



VST Industries Limited

August 3, 2019

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,

Sub : Annual Report 2019

Further to our letter dated 26th July, 2019, we enclose a copy of the Annual Report for the financial year ended 31st March, 2019 and Notice of the Annual General Meeting of the Company in compliance with Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended.

Please take the same on record.

Yours faithfully,
For VST INDUSTRIES LIMITED


PHANI K. MANGIPUDI
COMPANY SECRETARY

Encl : As above.



VST INDUSTRIES LIMITED

ANNUAL REPORT 2018-19





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**BOARD OF DIRECTORS**

Directors	NARESH KUMAR SETHI * (DIN 08296486)	Chairman
	PRADEEP V. BHIDE # (DIN 03304262)	Chairman
	DEVRAJ LAHIRI (DIN 03588071)	Managing Director
	S. THIRUMALAI (DIN 00011899)	
	MUBEEN RAFAT (DIN 02097314)	
	RAMA BIJAPURKAR @ (DIN 00001835)	
	SUDIP BANDYOPADHYAY \$ (DIN 00007382)	
	RAJIV GULATI ^ (DIN 06820663)	
	RAMAKRISHNA V. ADDANKI * (DIN 07147591)	
Chief Financial Officer	ANISH GUPTA	
Company Secretary	PHANI K. MANGIPUDI	
Auditors	B S R & ASSOCIATES LLP Chartered Accountants Hyderabad – 500 034	
Registered Office	1-7-1063/1065, Azamabad Hyderabad – 500 020, Telangana Telephone : +91 40 2768 8000 Fax : +91 40 2761 5336 E-mail : investors@vstind.com Website : www.vsthyd.com CIN : L29150TG1930PLC000576	
Registrar & Share Transfer Agents	Karvy Fintech Private Limited Karvy Selenium Tower B, Plot No.31 & 32 Financial District, Nanakramguda, Gachibowli Hyderabad – 500 032, Telangana Phone : +91 40 6716 2222 Fax : +91 40 2342 0814 E-mail : einward.ris@karvy.com Website : www.karvy.com	

* Mr. Ramakrishna V. Addanki has resigned as Director with effect from 14th December, 2018. Mr. Naresh Kumar Sethi has been appointed as Director in place of Mr. Ramakrishna V. Addanki and elected as Chairman of the Company.

Mr. Pradeep V. Bhide resigned as a Director and consequently as a Chairman with effect from 1st July, 2019.

@ Ms. Rama Bijapurkar has been appointed as Additional Independent Director with effect from 1st April, 2019.

\$ Mr. Sudip Bandyopadhyay has been appointed as Additional Independent Director with effect from 1st June, 2019.

^ Mr. Rajiv Gulati has been appointed as Additional Independent Director with effect from 26th July, 2019.



NOTICE OF MEETING

NOTICE is hereby given that the Eighty Eighth Annual General Meeting of VST INDUSTRIES LIMITED will be held at Hotel Taj Krishna, Road No. 1, Banjara Hills, Hyderabad – 500 034 on **Wednesday, 28th August, 2019 at 9.30 a.m.** for transacting the following business :

ORDINARY BUSINESS

1. To consider and adopt the Audited Financial Statements of the Company for the year ended 31st March, 2019, and the Reports of the Board of Directors and Auditors.
2. To declare a Dividend on the Equity Shares for the year ended 31st March, 2019.
3. 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

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

"RESOLVED THAT Mr. Naresh Kumar Sethi [DIN:08296486], a nominee of the Raleigh Investment Company Limited, a British American Tobacco group Company who was appointed as a Director of the Company with effect from 14th December, 2018 in the place of Mr. Ramakrishna V. Addanki [DIN:07147591], and who vacates office at the ensuing Annual General Meeting, be and is hereby appointed as a Director of the Company in terms of Sections 152 & 160 of the Companies Act, 2013 as amended, whose period of office shall be liable to determination by retirement of Directors by rotation."

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

"RESOLVED THAT pursuant to Section 149, 152 & 160 read with Schedule IV of the Companies Act, 2013 and Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, Ms. Rama Bijapurkar [DIN:00001835] be and is hereby appointed as an Independent Director of the Company for a period of five years from 1st April, 2019 to 31st March, 2024 or for such other period as may be determined by applicable statutes or regulations."

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

"RESOLVED THAT pursuant to Section 149, 152 & 160 read with Schedule IV of the Companies Act, 2013 and

Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, Mr. Sudip Bandyopadhyay [DIN:00007382] be and is hereby appointed as an Independent Director of the Company for a period of five years from 1st June, 2019 to 31st May, 2024 or for such other period as may be determined by applicable statutes or regulations."

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

"RESOLVED THAT pursuant to Section 149, 152 & 160 read with Schedule IV of the Companies Act, 2013 and Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, Mr. Rajiv Gulati [DIN:06820663] be and is hereby appointed as an Independent Director of the Company for a period of five years from 26th July, 2019 to 25th July, 2024 or for such other period as may be determined by applicable statutes or regulations."

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

"RESOLVED THAT pursuant to Section 197 of the Companies Act, 2013 as amended, approval be and is hereby accorded for a variation in the terms of remuneration paid / payable to Mr. Devraj Lahiri (DIN: 03588071), Managing Director, with effect from 1st November, 2018 and a further variation with effect from 1st April, 2019, as set out in the Explanatory Statement annexed to the Notice convening this Meeting."

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

"RESOLVED THAT pursuant to Section 197 of the Companies Act, 2013 and Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, approval be and is hereby accorded to the remuneration payable to Mr. Naresh Kumar Sethi [DIN:08296486], Non-Executive Director, in addition to the remuneration as applicable to the other Non-Executive Directors of the Company for a period of up to 3 years with effect from 1st August, 2019 within the applicable limits prescribed under the Companies Act, 2013 and SEBI Regulations as amended and more specifically set out in the Explanatory Statement annexed to the Notice convening this Meeting."

10. To consider and, if thought fit, to pass with or without



NOTICE OF MEETING

modification(s), the following Resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to Section 197 of the Companies Act, 2013 and Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, approval be and is hereby accorded to the remuneration payable to Mr. S. Thirumalai [DIN:00011899], Non-Executive Director, in addition to the remuneration as applicable to the other Non-Executive Directors of the Company for a period of up to 3 years with effect from 1st August, 2019 within the applicable limits prescribed under the Companies Act, 2013 and SEBI Regulations as amended and more specifically set out in the Explanatory Statement annexed to the Notice convening this Meeting.”

NOTES :

1. In accordance with Section 102 of the Companies Act, 2013, Statement setting out the material facts in respect of Special Business is to be annexed to the Notice of the Meeting.

2. **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 or Member.

3. The Register of Members of the Company shall remain closed from Wednesday, 21st August, 2019 to Wednesday, 28th August, 2019 (both days inclusive) for payment of dividend, if declared.

Valid transfer of shares received at the office of Registrar and Transfer Agents of the Company, M/s. Karvy Fintech Private Limited, before the close of business hours on 20th August, 2019 will be registered in time for the transferees to become eligible for 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 28th August, 2019 or to their mandatees, subject however to the provisions of Section 126 of the Companies Act, 2013 or any amendment thereto or re-enactment thereof. In respect of dematerialized shares the dividend will be payable on the basis of beneficial ownership as on 20th August, 2019, as per details to be furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for this purpose.

4. Corporate members are requested to send, a duly certified copy of the Board Resolution pursuant to Section 113 of the Companies Act, 2013 authorizing their representative to attend and vote on their behalf at the AGM.
5. Brief profile of the Directors proposed to be appointed/re-appointed is given in the Directors' Report. None of the Directors is related to one another.
6. Members holding shares in physical form should inform the Company's Registrar and Transfer Agents, M/s. Karvy Fintech Private Limited of any change in their registered address, mandate/bank details/e-mail address. Similarly, Members holding shares in electronic form should inform their Depository Participants (DP) of any change in their registered address, mandate/bank details/e-mail address.
7. The shares of the Company are under compulsory demat trading. Members holding shares in physical form are requested to convert their shares into dematerialized form in their own interest and for their convenience. As per SEBI Notification No. SEBI/LAD-NRO/GN/2018/24 dated June 8, 2018 and further amendment vide Notification No. SEBI/LAD-NRO/GN/2018/49 dated November 30, 2018, requests for effecting transfer of securities (except in case of transmission or transposition of securities) shall not be processed from April 1, 2019 unless the securities are held in the dematerialized form with the depositories.
8. SEBI has directed listed companies to use electronic payment modes such as NEFT, RTGS, ECS etc., for payment to the investors. Members are requested to update their bank details such as MICR, IFSC code etc., with the Registrar and Transfer Agents, M/s. Karvy Fintech Private Limited by submitting a cancelled cheque, while Members holding shares in electronic form are requested to update such bank details with their respective Depository Participants.
9. Members who have multiple folios in identical names or joint names in the same order are requested to intimate the Registrar and Transfer Agents, M/s. Karvy Fintech Private Limited about these folios to enable consolidation of all such shareholdings into one folio.



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10. The Securities and Exchange Board of India (SEBI) vide circular ref no. MRD/DoP/CIR-05/2007 dated April 27, 2007, made PAN the sole identification number for all participants transacting in the securities market, irrespective of the amount of transaction. In continuation of the aforesaid circular, it is hereby clarified that for securities market transactions and off market/private transactions involving transfer of shares of listed companies in physical form, it shall be mandatory for the transferee(s) to furnish copy of PAN card to the Company/Registrar and Share Transfer Agent for registration of such transfer of shares.
11. 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 the Companies Act, 2013 can be obtained from the Registrar and Transfer Agent or can be downloaded from the Company's website www.vsthyd.com.
12. 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 Registrar and Share Transfer Agents as mentioned above, or to 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 Companies Act, 2013, 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 aforesaid Act, and applicable Rules thereunder.
13. Members are requested to bring their copy of the Annual Report to the Meeting.
14. 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.**
15. 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.
16. Pursuant to Section 108 of Companies Act, 2013 read with Rule 20 of Companies (Management and Administration) Rules, 2014 as substituted by the Companies (Management and Administration) Amendment Rules, 2015 and Clause 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, 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 as a separate attachment to this Notice.
17. The facility for voting, either through electronic voting system or ballot or polling paper shall also be made available at the Meeting and Members attending the Meeting who have not already cast their vote by remote e-voting shall be able to exercise their right at the Meeting.
18. The Members who have cast their vote by remote e-voting prior to the Meeting may also attend the Meeting but shall not be entitled to cast their vote again.
The Company has appointed Mr. Tumuluru Krishnamurty or failing him Mr. B.V. Saravana Kumar, Company Secretaries in Practice, who in the opinion of the Board are duly qualified persons, as a Scrutinizer who will scrutinize the electronic voting process in a fair and transparent manner. The Scrutinizer shall within a period of three days from the date of conclusion of the meeting, submit his report of the votes cast in favour or against, if any, to the Chairman of the Company and the result of the same will be disclosed forthwith. The Company has appointed M/s. Karvy Fintech Private Limited as the Agency for the purpose of facilitating the electronic voting.
19. Pursuant to Section 101 and Section 136 of the Companies Act, 2013 read with the Companies (Management and Administration Rules), 2014, companies can serve Annual Reports and other communications through electronic mode to those Members who have registered their e-mail address either with the Company or with the Depository. Members who have not registered their e-mail address with the Company are requested to submit their request with their valid e-mail address to M/s Karvy Fintech Private Limited. Members holding shares in demat form are requested to register/update their e-mail address with their Depository Participant(s) directly. The Members will be entitled to a physical copy of the Annual Report for the financial year 2018-19, free of cost upon sending a written request either to the Company or to the Registrar & Transfer Agent.

By Order of the Board

PHANI K. MANGIPUDI
Company Secretary

Dated this 26th day of July, 2019
Azamabad, Hyderabad-500 020.



NOTICE OF MEETING

Statement pursuant to Section 102(1) of Companies Act, 2013

Item No. 4

Mr. Naresh Kumar Sethi [DIN:08296486], a nominee of the Raleigh Investment Company Limited, a British American Tobacco group Company was appointed as a Director of the Company with effect from 14th December, 2018 in the casual vacancy arising out of resignation of Mr. Ramakrishna V. Addanki [DIN:07147591] as per the recommendation of the Nomination & Remuneration Committee.

