet date using projected unit credit method and charged to revenue in the period determined - ₹ 336.80 Lakhs; (2022- ₹ 384.94 Lakhs). Consequently, Liability recognised in the Balance sheet as at 31st March, 2023 ₹ 2363.92 Lakhs; (2022- ₹ 2262.57 Lakhs) including ₹ 221.18 Lakhs payable within 12 months shown under 'Accrued Payroll'.

(iii) 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 on actuarial valuation performed by an independent actuary at each balance sheet date using projected unit credit method 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.

(iv) 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 to a notified pension scheme under National Pension Scheme of the Government of India. The Company's contributions are charged to revenue in the period they are incurred - ₹ 117.87 Lakhs (2022 - ₹ 107.65 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 on actuarial valuation performed by an independent actuary at each balance sheet date using projected unit credit method and are charged to revenue in the period determined. This plan is administered by the Company's own Trust which has subscribed to "Group Pension Scheme" of Life Insurance Corporation of India.

(v) Leave Encashment

The Company has a leave encashment scheme whereunder, leaves are both accumulating and non-accumulating in nature. The expected cost of accumulating leaves expected to be paid/availed as a result of the unused entitlement that has accumulated as at the balance sheet date is determined on actuarial valuation performed by an independent actuary at each balance sheet date using projected unit credit method and are charged to revenue in the period determined. The Scheme is fully funded by way of subscription to the "Leave Encashment" of Life Insurance Corporation of India.

Compensation, if any, for non-accumulating leaves is charged to revenue in the period in which the absences occurs.

Particulars	₹ in Lakhs			
	As at 31st March, 2023		As at 31st March, 2022	
	Gratuity	Pension	Gratuity	Pension
A Components of Employer Expense				
Recognised in the Statement of Profit and Loss				
i) Current Service Cost	184.57	6.53	143.76	6.49
ii) Past Service Cost	-	-	-	-
iii) Net Interest Cost	(14.82)	0.29	(14.60)	0.49
iv) Total expense recognised in the Statement of Profit and Loss	169.75	6.82	129.16	6.98

NOTES TO THE FINANCIAL STATEMENTS

Particulars	As at 31st March, 2023		As at 31st March, 2022	
	Gratuity	Pension	Gratuity	Pension
Remeasurements recognised in Other Comprehensive Income				
v) Return on plan assets (excluding amounts included in Net interest cost)	(17.61)	(0.28)	(37.12)	0.38
vi) Effect of changes in demographic assumptions	-	-	-	-
vii) Effect of changes in financial assumptions	(72.38)	(1.38)	(124.49)	(3.15)
viii) Changes in asset ceiling (excluding interest income)	-	-	-	-
ix) Effect of experience adjustments	66.60	(16.12)	203.85	(7.28)
x) Total remeasurements included in Other Comprehensive Income	(23.39)	(17.78)	42.24	(10.05)
xi) Total defined benefit cost recognised in the Statement of Profit and Loss and Other Comprehensive Income (iv+x)	146.36	(10.96)	171.40	(3.07)
The current service cost and net interest cost for the year pertaining to Pension and Gratuity expenses have been recognised in "Contribution to Provident and other funds" under Note 22. The remeasurements of the net defined benefit liability are included in Other Comprehensive Income.				
B Net Asset/(Liability) recognised in Balance Sheet				
i) Present value of Defined Benefit Obligation	4231.93	84.29	4250.58	104.15
ii) Fair Value of Plan Assets	4221.57	87.60	4224.68	96.50
iii) Status [Surplus/(Deficit)]	(10.36)	3.31	(25.90)	(7.65)
C Changes in Defined Benefit Obligation (DBO)				
i) Present value of DBO at the beginning of the year	4250.58	104.15	4274.03	122.22
ii) Current Service Cost	184.57	6.53	143.76	6.49
iii) Past Service Cost	-	-	-	-
iv) Interest Cost	280.80	6.74	261.31	7.25
v) Remeasurement (gains)/ losses:				
Effect of changes in demographic assumptions	-	-	-	-
Effect of changes in financial assumptions	(72.38)	(1.38)	(124.49)	(3.15)
Changes in asset ceiling (excluding interest income)	-	-	-	-
Effect of experience adjustments	66.60	(16.12)	203.85	(7.28)
vi) Curtailment Cost/(Credits)	-	-	-	-
vii) Settlement Cost/(Credits)	-	-	-	-
viii) Benefits paid	(478.24)	(15.63)	(507.88)	(21.38)
ix) Present value of DBO at the end of the year	4231.93	84.29	4250.58	104.15
D Change in Fair Value of Assets				
i) Plan Assets at the beginning of the year	4224.68	96.50	4265.00	111.50
ii) Interest Income	295.62	6.45	275.91	6.76
iii) Remeasurement gains/ (losses) on plan assets	17.61	0.28	37.12	(0.38)
iv) Actual Company Contributions	161.90	-	154.53	-
v) Benefits paid	(478.24)	(15.63)	(507.88)	(21.38)
vi) Plan Assets at the end of the year	4221.57	87.60	4224.68	96.50
E Estimate of Employers' Expected Contribution for the next year	117.07	18.28	72.73	22.76
F Actuarial Assumptions				
i) Discount Rate (%)	7.25	7.25	7.00	7.00
ii) Expected Return on Plan Assets (%)	7.25	7.25	7.00	7.00