Mr. Naresh Kumar Sethi's [53 years] career spans 29 years as a Global Marketer, General Manager and Strategy Transformation Officer. He has held various marketing roles in India, Indonesia, West Africa Area and Australasia prior to moving to Japan as President of British American Tobacco, Japan. In December 2011, Mr. Sethi became the first Indian/Asian to be appointed to the Management Board of British American Tobacco reporting to the CEO. In 2013, he became the Director for the Western Europe Region. In 2017 he was appointed as the Business Development Director responsible for Strategy, Enterprise Transformation, Global IT and Global Business Services. He was also responsible for the integration of recently acquired Reynolds American. Mr. Sethi has also been on the advisory Board of Hands On Tokyo, a Non-Profit organization based in Tokyo.

Mr. Sethi is a chemical engineer from Indian Institute of Technology, Varanasi and has an MBA from the Indian Institute of Management, Calcutta, India.

The consent pursuant to Section 152(5) of the Companies Act, 2013, to act as a Director if appointed, has been received from Mr. Naresh Kumar Sethi. Mr. Sethi does not hold any shares in the Company.

Additional information in respect of Mr. Sethi, pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [Listing Regulations] and the Secretarial Standard on General Meetings is included in the Directors' Report and its Annexures.

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

The Board recommends this item of business for your approval.

Item No. 5

The Board of Directors at their Meeting held on 12th March, 2019, considering the requisite qualifications and experience

and based on the recommendation of the Nomination & Remuneration Committee, approved the appointment of Ms. Rama Bijapurkar [DIN:00001835], as an Additional (Independent) Director of the Company, subject to the approval of the shareholders. The appointment is with effect from 1st April, 2019 for a period of five years up to 31st March, 2024 in terms of Section 149 read with Schedule IV of the Companies Act, 2013 and Regulation 17 of the Listing Regulations, as amended.

The Board has evaluated the veracity of the declarations provided by Ms. Bijapurkar and confirm that in the opinion of the Board, she fulfills the criteria of independence prescribed under Section 149 of the Companies Act, 2013 and Regulation 16(1)(b) of the Listing Regulations, as amended.

Ms. Rama Bijapurkar [62 years] is a recognized thought leader on market strategy and India's consumer economy. She has an independent management consulting practice and works with a range of global and domestic companies, across sectors, helping them in the development of their business-market strategy. She is an experienced Independent Director and has served on the boards of several of India's blue chip companies.

She is a chairperson and co-founder of People Research on India's Consumer Economy, a not-for-profit think tank and fact tank, dedicated to providing 'household and people-level' data and insights for business strategy and public policy. She has been a member of the governing council of the Banking Codes and Standards Board of India (set up by the banking regulator), and of the Eminent Persons Advisory Group of the Competition Commission of India. She has been a regular visiting faculty at the Indian Institute of Management, Ahmedabad (IIMA), her alma mater, and has till recently served on its Board of Governors. Ms. Bijapurkar is a dominant voice in the Indian media on business and policy issues. She is also the author of several books on consumerism.

Ms. Bijapurkar holds a B.Sc.(Hons) degree in Physics from Delhi University and a post graduate diploma in management from the Indian Institute of Management, Ahmedabad (1975-1977). Prior to setting up her own consulting practice, she worked in market research and strategy consulting with MARG (now Nielsen India), Mode Services (now TNS India), McKinsey & Company and as a full time consultant with Hindustan Lever Limited.

The consent pursuant to Section 152(5) of the Companies



NOTICE OF MEETING

Act, 2013 to act as Director if appointed, has been received from Ms. Rama Bijapurkar. Ms. Bijapurkar does not hold any shares in the Company.

Additional information in respect of Ms. Bijapurkar, pursuant to the Listing Regulations and the Secretarial Standard on General Meetings is included in the Directors' Report and its Annexures.

None of the Directors or Key Managerial Personnel or their relatives other than Ms. Rama Bijapurkar has any concern or interest, financial or otherwise in this Resolution.

The Board recommends this item of business for your approval.

Item No. 6

The Board of Directors at their Meeting held on 3rd May, 2019, considering the requisite qualifications and experience and based on the recommendation of the Nomination & Remuneration Committee, approved the appointment of Mr. Sudip Bandyopadhyay [DIN:00007382], as an Additional (Independent) Director of the Company, subject to the approval of the shareholders. This is with effect from 1st June, 2019 for a period of five years up to 31st May, 2024 in terms of Section 149 read with Schedule IV of the Companies Act, 2013 and Regulation 17 of the Listing Regulations, as amended.

The Board has evaluated the veracity of the declarations provided by Mr. Bandyopadhyay and confirm that in the opinion of the Board, he fulfils the criteria of independence prescribed under Section 149 of the Companies Act, 2013 and Regulation 16(1)(b) of the Listing Regulations, as amended.

Mr. Sudip Bandyopadhyay [55 years] 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. His more than three decades of professional stint with large organisations has provided him with rich experience & expertise in the areas of finance and financial markets including equity, commodity and currency markets, trading, lending, distribution etc.

After qualification, Mr. Bandyopadhyay joined Hindustan Lever Limited and then spent 16 years with ITC Limited in various roles including a long stint as Head of Treasury and Strategic Investments. He managed investments in excess of \$1.5 billion and all treasury operations including capital, currency and money markets for ITC. Mr. Bandyopadhyay was also responsible for the acquisition of strategic stakes in multiple companies by ITC Limited.

Post ITC, Mr. Bandyopadhyay was the Managing Director of Reliance Money and also on the Board of several Reliance ADA Group companies. He was instrumental in leading Reliance Anil Dhirubhai Ambani Group's foray, amongst others, into Financial Products Distribution, Commodity Exchanges, Money Changing and Money Transfer. Under his leadership, Reliance Money had aggressively expanded its footprint in India and across the globe. He was also responsible for the acquisition of AMP Sanmar through which Reliance launched its Life Insurance business.

Thereafter, Mr. Bandyopadhyay was appointed as the Managing Director and CEO of Destimoney, a full service financial organization, promoted by New Silk Route—an Asia focused growth capital private equity firm with over \$1.4 billion under management.

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.

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

Additional information in respect of Mr. Bandyopadhyay, pursuant to the Listing Regulations and the Secretarial Standard on General Meetings is included in the Directors' Report and its Annexures.

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

The Board recommends this item of business for your approval.

Item No. 7

The Board of Directors at their Meeting held on 26th July, 2019, considering the requisite qualifications and experience and based on the recommendation of the Nomination & Remuneration Committee, approved the appointment of Mr. Rajiv Gulati [DIN:06820663], as an Additional (Independent) Director of the Company, subject to the approval of the shareholders. This is with effect from 26th July, 2019 for a period of five years up to 25th July, 2024 in terms of Section 149 read with Schedule IV of the Companies

**NOTICE OF MEETING**

Act, 2013 and Regulation 17 of the Listing Regulations, as amended.

The Board has evaluated the veracity of the declarations provided by Mr. Gulati and confirm that in the opinion of the Board, he fulfils the criteria of independence prescribed under Section 149 of the Companies Act, 2013 and Regulation 16(1)(b) of the Listing Regulations, as amended.

Mr. Rajiv Gulati [62 years] is an Independent Consultant advising several PE firms such as Multiples, Capital Group, Samara etc. in making judicious investments in the Pharmaceutical sector. Mr. Gulati serves on Advisory Board of Infinion Biopharma. Mr. Gulati has been an Independent Director on the Board of Pharmaceutical companies such as Eris Life Sciences and UTH. He is also mentoring Essentium Phygen, a unique consumer health company.

Prior to this, Mr. Gulati was President-Global Pharmaceuticals Business, for Ranbaxy Laboratories Limited, located at their Global Headquarters from April 2011 to November 2014. Before joining Ranbaxy in April 2011, he was Global Head of Anti-counterfeiting operations of Eli Lilly and Company, USA and has done pioneering work in helping fight the menace of fake medicines.

Mr. Gulati has also been the Head of Emerging Market Strategy, as part of Corporate Strategic planning function for Eli Lilly & Company working at their Global Head Office at Indianapolis, USA. Mr. Gulati has also been the Chairman and Managing Director of Eli Lilly in India and several South Asian Countries.

Mr. Gulati is a well-known veteran with three decades of rich Pharma industry experience. He has completed his Masters in Pharmaceutical Technology from IIT-Varanasi and MBA from IIM, Ahmedabad. He enjoys teaching and has delivered lectures at Wharton Business School – U Penn, Kelley Business School – IU, Booth – University of Chicago and has been part of external Advisory Board of College of Business and Economics, Australian National University. He has been Pharma Chair of American Chamber of Commerce and Indo American Chamber of Commerce in the past. Currently Mr. Gulati serves as Trustee of Delhi Pharmaceutical Trust.

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

Additional information in respect of Mr. Gulati, pursuant to the Listing Regulations and the Secretarial Standard on

General Meetings is included in the Directors' Report and its Annexures.

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

The Board recommends this item of business for your approval.

Item No. 8

The Board of Directors of the Company at their Meeting held on 31st October 2017, on the recommendation of the Nomination & Remuneration Committee, approved the appointment of Mr. Devraj Lahiri as the Managing Director of the Company with effect from 28th November, 2017 to 27th November, 2022 subject to the approval of the shareholders. The shareholders, at the eighty seventh Annual General Meeting held on 28th September, 2018, approved the appointment along with the terms and conditions.

The Board of Directors at their Meetings held on 1st November, 2018 and 12th March, 2019, based on the recommendation of the Nomination & Remuneration Committee, approved, subject to the approval of the Shareholders, a variation to the Consolidated salary and Other allowance to the extent modified below, to the original terms of remuneration of Mr. Lahiri for the residual period of his present term of appointment:

Period	Description	Amount
1st November, 2018 to 31st March, 2019	Consolidated Salary per month	₹ 6,25,000/-
1st April, 2019 till the residual period of his present term of appointment	Consolidated Salary per month	₹ 8,73,000/-
	Other Allowance	Not exceeding 50% of Consolidated Salary, payable monthly, as may be determined by the Board from time to time.

The other terms of remuneration of Mr. Lahiri, as approved by the Members at the 87th Annual General Meeting held on 28th September, 2018, remain unchanged.

The above may be treated as a modification to the written memorandum setting out the terms of appointment of Mr. Devraj Lahiri under Section 190 of Companies Act, 2013.

Mr. Devraj Lahiri [46 years] is a Commerce Graduate from St. Xavier's College, Kolkata and Masters in Business Administration from Indian Institute of Social Welfare and



NOTICE OF MEETING

Business Management, Kolkata. He joined the Company in the year 2001 and has made significant contributions during his association with the Company. He was elevated to the level of Marketing Head and was appointed as a Wholtime Director of the Company with effect from 1st August, 2011. He is a member of the CSR Committee, Stakeholders Relationship Committee and Risk Management Committee of the Company and is also a Director on the board of The Tobacco Institute of India. He has been instrumental in the growth of the Company and has successfully launched various new brands. Mr. Lahiri does not hold any shares in the Company and is not related to any other Director of the Company.

Apart from Mr. Devraj Lahiri, Managing Director who is interested in his remuneration, none of the other Directors and Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested financially or otherwise in this item of business.

The Board recommends this item of business for your approval.

Item No. 9

The Board of Directors at their Meeting held on 14th December, 2018 approved the appointment of Mr. Naresh Kumar Sethi as a Director in the casual vacancy caused by the resignation of Mr. Ramakrishna V. Addanki. He is being regularized as a Director whose period of office shall be liable to determination by retirement of Directors by rotation in this Annual General Meeting.

The Board of Directors at their Meeting held on 26th July, 2019, on the recommendation of the Nomination & Remuneration Committee, considering the rich experience of Mr. Sethi in the global tobacco industry at top executive positions coupled with specialized knowledge in the core business activity of the Company, which it wishes to leverage and benefit from his guidance and also considering his enlarged role as the Non-Executive Chairman, approved an annual prorated remuneration up to ₹ 1.25 crores payable monthly from 1st August, 2019 for a period up to 3 years subject to the approval of the shareholders.

In addition to receiving the sitting fees for attending the Meetings of the Board and Committees thereof, Mr. Naresh Kumar Sethi would be entitled to remuneration by way of commission to the Non-Executive Directors as approved by the Members at the 87th Annual General Meeting of the Company.

The total remuneration, including commission to be paid to the Non-Executive Directors of the Company shall not exceed 1% of the Company's net profits in terms of Section 197 and computed under Section 198 of the Companies Act, 2013 and shall be in compliance with the provisions of Regulation 17(6)(ca) of the Listing Regulations as amended.

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

The Board recommends this item of business for your approval.

The Board recommends this item of business for your approval.

Item No. 10

Mr. S. Thirumalai, the Independent Director of the Company, is being reclassified as the 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. His office is now subject to determination of Directors liable to retire by rotation. The Board of Directors at their Meeting held on 26th July, 2019 approved this reclassification.

Mr. Thirumalai [70 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 specializes in Finance, Taxation and Legal affairs, especially in the tobacco sector.

The Board of Directors, basis the recommendation of the Nomination & Remuneration Committee, and considering his vast and diversified experience, approved, an annual prorated remuneration up to ₹ 25 lakhs payable monthly from 1st August, 2019 for a period up to 3 years subject to the approval of the shareholders.

In addition to receiving the sitting fees for attending the Meetings of the Board and Committees thereof, Mr. S. Thirumalai would be entitled to remuneration by way of commission to the Non-Executive Directors as approved by the Members at the 87th Annual General Meeting of the Company.

The total remuneration, including commission to be paid to the Non-Executive Directors of the Company shall not exceed 1% of the Company's net profits in terms of Section 197 and computed under Section 198 of the Companies Act, 2013 and shall be in compliance with the provisions of Regulation 17(6)(ca) of the Listing Regulations, as amended.

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 recommends this item of business for your approval.

By Order of the Board

PHANI K. MANGIPUDI

Dated this 26th day of July, 2019 Company Secretary
Azamabad, Hyderabad - 500 020.



NOTICE OF MEETING

INSTRUCTIONS FOR REMOTE E-VOTING

1. Use the following URL for e-voting from Karvy website : <https://evoting.karvy.com>.
2. Members of the Company holding shares either in physical form or in dematerialized form, as on 20th August, 2019, the cut off date may cast their vote electronically.
3. Enter the login credentials [i.e., user id and password mentioned in the Attendance Slip enclosed with this Notice]. Your Folio No/DP ID Client ID will be your user ID.
4. After entering the details appropriately, click on LOGIN.
5. You will reach the password change menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. The system will prompt you to change your password and update any contact details like mobile, email etc on first login. You may also enter the secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
6. You need to login again with the new credentials. On successful login, the system will prompt you to select the EVENT i.e., VST Industries Limited.
7. On the voting page, enter the number of shares as on the cut off date under FOR/AGAINST or alternately you may enter partially any number in FOR and partially in AGAINST but the total number in FOR/AGAINST taken together should not exceed the total shareholding. You may also choose the option ABSTAIN.
8. Members holding multiple folios/demat account shall choose the voting process separately for each folio/demat account.
9. 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.
10. Once the vote on the resolution is cast by the Member, he/she shall not be allowed to change it subsequently.
11. The Portal will be open for voting from 9.00 a.m. on 24th August, 2019 and closes at 5.00 p.m. on 27th August, 2019.
12. Members of the Company who have purchased their shares after the dispatch of the Notice but before the cut off date (20th August, 2019) may contact M/s. Karvy Fintech Pvt Ltd at Tel No. 1800 345 4001 (toll free) to obtain login id and password.
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.karvy.com> or contact M/s. Karvy Fintech Pvt Ltd at Tel No. 1800 345 4001 (toll free).



NOTICE OF MEETING

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

[Pursuant to Regulation 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. Naresh Kumar Sethi	Ms. Rama Bijapurkar	Mr. Sudip Bandyopadhyay
DIN	08296486	00001835	00007382
Age	53 years	62 years	55 years
Date of first appointment on the Board	14.12.2018	1.4.2019	1.6.2019
Qualifications	- Chemical Engineer from IIT Varanasi - MBA from IIM Calcutta	- B.Sc (Hons) in Physics from Delhi University - PGDM from IIM, Ahmedabad	Chartered Accountant and Cost Accountant. A gold medalist from Calcutta University.
Number of Meetings of the Board attended during the year	2	NA	NA
List of Directorships of other Indian companies	Nil	1. Nestle India Limited 2. Emami Limited 3. ICICI Bank Limited 4. Mahindra and Mahindra Financial Services Limited 5. National Payments Corporation of India 6. People Research on India's Consumer Economy	1. InditradeRobocash Private Limited 2. Inditrade Housing Finance Limited 3. Inditrade Community Foundation 4. Inditrade Microfinance Ltd. 5. JRG Fincorp Limited 6. Securevalue India Limited 7. Totalstart Entrepreneurship Ecosystem Developers 8. Wall Street Finance Limited 9. AGS Transact Technologies Limited 10. India Transact Services Limited
List of Memberships/Chairmanships of Committees of other Board	Nil	Nestle India Limited Stakeholders Relationship Committee-Chairperson CSR Committee-Member Mahindra and Mahindra Financial Services Limited Risk Management Committee-Member Audit Committee-Member Stakeholders Relationship Committee - Chairperson CSR Committee-Member National Payments Corporation of India Business Strategy Committee-Chairperson CSR Committee-Member ICCI Bank Limited CSR Committee-Member	Inditrade Microfinance Limited Asset Liability Management Committee-Member JRG Fincorp Limited Audit Committee-Member Nomination & Remuneration Committee-Member CSR Committee-Member Omaxe Limited Audit Committee-Member Nomination & Remuneration Committee - Chairman CSR Committee-Member Investor Grievances cum Stakeholders Relationship Committee - Chairman Securevalue India Limited Audit Committee-Member Nomination & Remuneration Committee-Member CSR Committee-Member Wall Street Finance Limited Audit Committee-Member Share Transfer cum Stakeholders Relationship Committee - Member Compensation cum Nomination and Remuneration Committee - Member CSR Committee-Member AGS Transact Technologies Limited Audit Committee-Chairman Nomination & Remuneration Committee-Member Stakeholders Relationship Committee - Chairman IPO Committee - Chairman Management Committee-Member India Transact Services Limited Audit Committee - Chairman Nomination & Remuneration Committee-Member Management Committee-Member

**NOTICE OF MEETING**

Name of the Director	Mr. Rajiv Gulati	Mr. S. Thirumalai	Mr. Devraj Lahiri
DIN	06820663	00011899	03588071
Age	62 years	70 years	46 years
Date of first appointment on the Board	26.7.2019	20.10.2005	1.11.2011
Qualifications	<ul style="list-style-type: none">- Masters in Pharmaceutical Technology from IIT Varanasi- MBA from IIM, Ahmedabad.	<ul style="list-style-type: none">- 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	<ul style="list-style-type: none">- Commerce graduate from St. Xavier's College, Kolkata- MBA from Indian Institute of Social Welfare and Business Management, Kolkata
Number of Meetings of the Board attended during the year	NA	8	8
List of Directorships of other Indian companies	<ol style="list-style-type: none">1. Eliph Nutrition Pvt. Limited2. Vedic Herbonatics Pvt. Limited	Nil	The Tobacco Institute of India
List of Memberships/ Chairmanships of Committees of other Board	Nil	Nil	Nil



NOTICE OF MEETING



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, 2019

VST Industries Limited

The Directors of your Company have pleasure in presenting before you the Annual Report together with the Audited Statements of Accounts for the year ended 31st March, 2019.

Financial Summary	(₹ Lakhs)	
	2018-19	2017-18
Revenue from Operations	122301	138326
Profit after Tax	22684	18189
Retained earnings brought forward from previous year	32358	29008
Balance available for Appropriation	55042	47197
Amount transferred to General Reserves	2250	900
Dividend paid	11967	11581
Corporate Dividend Taxthereon	2460	2358
Balance in retained earnings	<u>38365</u>	<u>32358</u>
KEY RATIOS		
Earnings Per Share (₹)	146.90	117.79
Dividend Per Share (₹)	77.50	75.00

- **Value creation during the decade has been Compounded Annual Growth Rate (CAGR), 13.8% in Earnings Per Share (EPS) and 10.0% in Dividend Per Share (DPS).**

DIVIDEND AND TRANSFER TO GENERAL RESERVE

The Directors are pleased to recommend a dividend of ₹ 95/- 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 ₹ 2250 lakhs to General Reserve.

Pursuant to Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (hereinafter referred to as the 'Listing Regulations') the Company adopted a Dividend Distribution Policy in terms of the requirement which is annexed to this report as **Annexure C**. The Policy is available on the Company's website at <http://www.vsthyd.com/i/Dividend-Distribution-Policy.pdf> and forms a part of this Report.

MATERIAL CHANGES AND COMMITMENTS

Except as disclosed elsewhere in the Report, there have been no material changes and commitments made between the end of the financial year of the Company and the date of this Report. There has also 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, 2019 was ₹ 1544.19 lakhs. The Company has neither issued shares with differential rights as to dividend, voting or otherwise nor issued shares (including sweat equity shares) to the employees or Directors of the Company, under any Scheme.

No disclosure is required under Section 67(3)(c) of Companies Act, 2013 in respect of voting rights not exercised

directly by the employees of the Company as the provisions of the said Section are not applicable.

MANAGEMENT DISCUSSION & ANALYSIS REPORT (MD&A)

Based on feedback from shareholders 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 STRUCTURE & DEVELOPMENT

After a sustained period of volume decline, industry witnessed a recovery in 2018-19 post GST stabilization.

However, exponential tax hikes in the previous years have significantly increased the gap between legal and non-duty paid cigarettes. This price distortion has had a severe adverse impact on legal players.

Your company continues to engage with key stakeholders for evidence based, non-discriminatory taxation and regulations that safeguard livelihoods and legal industry, while balancing economic interests and tobacco control measures.

COMPANY PERFORMANCE

In 2018-19, your Company registered an impressive performance with growth in both volume and value terms. In the process, your Company has strengthened its market position basis performance of key trademarks and increased geographic footprint.

Your Company's strategy of portfolio expansion through new age brands, Editions and Total, has resulted in



REPORT OF THE BOARD OF DIRECTORS

significant volume growth in existing and new markets. Heritage brands such as Red Charms and Red Special continue to deliver strong performance in respective markets.

Your Company remains committed to nurture and develop a vibrant brand portfolio appealing to consumers across socio economic strata in various geographies. It is also your Company's ongoing endeavor to further strengthen its presence in existing markets and enter new geographies through continued investments in distribution infrastructure and robust trade relationships.

LEAF TOBACCO

Your Company's leaf function has registered another year of strong performance. Your Company has procured quality tobaccos for own manufacturing and is continuing domestic sales in addition to exports, by leveraging its expertise in all varieties of tobaccos.

The focus is on the development of new varieties and high nicotine tobaccos in view of the changing requirements of tobacco in the international market with established customers.

In the backdrop of changing climatic conditions, wherein farming community is unable to realize their investment in agriculture, your Company is keeping the farmers' interest at high level continuously to sustain the tobacco cultivation. This also has helped to develop backward regions of growing area.

It is satisfying to note that your Company's farmers continue to grow tobacco with the lowest pesticide residue levels and low TSNA's (Tobacco

Specific Nitrosamines) that are well within international standards.

As part of commitment to Social and Economic upliftment of Companies' tobacco growing area, your Company has great pride in sponsoring the initiatives like House Hold Toilets and Solar street lighting with an aim to ensure higher standard of living. Five villages were declared open defecation free and efforts are on for bringing more villages into this fold.

PRODUCTION AND PLANT MODERNISATION

Your Company continues to give competitive edge to its products in the market place, by offering innovative products to consumers, which have been well received. The focus at the plants has been to enhance capital efficiencies and cost optimization.

RESEARCH & DEVELOPMENT ACTIVITY

Your Company continued to focus on R&D activity, by way of developing blends with innovative variants for new brands, which have been well accepted by consumers in market place.

The R&D lab of your Company received "Certificate of continuation" of ISO 17025:2005, from NABL, Quality Council of India, Govt. of India, for the year 2018-19.

HUMAN RESOURCE DEVELOPMENT

Your Company's Human Resource Management focus continues to attract and retain the best talent, in an increasingly competitive market place.

VST recognizes people as the primary source of its competitiveness and

continues to focus on talent development by sharpening their skills & managerial competencies for current and future roles. Various initiatives in this regard have been taken. Sustainable and profitable growth can only be achieved by putting in place a performance oriented culture and highly engaged workplace for the employees. Focused efforts are put in this regard, to empower individuals realize their potential.