The estimates of future salary increases between 6% - 9%, considered in actuarial valuations take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.



NOTES TO THE FINANCIAL STATEMENTS

G 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.

H Basis used to determine the Expected Rate of Return on Plan Assets

The expected rate of return on plan assets is based on the current portfolio of assets, investment strategy and market scenario. In order to protect the capital and optimise returns within acceptable risk parameters, the plan assets are well diversified.

I Sensitivity Analysis

The Sensitivity Analysis below has been determined based on reasonably possible change of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. These sensitivities show the hypothetical impact of a change in each of the listed assumptions in isolation. While each of these sensitivities holds all other assumptions constant, in practice such assumptions rarely change in isolation and the asset value changes may offset the impact to some extent. For presenting the sensitivities, the present value of the Defined Benefit Obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the Defined Benefit Obligation presented above. There was no change in the methods and assumptions used in the preparation of the Sensitivity Analysis from previous year.

₹ in Lakhs

	DBO as at 31st March, 2023	DBO as at 31st March, 2022
1. Discount Rate + 100 basis points	4045.16	3809.67
2. Discount Rate - 100 basis points	4627.88	4340.41
3. Salary Increase Rate + 1%	4432.93	4207.38
4. Salary Increase Rate - 1%	4201.84	3906.16
Maturity Analysis of the Benefit Payments		
Year 1	470.94	617.63
Year 2	686.48	446.57
Year 3	573.92	591.33
Year 4	458.07	440.57
Year 5	311.85	382.78
Next 5 Years	1425.71	1360.34

31. EMPLOYEE SHARE BASED PAYMENT

Information in respect of Options granted under the Company's Employee Stock Option Scheme ("Scheme")

S. No.	VST Employees Stock Option Scheme - 2020
1	Date of Shareholders' approval 5th February, 2021
2	Total number of Options approved under the Scheme Options equivalent to 7,70,000 Ordinary Shares of ₹ 10.00 each.
3	Vesting Schedule The vesting period for conversion of Options is as follows: On completion of 12 months from the date of grant of the Options: 30% vests On completion of 24 months from the date of grant of the Options: 30% vests On completion of 36 months from the date of grant of the Options: 40% vests
4	Pricing Formulae The Pricing Formula, as approved by the Shareholders of the Company, is such price, as determined by the Nomination & Remuneration Committee (NRC). Currently, NRC has envisaged grant of share option to eligible employees at 'market price' as defined from time to time under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.
5	Maximum term of Options granted 4 years from the date of vesting
6	Source of Shares Secondary Market
7	Variation in terms of Options None

NOTES TO THE FINANCIAL STATEMENTS

S. No.	VST Employees Stock Option Scheme - 2020	
8	Method used for accounting of share-based payment plans	The employee compensation cost has been calculated at fair value using Black Schole's option pricing model after applying the following key assumptions on a weighted average basis.
	Date of Grant	26th April, 2022 27th April, 2021
	No. of options granted *	35060 31500
	Exercise Price per option - ₹	3198.00 3318.65
	Expected volatility	25.54% - 26.67% 28.33% - 29.07%
	Risk-free interest rate	5.73% - 6.16% 4.70% - 5.16%
	Weighted average fair value per option - ₹	599.34 666.49
		Expected volatility: Volatility was calculated using standard deviation of daily change in historic stock price.
		Expected option life: The expected option life for each tranche shall be different depending on its vesting period and contractual term. Accordingly, the expected option life is calculated as (Year of Vesting + Contractual Option Term)/2
		Risk-free interest rate: Zero coupon sovereign bond yields were utilised with maturity equal to expected term of the option.