Your Company has worked on engagement strategy initiatives at multiple levels to motivate & engage the employees. In this regard, your Company has implemented organization wide intervention like conducting an Employee Engagement survey, which captures the opinions and perception of employees on critical workplace factors. The Employee Engagement score was at par with the best in class score in the Industry.

As on 31st March, 2019, your Company's workforce was 782 employees, with 345 Management staff and 437 Workmen.

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 there under. No cases were filed during the year under the above Act.

ENVIRONMENT, HEALTH & SAFETY (EHS) AND COMMUNITY SERVICES

305 employees and 23 contractors and contract workmen have undergone EHS training and 156 employees and 30 contract workmen have undergone



REPORT OF THE BOARD OF DIRECTORS

firefighting training. Mock drills were also conducted for workers and management during the period to comply with the Company's EHS guidelines.

Quarterly and Annual EHS audits of the Company's operations were carried out to ensure compliance of EHS requirements. ISO 14001:2015 & OHSAS 18001:2007 surveillance Audit was held at Azamabad & Toopran premises by M/s.Rina India Pvt. Ltd. and received continuation certificate for ISO 14001:2015 & OHSAS 18001:2007 for both premises, at Azamabad & Toopran.

Your Company received "Safety Innovation Award 2018" from Institute of Engineers, New Delhi.

CFO Renewal received for Azamabad factory was from TSPCB for the period of 5 years - 2018 to 2023.

FINANCE

a. Profits

The Profit after Tax of your Company for the year is ₹ 226.8 crores.

b. Treasury Operations

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

There are no significant changes (change of 25% or more as compared to the immediately previous financial year) in the key financial ratios of the Company including those listed out and specified under Schedule V (B)(1)(i) read with Regulation 34(3) of the Listing Regulations as amended.

There has been a positive change to the Return on Net worth by about 9.3 percentage points as compared to the previous year primarily due to improved performance of the

Company and efficient utilization of the shareholder resources.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The Company has not taken any loans or given guarantees or made investments in any other Company as prescribed 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 "FAAA/Stable" for Fixed Deposit Schemes, "AA+/Stable" for Long Term Non-convertible Debentures and "A1+" for Non-fund based liabilities (Letter of Credit and Bank Guarantee). Your Company has stopped accepting fresh deposits for the past several years.

UNCLAIMED DIVIDENDS

Pursuant to the provisions of Sections 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, 2011 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, 2018 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, 2019 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 the IEPF Authority (Accounting, Audit, Transfer and Refund) Second Amendment Rules, 2017 by transferring 10,640 shares (118 shareholders) on 12th October, 2018.

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, 2019 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 Auditor's 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 and Committee meetings are pre-scheduled and a tentative



REPORT OF THE BOARD OF DIRECTORS

calendar of the meetings finalized in consultation of the Directors are circulated to them in advance to facilitate them to plan their schedule. However, in case of special and urgent business needs, the approval is obtained by way of circular resolution. During the year eight Board Meetings and six Audit Committee Meetings were convened and held. The details of the meetings including composition of Audit Committee are given in the Corporate Governance Report. During the year, all the recommendations of the Audit Committee were accepted by the Board.

INTERNAL 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 organization. Over a period of three years, the business processes of your Company is reviewed through an internal audit process which reviews the systems on a continuous basis. The objective being to identify potential risk

areas and come up with a comprehensive risk mitigation plan.

The Audit Committee of your Board met six 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 observation 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 and when required.

Risk Management

During the year, your Company has constituted the Risk Management Committee as mandated by SEBI for top 500 listed entities which was to be effective from 1st April, 2019. 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 will be the Secretary of the Committee.

Your Company has always endeavored to bring together elements of best practices for risk management in relation to existing and emerging risks faced by it at both strategic 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



REPORT OF THE BOARD OF DIRECTORS

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 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 build-up through investments in distribution infrastructure to increase geographical spread.

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

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

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

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

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

Such risks are mitigated through investment based on principle of Safety; Liquidity & Returns (SLR) and with institutions having strong short-term and long-term ratings assigned by CRISIL.

- (v) **Data risks**

The loss or misuse of sensitive

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

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Your Company has formulated a Corporate Social Responsibility Policy with the objective to promote inclusive growth and equitable development of identified areas by contributing back to the society. Over the years, your Company has been involved in various social activities focusing on Health & Sanitation like construction of toilets under Swachh Ghar mission, etc.

The Company has with the help of Gramalaya, a non-profit organization constructed toilets in individual homes (of farmers living) in and around Jogulamba and Gadwal districts of Telangana where your Company has its operations, under the 'Swachh Ghar' program of your Company. In addition to construction of toilets, the villages and the communities in the area are also sensitized about the importance of health & sanitation. Over 800 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.



REPORT OF THE BOARD OF DIRECTORS

Your Company has taken up initiative of installing 30,000 tree guards in the GHMC region (Haritha Haram project, by Govt. of Telangana). Also supporting environment sustainability, your Company has also taken up the identified project of installing 300 solar street lights in villages in Adilabad, Gadwal and Nizamabad districts of Telangana.

In the field of Education, your Company had provided mid-day meals for more than 9000 Government school children & Anganwadi children in Medak region this financial year. Your Company provided necessary school infrastructure like benches in Musheerabad area, 650 benches were given to the schools.

Pursuant to the provisions of Section 135 and Schedule VII of the Companies Act, 2013, the Corporate Social Responsibility (CSR) Committee of the Board of Directors was formed to recommend the policy on Corporate Social Responsibility and monitor its implementation. The composition of the CSR Committee is given in the Annual Report on the CSR activities. The CSR policy is available on the Company's website at : www.vsthyd.com/i/CSRPoly.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 REPORT

The Listing Regulations mandates inclusion of Business Responsibility Report (BRR) as part of the Annual Report for top 500 listed entities based on market capitalization. In compliance with the Regulation, the BRR is provided as part of this Annual 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 an arm's length basis. There were no materially significant related party transactions between your Company and the Directors, Promoters, Key Managerial Personnel and other designated persons which may have a potential conflict with the interest of your Company at large. Prior approval for all the related party transactions is obtained from the Audit Committee.

Form AOC-2 for disclosure of particulars of contracts/arrangements, entered into by your Company with related parties is annexed herewith as **"Annexure D"** 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 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 and Non-Executive Directors. The Board of Directors expressed their satisfaction with the evaluation process.

REMUNERATION POLICY

Nomination & 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 are stated in the Corporate Governance Report. The policy is also placed on the website of the Company and can be viewed at <http://www.vsthyd.com/documents/remuneration-policy.pdf>.

MEETING OF INDEPENDENT DIRECTORS

The performance of the Non-Executive Director, the Chairman and the Board as a whole is done by the Board and the Independent Directors in their exclusive meeting as per the policy formulated by the Board in this regard. In addition, the Independent Directors in such meeting also review their role, functions and duties under the Companies Act, 2013 and the flow of information from the management.

VIGIL MECHANISM

In terms of Section 177 of the Companies Act, 2013, the Company has formulated a Whistle Blower Policy as a vigil mechanism to encourage all employees and directors to report any unethical behavior, actual or suspected fraud or violation of the Company's 'Code of Conduct and Ethics Policy' which also provides for adequate safeguard against victimization of person who use such mechanism and there is a provision for direct access to the chairman of the Audit Committee in appropriate/exceptional cases. The details of the Whistle Blower Policy is given in the Corporate Governance Report and also posted on the Company's website at: www.vsthyd.com/i/WhistleBlowerPolicy.pdf.



REPORT OF THE BOARD OF DIRECTORS

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Directors' Resignation/ Appointment

Mr. Pradeep V. Bhide

Mr. Pradeep V Bhide resigned as Director and Chairman of your Company to be effective from the 1st of July, 2019, being the date of receipt of the resignation letter. The Board of Directors place on record their deep appreciation of the contribution made to your Company by Mr. Pradeep V Bhide during his tenure as a Director.

Mr. Ramakrishna V. Addanki

Mr. Ramakrishna V. Addanki resigned as Non-Executive Director of your Company with effect from 14th December, 2018. The Board of Directors place on record their deep appreciation of the contribution made to your Company by Mr. Ramakrishna V. Addanki.

Mr. Naresh Kumar Sethi

The Board of Directors of your Company at their Meeting held on 14th December, 2018, on the recommendation of Nomination & Remuneration Committee, appointed Mr. Naresh Kumar Sethi as a Non-Executive Director of the Company, in place of Mr. Ramakrishna V. Addanki with effect from 14th December, 2018 i.e, in the casual vacancy resulted, which is subject to the approval of the Members at the ensuing Annual General Meeting.

Independent Directors

Ms. Rama Bijapurkar

During the year under review, subject to the Members' approval, the Board of Directors of your Company at their

Meeting held on 12th March, 2019 on the recommendation of Nomination & Remuneration Committee appointed Ms. Rama Bijapurkar as an Additional (Independent) Director of the Company in accordance with Section 149 of the Companies Act, 2013, with effect from 1st April, 2019 to hold the office for a term of five consecutive years.

Mr. Sudip Bandyopadhyay

The Board of Directors, on the recommendation of the Nomination & Remuneration Committee, at their Meeting held on 3rd May, 2019 appointed Mr. Sudip Bandyopadhyay as an Additional (Independent) Director of the Company in accordance with Section 149 of the Companies Act, 2013, with effect from 1st June, 2019 to hold office for a term of five consecutive years, subject to the approval of the Members.

Mr. Rajiv Gulati

Further, subject to the Members' approval, the Board of Directors on the recommendation of the Nomination & Remuneration Committee, at their Meeting held on 26th July, 2019 appointed Mr. Rajiv Gulati as an Additional (Independent) Director of the Company in accordance with Section 149 of the Companies Act, 2013, with effect from 26th July, 2019 to hold office for a term of five consecutive years.

Apart from the above, Ms. Mubeen Rafat, was appointed as an Independent Director of the Company at the Annual General Meeting held on 12th August, 2014 for a period of five years.

All the Independent Directors have given a declaration in terms of Section 149(6) of the Companies Act, 2013 as

amended and Regulation 25 of the Listing Regulations as amended for the financial year ended 31st March, 2019 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 judgment 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.

Directors retiring by rotation

Mr. S. Thirumalai

Mr. S. Thirumalai, was appointed as an Independent Director of the Company with effect from 1st October, 2014 for a period of 5 years. He has been reclassified as a Non-Executive Non-Independent Director in compliance with Section 152 (6) read with Schedule IV of the Companies Act, 2013 as amended at a Meeting of the Board of Directors held on 26th July, 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.

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, Risk Management Committee and Nomination & Remuneration Committee. Mr.



REPORT OF THE BOARD OF DIRECTORS

Thirumalai holds 25 shares in the Company and is not related to any other Director of the Company.

The Board of Directors of your Company approved the Directors' Report along with the Audited Accounts of the Company on 3rd May, 2019. In order to reflect the above changes to the composition of the Board which occurred after 3rd May, 2019, the amended Directors' Report has been approved by the Board of Directors at its Meeting held on 26th July, 2019.

Key Managerial Personnel

The Managing Director Mr. Devraj Lahiri, the Chief Financial Officer Mr. Anish Gupta and the Company Secretary Mr. Phani K. Mangipudi are the Key Managerial Personnel as per the provision 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, 2019 and of the statement of profit and loss and cash flow of your Company for the period ended 31st March, 2019;

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

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

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

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 Government of AP introduced levy of luxury tax on cigarettes and its virus was challenged before the High Court of AP and before Supreme Court which was struck down. The Commercial Tax



REPORT OF THE BOARD OF DIRECTORS

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 litigation on the same is now pending before High Court of Telangana and before the appellate authority of the Department.

ii. Entry Tax

Entry Tax levy by the States of Bihar, 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 on appeal to the Supreme Court. The Hon'ble Supreme Court granted a stay against recovery of interest on entry tax.

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 CESTAT decided in favour of your Company. Department has preferred an appeal before 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 CESTAT decided in favour of your Company. Department has 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 favor of your Company. Some of them have been disputed. Since 2005, the matters are pending before various adjudicating authorities and before CESTAT and are being contested.

PUBLIC INTEREST LITIGATION (PIL)

i] The two PILs filed in the Madras High Court and the Andhra Pradesh High Court against the Central Government and the cigarette manufacturers including your Company, seeking strict implementation of Cigarettes and Other Tobacco Products (Prohibition of Advertisement And Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003 (COTPA Act) and Rules are pending. The Madras High Court disposed off

the PIL on the lines that the Government has to take necessary steps to build laboratories to check the tar and nicotine content in the cigarettes.

ii) Your Company has been impleaded in the petition filed in the Supreme Court by an NGO called 'Centre for Transforming India' against the Union of India along with other cigarette manufacturers, Tobacco Institute of India, Bidi Manufacturers and Bidi Manufacturers' Association seeking prohibition/ban on the manufacture, storage and sale of all forms of tobacco within the territory of India.

iii) A PIL was filed before the Uttarakhand High Court in India relating to printing of Tar-Nic contents on cigarette packets. The High Court passed an Order allowing the petition and directing ban on sale of loose cigarettes without printing health warning. The Court has also ordered ban on sale of cigarettes in the state of Uttarakhand if the union does not prescribe safe or maximum permissible limit of nicotine & tar contents in each cigarettes or label or package.

A review petition has been filed by your Company along with others against the order and it was disposed off by the High Court of Uttarakhand in favour of your Company.

Petitions have also been filed in other courts such as : High Court of Jabalpur, National Green Tribunal, Delhi, seeking a ban on sale of cigarettes; before High Court of Madhya Pradesh, Indore



REPORT OF THE BOARD OF DIRECTORS

Bench seeking directions to mention tar and nicotine content on cigarette packs by the manufacturers and a PIL before the High Court of Mumbai seeking directions that the Insurance Companies shall not invest in the cigarette companies.

All of the above are being effectively contested by your Company.

FINANCIAL SERVICES BUSINESS

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

In terms of the Order dated 10th July, 2007 the Division Bench of the Hon'ble High Court of Andhra Pradesh had directed the Regional Director, Department of Corporate Affairs, Chennai to conduct an investigation and submit a report showing the persons who promoted ITCATF and the persons who were responsible in conducting its affairs until its winding up. A comprehensive report was prepared and filed in the Court by the Regional Director in July 2008. Further, the Division bench, against the appeal filed by one of the Ex-Directors of ITCATF, remanded the matter to the Company Judge to decide afresh keeping in view the report submitted by the Regional Director. All the 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 and visual media, ban on outdoor advertising, regulation of in-store advertising, prohibition of sale of cigarettes to persons below the age of 18 years, etc. have been in force. Printing of pictorial warnings on cigarette packets, which came into effect from 31st May, 2009 were further revised with effect from 1st December, 2011 and 1st April, 2013. In October, 2014 the Government notified a new set of pictorial warning covering 85% of the front and back side of the packets with effect from 1st April, 2015. However, after extension, the same have now been implemented from 1st April, 2016 and is being duly complied with by your Company.
- (ii) Your Company had also filed a writ petition in the Hon'ble High Court of Andhra Pradesh challenging The Cigarettes and Other Tobacco Products (Packaging & Labelling) Rules, 2006 and the Amendment Rules 2008, on the grounds inter alia that they are ultra vires of COTPA and therefore the notifications issued there under (including those seeking implementation of graphic health warnings) should be quashed. The

said writ petition has been admitted but no interim orders were passed by the Hon'ble Court.

- (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 are being heard before the Bangalore Bench. The Bench continuously heard the matters till 28th February, 2017 and the Karnataka Bench 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 Judgment, the aggrieved parties filed SLP before the Supreme Court seeking stay and the same was granted.

REAL ESTATE

The Government of Andhra Pradesh had filed a land grabbing case against your Company in 1991 in relation to a piece and parcel of vacant land which



REPORT OF THE BOARD OF DIRECTORS

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 had filed a writ petition in the Hon'ble High Court of Andhra Pradesh to expunge that part of the Order giving such liberty to the Department despite the fact that your Company has already been declared not to be a land grabber. The writ petition is still pending. The State Government has also filed a writ petition in the Hon'ble High Court of Andhra Pradesh seeking to set aside the said judgement of the Land Grabbing Court. An interim Order was passed restraining your Company from changing the status of the land or creating any third party interest therein. Your Company has taken all the necessary steps for speedy disposal of the above writ petitions which are pending before the Court.

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 and in the year 2010, the Special Court passed a judgment stating that your Company is not a land grabber. After 7 years, the State Government 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 shall not be altered and no third party interest to be created. Your Company filed a counter and vacate stay application seeking permission to

construct commercial building on the said land. Judgment was pronounced on the vacate stay petition allowing your Company to construct building but with certain conditions. The State Government preferred an appeal before the Supreme Court which was dismissed.

PARTICULARS OF EMPLOYEES

The information required pursuant to Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company, are annexed herewith as **"Annexure E"** 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 & 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.

ANNUAL RETURN

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

A duly certified and filed copy of the annual return for the financial year 2018-19 will be made available on the website of the Company at www.vsthyd.com, after the ensuing Annual General Meeting.

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. B S R & Associates LLP, Chartered Accountants, were appointed as the Statutory Auditors of the Company to hold office from the conclusion of the 85th AGM to the conclusion of the 90th AGM. This was subject to the ratification at every AGM during the aforementioned term of their appointment. However, the requirement of annual ratification has been dispensed with under the Companies (Amendment) Act, 2017 which has been notified on 7th May, 2018. The Report given by the Auditors on the financial statements of the Company is part of the Annual Report.



REPORT OF THE BOARD OF DIRECTORS

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 detail 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 had appointed Dr. K.R. Chandratre, Company Secretary in Practice, as Secretarial Auditor of the Company for the financial year 2018-19. The Secretarial Audit Report is annexed herewith as **"Annexure G"** 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 is not required 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 H"** 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.

DEPOSITS

Your Company has stopped accepting fresh deposits for several years now. As on 31st March, 2019, your Company does not have any deposits for the purpose of its business, hence details of deposits is not applicable.

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 utilization of such funds does not arise.

DEBENTURE TRUSTEES

Your Company does not have any debentures and as a result, creation of debenture trustees does not arise.

THE FUTURE

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

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 26th day of July, 2019
Azamabad, Hyderabad - 500 020

ANNEXURE A

REPORT ON CORPORATE GOVERNANCE



VST Industries Limited

The Directors present the Company's Report on Corporate Governance for the year ended 31st March, 2019.

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

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

2. BOARD OF DIRECTORS

(a) Composition and category of Directors

Name of the Director	Category	No. of outside directorships held *	No. of memberships/chairmanships of board committees of other companies #
Mr. Raymond S. Noronha ¹	Chairman - Non-Executive Director	Nil	Nil
Mr. Pradeep V. Bhide ²	Chairman - Non-Executive Director	6	7
Mr. Devraj Lahiri	Managing Director	1	Nil
Mr. S. Thirumalai	Independent - Non-Executive Director	Nil	Nil
Ms. Mubeen Rafat	Independent - Non-Executive Director	Nil	Nil
Mr. Ramakrishna V. Addanki ³ ⁵	Non-Executive Director	Nil	Nil
Mr. Naresh Kumar Sethi ⁴ ⁵	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, 2019.

* Other directorships exclude 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.

⁵ Representing equity interest of promoter group – British American Tobacco, U.K.

¹ Resigned as Director w.e.f. close of business hours on 12th April, 2018.

² Appointed as Director w.e.f. 12th April, 2018 and as Chairman w.e.f. 28th May, 2018.

³ Resigned as Director w.e.f. 14th December, 2018.

⁴ Appointed as Director w.e.f. 14th December, 2018.

Directorships and committees held in other companies

Name of the Director	Directorship held in the other companies	Name of the Committee	Whether Chairman or Member
Mr. Pradeep V. Bhide	Glaxo Smith Kline Pharmaceuticals Ltd.– Independent Director	Stakeholders Relationship Committee Audit Committee	Member Member
	L&T Finance Holdings Ltd.–Independent Director	Stakeholders Relationship Committee	Member
	Heidelberg Cement India Ltd.–Independent Director	Audit Committee Stakeholders Relationship Committee	Member Member
	Tube Investments India Ltd. – Independent Director	Audit Committee	Chairman
	Quick Heal Technologies Ltd.–Independent Director	Audit Committee	Member
	Nocil Limited – Independent Director	-	-



REPORT ON CORPORATE GOVERNANCE

Ms. Rama Bijapurkar was appointed as an Additional (Independent) Director of the Company at the Board Meeting held on 12th March, 2019 to be effective from 1st April, 2019, subject to Members' approval. She is on the Board and Member/Chairperson of the committees in the following 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 Stakeholders Relationship Committee	Member Chairperson
	Nestle India Limited – Independent Director	Stakeholders Relationship Committee	Chairperson
	Emami Limited – Independent Director	-	-
	ICICI Bank Limited – Independent Director	-	-

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

Name of the Director	No. of Board Meetings held	Attendance at the Board Meetings held on								Attendance of each Director at last AGM held on
		April 12, 2018	May 28, 2018	July 21, 2018	September 28, 2018	November 1, 2018	December 14, 2018	January 24, 2019	March 12, 2019	
Mr. Raymond S. Noronha ¹	8	Yes	NA	NA	NA	NA	NA	NA	NA	NA
Mr. Pradeep V. Bhide ²	8	NA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Devraj Lahiri	8	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr. S. Thirumalai	8	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mrs. Mubeen Rafat	8	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Ramakrishna V. Addanki ³	8	Yes	Yes	Leave of Absence	Leave of Absence	Yes	NA	NA	NA	Leave of Absence
Mr. Naresh Kumar Sethi ⁴	8	NA	NA	NA	NA	NA	Yes	Leave of Absence	Yes	NA

¹ Resigned as Director w.e.f. close of business hours on 12th April, 2018.

² Appointed as Director w.e.f. 12th April, 2018.

³ Resigned as Director w.e.f. 14th December, 2018.

⁴ Appointed as Director w.e.f. 14th December, 2018. Representing equity interest of promoter group – British American Tobacco, U.K.

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

In the opinion of the Board, the independent directors fulfill the conditions specified in these 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 finalized in consultation with the Board Members and the notice and agenda of the meetings are circulated well in advance.



REPORT ON CORPORATE GOVERNANCE

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 atleast four times a year and the gap between two meetings is not more than 120 days.

None of the Directors on the Board is a Member of more than ten committees or a Chairman of more than five such committees, across all the companies in which he/she is a Director as required under Regulation 26 of the Listing Regulations.

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

S.No.	Skills/expertise/competencies	Whether available or not
1.	Governance	Yes
2.	Business Strategy	Yes
3.	Marketing	Yes
4.	Finance	Yes
5.	Regulatory	Yes

Independent Directors' Meeting

During the year, the Independent Directors met on 12th April, 2018 without the presence of non-independent Directors and members of management inter alia to review their role, functions and duties. They further reviewed the guidelines of professional conduct as enumerated in Schedule IV (Code for Independent Directors) to the Companies Act, 2013. During the said Meeting, the Independent Directors reviewed the performance of Non-Executive Director, including the Chairman and the Board as a whole.

They also assessed the quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform its duties and found them to be satisfactory.

(d) Familiarization Programme for Independent Directors

In order to familiarize 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 Familiarization Programme for Independent Directors and the details of such familiarisation programmes are disseminated on the website of the Company ([www.vsthyd.com/i/Familiarisation Program.pdf](http://www.vsthyd.com/i/Familiarisation%20Program.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 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 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 :

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;



REPORT ON CORPORATE GOVERNANCE

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

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:



REPORT ON CORPORATE GOVERNANCE

- 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 utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).

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

Name of the Member	Category	Attendance at the Audit Committee Meetings held on					
		April 11, 2018	May 28, 2018	July 21, 2018	September 28, 2018	October 31, 2018	January 23, 2019
Mr. S. Thirumalai	Independent Non-Executive Director [Chairman]	Yes	Yes	Yes	Yes	Yes	Yes
Ms. Mubeen Rafat	Independent Non-Executive Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Raymond S. Noronha	Non-Executive Director	Yes	NA	NA	NA	NA	NA
Mr. Pradeep V. Bhide	Non-Executive Director	NA	NA	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.

4. NOMINATION & REMUNERATION COMMITTEE:

(a) Terms of Reference

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

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

Name of the Member	Category	Attendance at the Nomination & Remuneration Committee Meetings held on				
		April 11, 2018	October 31, 2018	December 14, 2018	January 23, 2019	March 12, 2019
Mr. S. Thirumalai	Independent Non-Executive Director [Chairman]	Yes	Yes	Yes	Yes	Yes
Ms. Mubeen Rafat	Independent Non-Executive Director	Yes	Yes	Yes	Yes	Yes
Mr. Raymond S. Noronha	Non-Executive Director	Yes	NA	NA	NA	NA
Mr. Pradeep V. Bhide	Non-Executive Director	NA	Yes	Yes	Yes	Yes



REPORT ON CORPORATE GOVERNANCE

The Company Secretary acts as Secretary to the Committee.