9 Movement in options granted				
Particulars	No. of options	Range of fair value per option ₹	Weighted average fair value per option ₹	Weighted average remaining contractual life (years)
2022-2023				
Outstanding at the beginning of the year	28500	594.56 - 716.81	666.49	5.18
Granted during the year	35060	555.11 - 640.17	599.34	6.10
Cancelled during the year	6340	555.11 - 716.81	631.11	
Expired during the year	-	-	-	
Exercised during the year	-	-	-	
Outstanding at the end of the year	57220	555.11 - 716.81	629.27	4.73
Vested and exercisable at the end of the year	7650	594.56	666.49	3.08
2021-2022				
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	31500	594.56 - 716.81	666.49	6.10
Cancelled during the year	3000	594.56 - 716.81	666.49	
Expired during the year	-	-	-	
Exercised during the year	-	-	-	
Outstanding at the end of the year	28500	594.56 - 716.81	666.49	5.18
Vested and exercisable at the end of the year	-	-	-	-

* This includes 34,860 options granted to key managerial personnel.

For the year ended 31st March, 2023, the Company has accounted expense of ₹ 143.47 Lakhs (2022- ₹ 99.11 Lakhs) as employee benefit expenses (see note 22) on the aforesaid employee stock option plan. The balance in share-based payment reserve account is ₹ 242.58 Lakhs as of 31st March, 2023 (2022 - ₹ 99.11 Lakhs).



NOTES TO THE FINANCIAL STATEMENTS

32. RATIOS

S. No.	Particulars	Numerator	Denominator	31st March, 2023	31st March, 2022
1	Current Ratio (in times)	Current Assets	Current Liabilities	1.8	2.3
2	Debt-Equity Ratio (in times)	Not Applicable			
3	Debt Service Coverage Ratio (in times)	Not Applicable			
4	Return on Equity (%)	Profit for the year	Average Equity	29.0	31.8
5	Inventory Turnover Ratio (in times)	Cost of materials consumed	Average Inventory	1.9	1.7
6	Trade Receivables Turnover Ratio (in times)	Sales (on credit)	Average Trade Receivables	8.6	8.8
7	Trade Payables Turnover Ratio (in times) *	Purchases	Average Trade Payables	6.8	4.8
8	Net capital Turnover Ratio (in times) #	Sales	Working Capital (Total Current Assets less Total Current Liabilities)	4.4	2.4
9	Net Profit Ratio (%)	Profit for the year	Sales	19.6	20.5
10	Return on Capital employed (%)	Profit before tax	Capital Employed (Net worth less Deferred tax Assets)	36.9	40.7
11	Return on Investments (%) @	Income from Investments	Time Weighted Average Investments	5.7	4.2

* Increase in purchases corresponding to sale of unmanufactured tobacco without any material change in average trade payables.

Investment in Factory Land (see note 2A) using internal resources resulted in steep reduction in net current assets.

@ better yields realised in current year on weighted average investments.

As per our report of even date.

For B S R & Associates LLP
Firm Registration No. 116231W/ W - 100024
Chartered Accountants

ARPAN JAIN
Partner
Membership No. 125710
Hyderabad, 25th April, 2023

On behalf of the Board,

NARESH KUMAR SETHI
DIN: 08296486
Chairman

ADITYA DEB GOOPTU
DIN: 07849104
Managing Director

ANISH GUPTA
Chief Financial Officer

PHANI K. MANGIPUDI
Company Secretary

New Delhi, 25th April, 2023

OPERATING RESULTS

Operating Results 2014 - 2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue from Operation - Cigarette	138528	146140	178731	198325	110788	94382	113034	127173	134662	134169
Less: Excise Duty	84203	88692	117984	133891	41106	8510	13107	36191	38250	38007
Net Revenue from Operation - Cigarette	54325	57448	60747	64434	69682	85872	99927	90982	96412	96162
Revenue From Opeartion - Others	24593	26168	27568	27805	25076	24029	24008	20116	21404	33082
Total Revenue from Operation - Net	78918	83616	88315	92239	94758	109901	123935	111098	117816	129244
Operating Profit	19154	21067	20638	21082	25483	31177	37289	37551	38154	35249
Other Income (Net)	3244	1809	2020	2008	2462	3890	4736	4179	4667	7640
Profit Before Tax & Extraordinary Item	22398	22876	22658	23090	27945	35067	42025	41730	42821	42889
Profit After Tax & Extraordinary Item	15015	15221	15311	15153	18189	22684	30409	31079	32023	32698
Other Comphrensive Income After Tax	--	--	--	(129)	62	(63)	(418)	162	(72)	53
Total Comprehensive Income	15015	15221	15311	15024	18251	22621	29991	31241	31951	32751

Equity, Liabilities and Assets 2014 - 2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Capital	1544	1544	1544	1544	1544	1544	1544	1544	1544	1544
Other Equity	31280	33124	35499	52353	56665	64859	77165	92500	105886	116426
Shareholder's Funds	32824	34668	37043	53897	58209	66403	78709	94044	107430	117970
Property, Plant and Equipment, Intangible Assets and Capital Work-In-Progress (Net)	20913	19778	21468	22083	22930	21371	19975	20601	20542	59049
Other Assets (Net of Liabilities*)	11911	14890	15575	31814	35279	45032	58734	73443	86888	58921
NET ASSETS EMPLOYED	32824	34668	37043	53897	58209	66403	78709	94044	107430	117970