(c) Remuneration Policy

Purpose

The remuneration policy defines the compensation or remuneration philosophy of the organisation. It specifies 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 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 & individual performance, market competitiveness and positive influence on the employee contribution and continuity.

The Company's remuneration philosophy aligns 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 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 organizational health and performance.
4. Taking in to the competitive context, remuneration is based on market/industry positioning vis-a-vis relevant competitors.

For determining the market/industry positioning, FMCG, manufacturing form the basket of comparators with primary focus on FMCG sector. The list of the comparators and positioning of the remuneration structure is reviewed periodically as may be required but atleast 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 components as mentioned under :

- a. Fixed components : Comprising (i) Basic salary; (ii) Fixed allowances & perquisites; (iii) Retiral benefits.
- b. Variable components : Comprising 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 to 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 remuneration structure in line with the market shall be done periodically as may be required but at least once in three years. All other perquisite and benefits shall also be reviewed at least once in three years.

**REPORT ON CORPORATE GOVERNANCE****Remuneration to 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 as approved by the Members within the overall limit prescribed under the law and 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 were evaluated on broad criteria such as contribution and value addition to the Board and Committees thereof; contribution to the Company and management to achieve its plans, goals, corporate strategy and risk mitigation; level of preparedness; level of participation in the Board and Committee meetings etc. In addition to the above parameters, the performance of Executive Directors were also evaluated against their Key Responsibility Areas (KRAs). The Chairman's performance was evaluated by Independent Directors on above parameters after taking into account the views of Executive and Non-Executive Directors. Independent Directors were also assessed 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, 2019

Name	Position	Salary ₹	Allowances, benefits and contributions to Provident/Pension and Other Funds ₹	Performance Linked Bonus ₹	Commission ₹	Sitting Fees ₹	Total ₹
Mr. Raymond. S. Noronha ¹	Chairman -Non- Executive Director	-	-	-	-	1,25,000	1,25,000
Mr. Pradeep V. Bhide ²	Chairman -Non- Executive Director	-	-	-	65,00,000	6,65,000	71,65,000
Mr. S. Thirumalai	Independent Non- Executive Director	-	-	-	40,00,000	9,25,000	49,25,000
Mr. Devraj Lahiri	Managing Director	63,58,888	98,43,621	94,11,154	-	-	2,56,13,663
Ms. Mubeen Rafat	Independent Non- Executive Director	-	-	-	30,00,000	9,25,000	39,25,000
Mr. Ramakrishna V. Addanki ³	Non-Executive Director	-	-	-	-	@	-
Mr. Naresh Kumar Sethi ⁴	Non-Executive Director	-	-	-	-	@	-

¹ Resigned as Director w.e.f. close of business hours on 12th April, 2018.

² Appointed as Director w.e.f. 12th April, 2018.

³ Resigned as Director w.e.f. 14th December, 2018.

⁴ Appointed as Director w.e.f. 14th December, 2018. Representing equity interest of promoter group—British American Tobacco, U.K.



REPORT ON CORPORATE GOVERNANCE

@ Waived entitlement to sitting fees.

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

Benefits for Managing Director include gas, electricity, water, furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance, etc. in accordance with the Rules of the Company, the monetary value of such perquisites being limited to Rs. 36,00,000 per annum. In addition, the following perquisites are provided which are not included in the above monetary limit:

- Rent free furnished accommodation owned/leased/rental by the Company or housing allowance in lieu thereof, subject to a maximum of 30% of Consolidated Salary.
- Contribution to provident fund and superannuation fund upto a maximum of 27% of salary and contribution to gratuity fund upto 8.33% of salary as limited and defined in the Rules of the respective funds, or upto such other limit as may be prescribed under the Income Tax Act, 1961 and the Rules thereunder for this purpose;
- Use of Company car for official purposes and telephone at residence and cell phone (including payment for local calls and long distance official calls);
- Encashment of unavailed leave as per the Rules of the Company at the time of retirement/cessation of service;
- Long service award as per the Rules of the Company;
- Costs and expenses incurred by the Company in connection with joining/transfer from one location to another as per the Rules of the Company.

The appointment of Executive Directors is governed by Resolutions passed by the Board of Directors and the Members of the Company, which cover the terms and conditions of such appointment, read with the service rules of the Company. The notice period for Executive Directors is six months as per Article No.101 of Articles of Association of the Company. No significant material transactions have been made with the Non-Executive Directors vis-a-vis the Company. There are no service contracts entered into and no severance fees paid to the Directors.

Performance of the Managing Director 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 :

	From 1st April to 31st December 2018	From 1st January 2019
Board Meeting	-Rs. 35,000	Rs. 80,000
Audit Committee	-Rs. 25,000	Rs. 70,000
Stakeholders Relationship Committee	-Rs. 20,000	Rs. 30,000
Nomination & Remuneration Committee	-Rs. 25,000	Rs. 50,000
Corporate Social Responsibility Committee	-Rs. 20,000	Rs. 30,000
Risk Management Committee	- -	Rs. 50,000
Committee of Directors *	-Rs. 15,000	-

* Committee was disbanded with effect from 1st November, 2018.

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

**REPORT ON CORPORATE GOVERNANCE****5. STAKEHOLDERS' RELATIONSHIP COMMITTEE**

In terms of Section 178 of the Companies Act, 2013 and Regulation 20 of the Listing Regulations, the Committee inter alia looks after the redressal of investors' complaints, issue of duplicate shares, reviews the work of Registrar and Share Transfer Agents, etc.

Composition, Meetings and Attendance during the financial year

Name of the Member	Category	Attendance at the Stakeholders' Relationship Committee Meetings held on					
		April 11, 2018	July 21, 2018	September 28, 2018	October 31, 2018	December 14, 2018	January 23, 2019
Ms. Mubeen Rafat	Independent Non-Executive Director [Chairperson]	Yes	Yes	Yes	Yes	Yes	Yes
Mr. S. Thirumalai	Independent Non-Executive Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Raymond S. Noronha	Non-Executive Director	Yes	NA	NA	NA	NA	NA
Mr. Devraj Lahiri	Managing Director	Yes	Yes	Yes	Yes	Yes	Yes

Mr. Pradeep V. Bhide, Non-Executive Director is the permanent invitee.

The Company Secretary acts as the Secretary to the Committee.

- i) Name and designation of Compliance Officer : Phani K. Mangipudi, Company Secretary
- ii) **Number of shareholders' complaints received and attended during the financial year ended 31st March, 2019**

Nature of complaints / queries	Received	Attended	Pending
Non-receipt of annual reports	0	0	Nil
Non-receipt of dividend warrants	55	55	Nil
Non-receipt of share certificates	10	10	Nil
Letters from stock exchanges / SEBI	12	12	Nil

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

6. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

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

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;

**REPORT ON CORPORATE GOVERNANCE**

- 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, specialized agencies, etc., if required, to undertake such activities.

Composition, Meetings and Attendance during the financial year

Name of the Member	Category	Attendance at the CSR Committee Meetings held on	
		April 11, 2018	October 31, 2018
Ms. Mubeen Rafat	Independent Non-Executive Director [Chairperson]	Yes	Yes
Mr. S. Thirumalai	Independent Non-Executive Director	Yes	Yes
Mr. Raymond S. Noronha	Non-Executive Director	Yes	NA
Mr. Pradeep V. Bhide	Non-Executive Director	NA	Yes
Mr. Devraj Lahiri	Managing Director	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

The Company has laid down procedures to inform Board members about the risk assessment and minimization procedures. The Company has constituted the Risk Management Committee in terms of Regulation 21 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 effective from April 2019.

9. GENERAL BODY MEETINGS

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

Year	Venue	Date	Time
2017-18	Hotel Taj Krishna, Banjara Hills, Hyderabad	28.09.2018	09.30 a.m.
2016-17	Hotel Taj Krishna, Banjara Hills, Hyderabad	02.08.2017	09.30 a.m.
2015-16	Hotel Taj Krishna, Banjara Hills, Hyderabad	11.08.2016	10.30 a.m.

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

Annual General Meeting held on 28th September, 2018

- Payment of Remuneration by way of Commission to Non-Executive Directors

Annual General Meeting held on 2nd August, 2017

- No special resolutions was passed

Annual General Meeting held on 11th August, 2016

- No special resolutions was passed

(iii) No special resolution was passed through postal ballot during the year. No special resolution is proposed to be conducted through postal ballot.

**REPORT ON CORPORATE GOVERNANCE****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***

28th August, 2019 at 9.30 a.m. at Grand Ball Room, Hotel Taj Krishna, Road No. 1, Banjara Hills, Hyderabad-500 034, Telangana.

Financial year : 1st April, 2018 to 31st March, 2019

Financial Calendar 2019-20 [Tentative]

First quarter results	July, 2019
Second quarter and half yearly results	November, 2019
Third quarter results	January, 2020
Annual results	April, 2020

Dates of Book Closure : 21st August, 2019 to 28th August, 2019 [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 (2018-19)

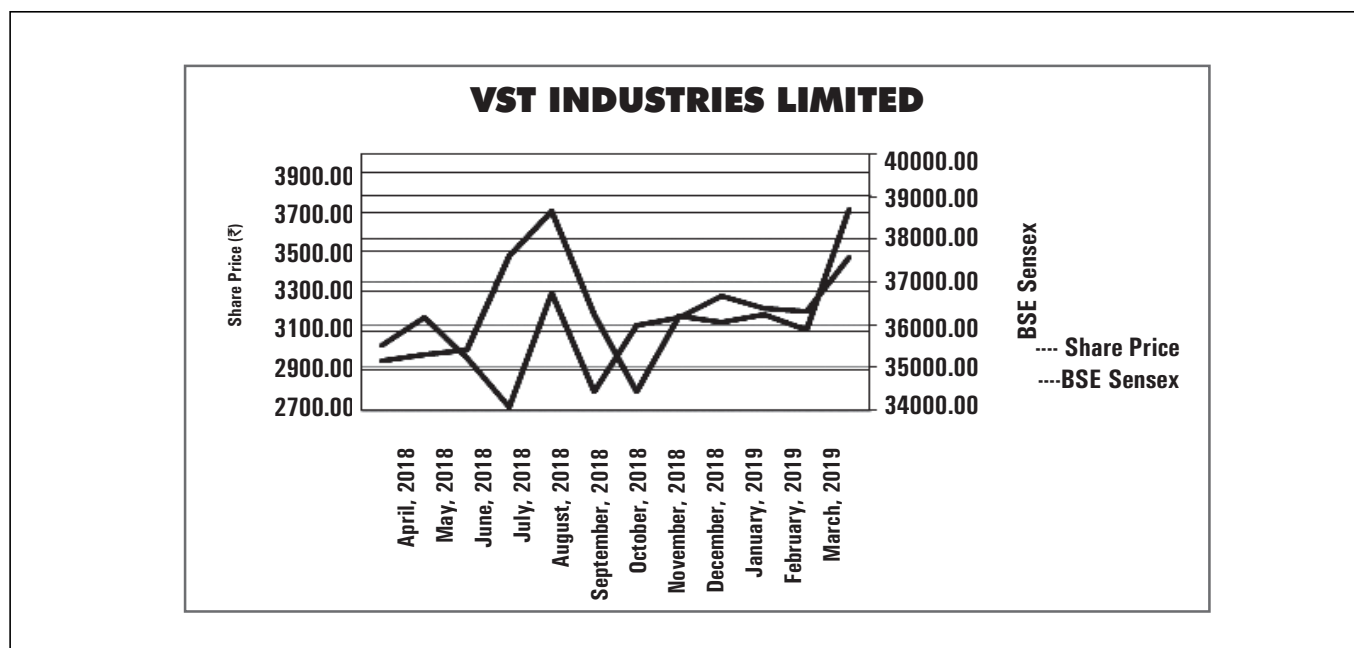
Period	¹ BSE		² NSE	
	High ₹	Low ₹	High ₹	Low ₹
April, 2018	3288.00	2828.00	3198.10	2906.30
May, 2018	3215.00	2960.00	3185.00	3000.00
June, 2018	3246.05	2871.00	3205.00	2880.00
July, 2018	2992.85	2470.00	2977.00	2470.00
August, 2018	3324.00	2600.05	3328.00	2601.00
September, 2018	3430.00	2755.00	3444.35	2753.80
October, 2018	3186.00	2481.30	3202.00	2487.40
November, 2018	3325.00	2867.00	3328.00	2850.35
December, 2018	3332.00	3026.05	3300.00	3001.00
January, 2019	3319.00	3045.05	3309.00	3041.35
February, 2019	3300.00	3147.05	3285.00	3131.30
March, 2019	3580.00	3200.00	3524.90	3200.40