Performance 2014 - 2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Earnings per Share (₹)	97.2	98.6	99.2	98.1	117.8	146.9	196.9	201.3	207.4	211.8
Dividend Per Share (₹)	70.0	70.0	70.0	75.0	77.5	95.0	103.0	114.0	140.0	150.0
Dividend^	10809	10809	10809	11581	11967	14670	15905	17604	21619	23163
Return on Capital Employed (%)	70.4	68.8	64.8	44.8	50.1	55.4	55.3	45.6	40.7	36.9

* Borrowings - Nil

^ Excludes Income Tax on Dividend, if any

Annexure to the Directors' Report

Information under Section 197(12) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and forming part of the Directors' Report for the year ended 31st March, 2023

Sr. No	Name	Age	Qualifications	Designation & Nature of Duties	Date of Commencement of Employment	Exp. in years	Remuneration received / receivable	Last employment
Names of top ten employees in terms of remuneration drawn and name of every employee who was employed throughout the Financial Year and in receipt of remuneration which, in the aggregate, was not less than 102 lakhs rupees per annum								
1	Aditya Deb Gooptu	51	B.E., PGDBM	Managing Director & CEO	01/12/2020	26	3,97,74,870	Godfrey Phillips India Ltd.
2	Kalyan Basu	53	B.Com., MBA (XLRI)	President - Marketing	15/09/2006	29	1,65,60,312	Coca Cola India
3	Sriram S	56	B.E., PGCHRM (XLRI)	Vice President - Technical	02/03/1993	34	1,33,26,668	Shriram Refrigeration
4	Anish Gupta	51	B.Com., FCA	Chief Financial Officer	07/08/2000	26	1,32,76,460	ITW Signode
5	Lakshmi Narasaiah T	57	M.Sc. Ag., Ph.D.	Vice President - Leaf	01/02/1994	29	1,29,59,280	---
6	Phani K Mangipudi	43	B.Com., CS, LLB	Company Secretary & Vice President-Legal & Secretarial	07/02/2017	21	1,06,35,543	Agro Tech Foods Limited
7	Ajay Chowdhary	55	BE (Hons.), MSc (Hons)	Vice President - Digital Transformation	07/06/2021	32	95,92,274	Tata Consultancy Services Ltd
8	M Pavan Kumar Reddy	46	B.Com., (Hons.)	General Manager - Marketing & Digital Transformation	22/01/2007	25	79,49,260	Pernod Ricard - Formerly Seagram
9	Biju Joseph P	56	B.Tech	General Manager Production - PMD	15/03/1993	34	72,20,781	Siemens Limited
10	Dev Gurung	54	M.Com., PGD in Advertising	General Manager - Brands	10/06/2013	31	71,22,676	Saatchi & Saatchi

Employed for part of the financial year, was in receipt of remuneration which, in the aggregate, was not less than Eight lakhs Fifty Thousand rupees per month - Nil

- NOTES :**
- All appointments are / were contractual.
 - No Director is related to any other Director or employee of the Company listed above.
 - No employee was in receipt of remuneration for the year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the Company.
 - Remuneration received / receivable includes salary, performance bonus, allowances, other benefits / applicable perquisites, and Company's contribution to Provident Fund & National Pension Scheme and where it is not possible to ascertain the actual expenditure incurred by the Company in providing a perquisite, the monetary value of such perquisite is calculated in accordance with the Income Tax Act, 1961, and the Rules made thereunder.
 - Remuneration excludes provision for / contributions to Gratuity, Leave Encashment and Share base payment expenses.

On behalf of the Board,

Dated this 25th April, 2023
New Delhi

Naresh Kumar Sethi
DIN No : 08296486

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 2768 8000 | 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 92nd Annual General Meeting of the Company, to be held on Monday, 21st August, 2023 at 10.30 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 Statements, Report of the Board of Directors and Auditors thereon		
2.	Declaration of dividend of ₹150/- per equity share		
3.	Re-appointment of Mr. S. Thirumalai (DIN:00011899) who retires by rotation and being eligible, offers himself for re-appointment		
	Special Business		
4.	Continuation of directorship of S. Thirumalai (DIN: 00011899) as a Non-Executive Non-Independent Director on attaining the age of 75 years		
5.	Payment of remuneration by way of commission to Non-Executive Directors		

Signed this day of 2023

Signature of Member

Signature of Proxy

Affix a
15 paise
Revenue
Stamp

Note :

1. 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.
 2. 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