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]

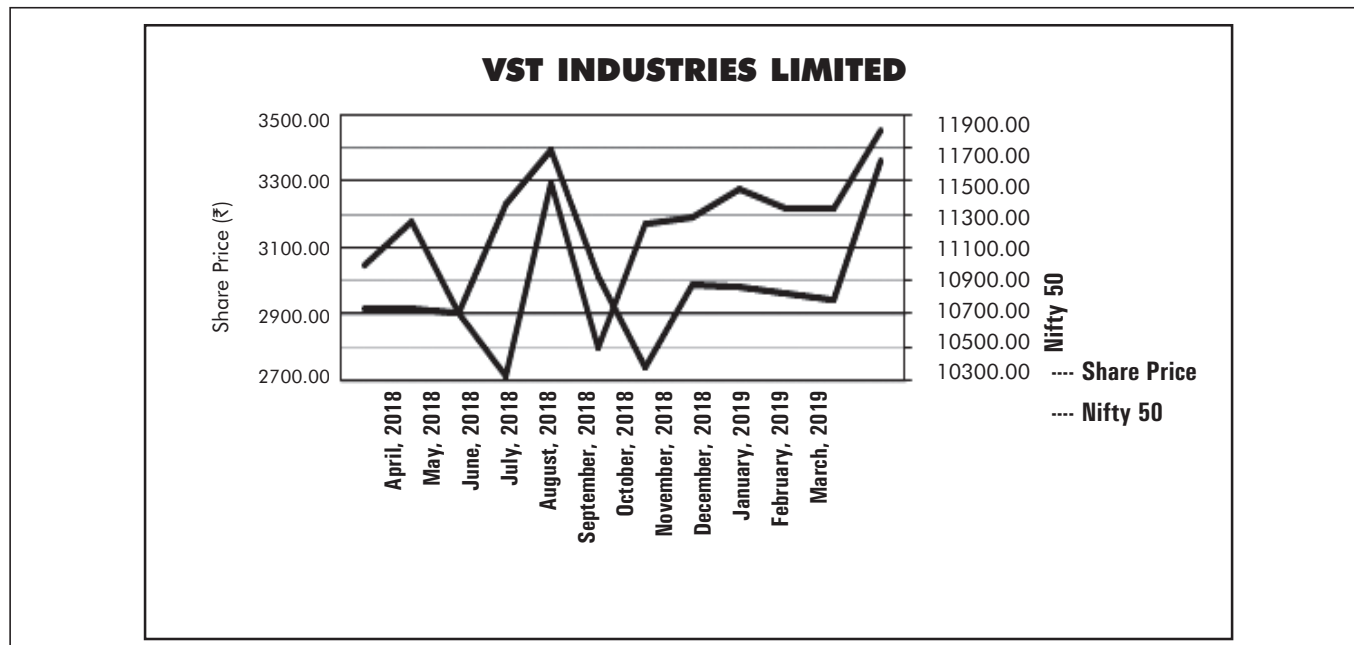




REPORT ON CORPORATE GOVERNANCE

Performance in comparison with Nifty 50

[based on closing price/Nifty 50] [Source: www.nseindia.com]



None of the Securities of the Company were suspended from trading during the year.

Registrar and Transfer Agents

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

Karvy Fintech Private Limited
Karvy Selenium Tower B, Plot No. 31 & 32
Financial District, Nanakramguda, Gachibowli
Hyderabad - 500 032
Telangana
Tel: + 91 40 6716 1606 Fax: + 91 40 2342 0814
email: einward.ris@karvy.com

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

Share Transfer System

The share transfers which are received in physical form are registered and returned in the normal course within an average period of 15 days from the date of receipt, if the documents are clear in all respects. The Board has delegated the authority for approving transfer, transmission etc., of the Company's securities to the Share Transfer Committee, comprising of Managing Director and Company Secretary. A summary of transfer and 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, 2019.

**REPORT ON CORPORATE GOVERNANCE*****Distribution of shareholding as on 31st March, 2019***

Slab	No. of Shares	%	No. of Shareholders	%
1 - 500	8,89,240	5.76	14,376	94.87
501 - 1000	3,03,721	1.97	421	2.78
1001 - 2000	2,55,069	1.65	182	1.20
2001 - 3000	1,59,446	1.03	65	0.43
3001 - 4000	80,747	0.52	23	0.15
4001 - 5000	57,310	0.37	13	0.09
5001 - 10000	1,92,025	1.24	27	0.18
10001 and above	1,35,04,362	87.45	46	0.30
Total	1,54,41,920	100.00	15,153	100.00
Physical Mode	5,29,720	3.43	2,364	15.60
Demat Mode	1,49,12,200	96.57	12,789	84.40

Dematerialisation of shares and liquidity

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

As at 31st March, 2019, 1,49,12,200 equity shares of the Company constituting 96.57% 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 2019-2020 will be 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, 2019

Category	Number of Shares held	Percentage of Shareholding
Promoters and Associates	49,65,902	32.16
FII's/FPIs	13,69,564	8.87
Insurance Companies	2,45,471	1.59
Mutual Funds	25,00,825	16.20
Nationalised banks and other banks	13,597	0.09
NRI's and OCB's	98,335	0.63
Bodies Corporate	42,21,693	27.34
Indian Public and Others	20,26,533	13.12
TOTAL	1,54,41,920	100.00



REPORT ON CORPORATE GOVERNANCE

Reconciliation of Share Capital Audit

For each quarter of the financial year 2018-19, a qualified Company Secretary in Practice has carried out audit under Regulation 55A of SEBI (Depositories and Participants) Regulations, 1996, as amended to reconcile the total admitted capital with NSDL and CDSL and total issued and listed capital. The audit report confirms that the total issued/paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL and the same is filed with BSE & NSE.

Similarly, the Company obtains from a Company Secretary in Practice, half-yearly certificate of compliance with the share transfer formalities as required under Regulation 40(9) of the Listing Regulations and copy of the same is filed with BSE and NSE.

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

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

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. 31 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 is 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

Address for correspondence

Registered Office

VST Industries Limited
1-7-1063/1065, Azamabad
Hyderabad – 500 020
Telephone +91 40 2768 8000
Fax: +91 40 2761 5336
Email: investors@vstind.com

Mr. Phani K. Mangipudi
Company Secretary & Compliance Officer

No 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 mobilization of funds, whether in India or abroad.

**12. 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 Company has also formulated a policy for determining the Material RPT and the details of such policies for dealing with RPT and the Related Party Transactions are disseminated on the Company's website at: (www.vsthyd.com/i/VST_RPT_Policy1.pdf).

The details of transactions with related parties were placed before the Audit Committee and the Committee has reviewed the same for the year ended 31st March, 2019. The details of related party transactions are disclosed in Note No. 29 of Notes on Financial Statements to the Accounts in the Annual Report and also in Form AOC-2 attached with the Boards' Report.

ii) Strictures and Penalties

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

iii) Vigil Mechanism/Whistle Blower Policy

In terms of Section 177(9) and 177(10) of the Companies Act, 2013 and 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 a genuinely raised concerns. A Committee has been constituted which looks into the complaints raised. The Committee reports to the Audit Committee. Any matter can be reported at 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.

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

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.

iv) 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.

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, 2019.

For VST INDUSTRIES LIMITED
DEVRAJ LAHIRI
MANAGING DIRECTOR

Hyderabad, 16th April, 2019



REPORT ON CORPORATE GOVERNANCE

v) Accounting Treatment

In preparation of the financial statements, the Company has followed the accounting principles generally accepted in India, including Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 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.

vi) Management

Pursuant to Regulation 26(5) of the Listing Regulations, for the year ended 31st March, 2019 your Company's Board has obtained declarations from the Senior Management relating to any material, financial and commercial transactions where they have personal interest that may have a potential conflict with the interests of the Company at large.

vii) Shareholders Information

The quarterly results are sent to the stock exchanges on which the Company's shares are listed 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. Karvy Fintech Private Limited.

viii) Prohibition of Insider Trading

In compliance with the provisions of 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.

ix) Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

a.	No. of complaints filed during the financial year	Nil
b.	No. of complaints disposed of during the financial year	Nil
c.	No. of complaints pending as on end of the financial year	Nil

There have been no instances of non-compliance of any requirement of corporate governance.

x) 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 Rs. 46.25 lakhs for all the services rendered by them during the financial year 2018-19.

xi) CEO and CFO Certification

The CEO (Managing Director) and CFO certification for the year ended 31st March, 2019 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.

xii) 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:

- a) 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.



REPORT ON CORPORATE GOVERNANCE

- b) 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 Shareholder of the Company
- c) The auditors have not qualified the financial statements of the Company.
- d) The Company is having separate post of Chairman and Managing Director. Mr. Pradeep V. Bhide as the Chairman of the Company and Mr. Devraj Lahiri as the Managing Director of the Company.
- e) M/s. Deloitte Haskins and Sells LLP, the firm of Chartered Accountants have been the Internal Auditors for the financial year 2018-19, who report directly to the Audit Committee.

Other discretionary requirements are being reviewed for implementation.

The Company has complied, to the extent applicable to it, 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 & 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.

13. 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, during the financial year 2018-19, unclaimed dividend for the financial year 2010-11 viz., Dividend No.176 th amounting to Rs. 58,14,225/- has been transferred to the Investor Education and Protection Fund (IEPF) on 14th September, 2018 and 10,640 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 financial year 2010-11 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 Rs.	Amount of Unpaid Dividend as on 31.03.2019 Rs.	Due for transfer to IEPF on
2011-2012	177	12.07.2012	100,37,24,800	1,30,73,190.00	16.08.2019
2012-2013	178	30.07.2013	96,51,20,000	1,35,81,312.50	04.09.2020
2013-2014	179	12.08.2014	108,09,34,400	1,50,23,190.00	16.09.2021
2014-2015	180	12.08.2015	108,09,34,400	1,60,63,390.00	16.09.2022
2015-2016	181	11.08.2016	108,09,34,400	1,56,15,600.00	15.09.2023
2016-2017	182	02.08.2017	115,81,44,000	1,81,79,475.00	06.09.2024
2017-2018	183	28.09.2018	119,67,48,800	1,69,16,157.50	03.11.2025

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 shareholders have been individually intimated. Details of such unclaimed dividend and shares are available on the Company's corporate website under the



REPORT ON CORPORATE GOVERNANCE

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 Electronic Clearing Service [NECS]

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

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

DEPOSITORY SERVICES

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

National Securities Depository Limited

4th Floor, 'A' Wing, Trade World, Kamala Mills Compound,
Senapati Bapat Marg, Lower Parel,
MUMBAI – 400 013
Telephone: + 91 22 2499 4200
Fax: + 91 22 2497 2993 / 2497 6351
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 2272 3333 / 2272 3224
Fax: + 91 22 2272 3199 / 2272 2072
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.Karvy Fintech Private Limited at the address mentioned above or can be downloaded from the Company's website www.vsthyd.com under the section Investor Relations.

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



REPORT ON CORPORATE GOVERNANCE

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, 2018	116	10,048
No. of Members who approached for transfer of shares	0	0
Members to whom shares were transferred - through rematerialisation	0	0
Transferred to IEPF	9	1134
Outstanding shares lying at the end of the year - 31st March, 2019	107	8914

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

The voting rights on the shares outstanding in the above suspense account as on March 31, 2019 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, 2019 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.

Sl. No.	DIN	Name of the Director	Designation
1.	03304262	Pradeep Vasudeo Bhide	Non-Executive Chairman
2.	03588071	Devraj Lahiri	Managing Director
3.	00011899	Sampathkumaran Thirumalai	Independent Director
4.	02097314	Mubeen Rafat	Independent Director
5.	08296486	Naresh Kumar Sethi	Nominee Director

For Tumuluru & Company
Company Secretaries

Place: Hyderabad
Date: 03.05.2019

Signature: sd/-
Name: B V Saravana Kumar
Partner
ACS No.: 26944
C P No.: 11727



**Certification by Managing Director (MD) and
Chief Financial Officer (CFO)**

We, Devraj Lahiri, Managing Director and Anish Gupta, Chief Financial Officer of VST Industries Limited, to the best of our knowledge and belief, certify that :

1. We have reviewed the financial statements and the cash flow statement for the year ended 31st March, 2019 and that :
 - a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) These statements together present a true and fair view of the state of affairs of the Company and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct and Ethics.
3. We are responsible for establishing and maintaining internal controls for financial reporting. We evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and steps taken or proposed to be taken for rectifying these deficiencies.
4. We have indicated to the Company's Auditors and to the Audit Committee that :
 - a) there are no significant changes in internal control over financial reporting during the year;
 - b) there are no significant changes in accounting policies during the year; and
 - c) there are no instances of significant fraud of which we have become aware of that involves management or other employees who have significant role in the Company's internal control system over financial reporting.

DEVRAJ LAHIRI
Managing Director
DIN: 03588071

ANISH GUPTA
Chief Financial Officer

Hyderabad, 23rd April, 2019

**Independent Auditor's Certificate on the Corporate Governance Report**

To The Members of
VST Industries Limited

1. This Certificate is issued in accordance with the terms of our engagement letter dated 22 March, 2019.
2. VST Industries Limited ('the Company') requires Independent Auditor's Certificate on Corporate Governance as per Regulations 17-27, Clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') for the period 1 April, 2018 to 31 March, 2019.

Management responsibility

3. The preparation of the Corporate Governance Report is the responsibility of the management of the Company along with the maintenance of all its relevant supporting records and documents. The Management is also responsible for ensuring that the Company complies with the requirements of Regulations 17-27, Clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Listing Regulations for the period 1st April, 2018 to 31st March, 2019. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Corporate Governance report and applying an appropriate basis of preparation.

Auditor's Responsibility

4. Pursuant to the requirements of the Listing Regulations, our responsibility is to certify whether the Company has complied with the conditions of Corporate Governance as stipulated in Listing Regulations for the period 1st April, 2018 to 31st March 2019.
5. We have examined the compliance of the conditions of Corporate Governance by the Company for the period 1 April, 2018 to 31 March, 2019 as per Regulations 17-27, Clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Listing Regulations. 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.
6. We conducted our examination in accordance with the

'Guidance Note on Audit Reports and Certificates issued for Special Purposes' issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.

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.

Conclusion

8. In our opinion and to the best of our information and according to the explanations given to us and representations made by the Management, we certify that the Company has complied with the conditions of Corporate Governance as specified in Regulations 17-27, Clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of the Schedule V of the Listing Regulations, as applicable.
9. We state that such compliance is neither an assurance as to the future viability of the Company nor as to the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Restrictions on Use

10. This Certificate is issued solely for the purpose of complying with Regulations 17-27, Clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Listing Regulations for the period 1 April, 2018 to 31 March, 2019 and may not be suitable for any other purpose. Accordingly, we do not accept or assume any liability or 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 save where expressly agreed by our prior consent in writing.

for B S R & ASSOCIATES LLP
Chartered Accountants

ICAI Firm Registration Number.: 116231W/W-100024

SRIRAM MAHALINGAM

Partner

Membership Number : 049642

ICAI UDIN Number : 19049642AAAAAF4407

Place : Hyderabad

Date : 3 May, 2019

ANNEXURE B

CORPORATE SOCIAL RESPONSIBILITY POLICY



VST Industries Limited

Purpose

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

Functions

The main functions of the CSR Committee are as under:

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

Areas

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

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



CORPORATE SOCIAL RESPONSIBILITY POLICY

- (ix) Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government; and
- (x) Rural development projects.

Investment

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

Executing Agencies

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

Audit

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

Reporting

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



CORPORATE SOCIAL RESPONSIBILITY POLICY

ANNUAL REPORT ON CSR ACTIVITIES

1. The web link to the CSR Policy is www.vsthyd.com/i/CSRPolicy.pdf.
2. The Composition of the CSR Committee : Ms. Mubeen Rafat (Chairperson), Mr. Pradeep V. Bhide, Mr. S. Thirumalai and Mr. Devraj Lahiri.
3. Average net profit of the company for last three financial years : ₹ 24,787.74 lakhs
4. Prescribed CSR Expenditure : Two per cent of the amount mentioned in item 3 above : ₹ 495.75 lakhs
5. Details of CSR spent during the financial year:
 - (a) Total amount to be spent for the financial year: ₹ 495.75 lakhs
 - (b) Amount unspent, if any: Nil
 - (c) Manner in which the amount spent during the financial year is detailed below.

S. No	CSR project or activity identified	Sector in which the Project is covered	Projects or Programs (1) Local area or other (2) Specify the State and district where projects or programmes was undertaken	Amount outlay (budget) project or programmes wise (₹ Lakhs)	Amount spent on the projects or Programmes Subheads: (1) Direct Expenditure on projects or programmes. (2) Overheads: (₹ Lakhs)	Cumulative expenditure upto the reporting period (₹ Lakhs)	Amount spent: Direct or through implementing agency
1	Swachh Ghar Mission: Creating awareness on nexus between health and hygiene and construction of household toilets.	Sanitation	In districts of Jogulamba Gadwal in the State of Telangana	276.00	276.00	276.00	Implementing agency
2	Swachh Roshni : Solar Street Lighting	Environment Sustainability	In districts of Jogulamba Gadwal, Wanaparthy Nizamabad, Adilabad and Kamareddy in the State of Telangana	54.65	54.65	54.65	Implementing agency
3	Project Haritha : Tree Plantation	Environment Sustainability	Hyderabad in the State of Telangana	100.40	100.40	100.40	Implementing agency and in association with Greater Hyderabad Municipal Corporation
4	Project Gyandeeep : School Infrastructure	Promoting education	Hyderabad in the State of Telangana	24.70	24.70	24.70	Implementing agency
5	Mid-Day Meal	Eradicating hunger and poverty	In districts of Sangareddy, Vikarabad and Medak in the State of Telangana	40.00	40.00	40.00	Implementing agency
	TOTAL			495.75	495.75	495.75	



VST Industries Limited

CORPORATE SOCIAL RESPONSIBILITY POLICY

RESPONSIBILITY STATEMENT

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

MUBEEN RAFAT
Chairperson
CSR Committee
DIN: 02097314

DEVRAJ LAHIRI
Managing Director
DIN: 03588071



DIVIDEND DISTRIBUTION POLICY

Purpose

The distribution policy defines the Company's philosophy of sharing its earnings with the shareholders.

Policy

The Board has adopted a progressive dividend distribution policy, based on the principle that the total dividend distributed should be in line with the earnings trend, while taking into account the Company's financial position as well as future capital expenditure needs for machinery replacement and incremental working capital. In addition changes in macro environment including taxation and regulatory changes will also be considered. Currently, dividend distribution tax is also payable.

The above factors should be considered by the Board before making any recommendations for the dividend and are subject to the provisions of the Companies Act, 2013.

The Company's payout ratio is around 70% of Company's net profit before extraordinary/exceptional item. Based on the financial position and funds requirement of the Company, the dividend distribution to the shareholders could be enhanced or on the other hand, in periods of uncertainty a lower dividend ratio could be appropriate.

Dividends are declared at the Annual General Meeting of the shareholders based on the recommendation by the Board. The Board may also declare an interim dividend.

The retained earnings after distribution of dividend shall be utilized by the Company to meet its capital expenditure plan, working capital requirements and other business expansion plans.

Therefore, in setting the dividend policy, the Board's aim is to continue to strike a balance between the interests of the business and its shareholders.



ANNEXURE D

FORM No. AOC-2

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

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

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

2. Details of material contracts or arrangement or transactions at arm's length basis : Nil
 - (a) Name(s) of the related party and nature of relationship
 - (b) Nature of contracts/arrangements/transactions
 - (c) Duration of the contracts/arrangements/transactions
 - (d) Salient terms of the contracts or arrangements or transactions including the value, if any:
 - (e) Date(s) of approval by the Board, if any
 - (f) Amount paid as advances, if any : 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 Notes to the Financial Statements under Serial No.29.

On behalf of the Board

PRADEEP V. BHIDE
Chairman
DIN: 03304262

Hyderabad, 3rd May, 2019



ANNEXURE E

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 financial year 2018-19	Mr. Raymond S. Noronha #	NA
	Mr. Pradeep V. Bhide	9:1
	Mr. S. Thirumalai	6:1
	Ms. Mubeen Rafat	5:1
	Mr. Devraj Lahiri	32:1
	Mr. Ramakrishna V Addanki	NA
	Mr. Naresh Kumar Sethi	NA
ii) The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year 2018-19	Directors	
	Mr. Raymond S. Noronha #	NA
	Mr. Pradeep V. Bhide \$	NA
	Mr. S. Thirumalai	41.7%
	Ms. Mubeen Rafat	31.9%
	Mr. Ramakrishna V Addanki	NA
	Mr. Naresh Kumar Sethi	NA
	Key Managerial Personnel	
	Mr. Devraj Lahiri	42.3%
	Mr. Anish Gupta	15.4%
	Mr. Phani K. Mangipudi	35.8%
iii) The percentage increase in the median remuneration of employees in the financial year 2018-19		4.9%
iv) The number of permanent employees on the rolls of Company as on 31st March, 2019		782
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 increase in the salaries of employees other than the managerial personnel in the financial year 2018-19 was 2.9% in comparison with 1.7% increase in the managerial remuneration	
vi) Affirmation that the remuneration is as per the remuneration policy of the company	Remuneration paid/payable during the financial year 2018-19 is as per the Remuneration Policy of the Company.	

Mr. Raymond S. Noronha resigned as Director with effect from the closing of the business hours on 12th April, 2018. As he was not in appointment for the full financial year, comparative details are not being provided.

\$ Mr. Pradeep V. Bhide was appointed as Director with effect from 12th April, 2018. As the appointment was not for the full previous financial year, comparative details are not being provided.

**ANNEXURE F**

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN
as on the financial year ended on 31st March, 2019

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies
[Management and Administration] Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

1.	CIN	L29150TG1930PLC000576
2.	Registration Date	10th November, 1930
3.	Name of the Company	VST Industries Limited
4.	Category of the Company	Public Company
5.	Sub-category of the Company	Company having share capital
6.	Registered Office Address of the Company & contact details	1-7-1063/1065, Azamabad Hyderabad – 500 020, Telangana, India Telephone : +91 40 2768 8000 Fax: +91 40 2761 5336 Website: www.vsthyd.com Email: investors@vstind.com
7.	Whether Listed Company	Yes
8.	Name and address of Registrar & Transfer Agents and contact details	Karvy Fintech Private Limited Karvy Selenium Tower B, Plot No.31&32, Financial District, Nanakramguda, Hyderabad – 500 032, Telangana, India Tel: +91 40 67162222 Fax: +91 40 23420814 Email: einwardris@karvy.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

(All the business activities contributing 10% or more of the total turnover of the Company shall be stated)

Sl.No.	Name and Description of main products/services	NIC Code of the Product/service	% to total turnover of the Company
1	Cigarettes containing tobacco	12003	79.80%
2	Unmanufactured Tobacco	46202	20.20%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl.No.	Name and Address of the Company	CIN/GLN	Holding/Subsidiary/ Associate	% of shares held	Applicable Section
-	-	-	-	-	-



ANNEXURE F

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year [As at 1st April, 2018]				No. of Shares held at the end of the year [As at 31st March, 2019]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
(a) Individual/HUF	0	0	0	0.00	0	0	0	0.00	0.00
(b) Central Government/ State Government(s)	0	0	0	0.00	0	0	0	0.00	0.00
(c) Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0.00
(d) Financial Institutions/Banks	0	0	0	0.00	0	0	0	0.00	0.00
(e) Others	0	0	0	0.00	0	0	0	0.00	0.00
Sub-Total A(1) :	0	0	0	0.00	0	0	0	0.00	0.00
(2) FOREIGN									
(a) Individuals (NRIs/ Foreign Individuals)	0	0	0	0.00	0	0	0	0.00	0.00
(b) Bodies Corporate	49,65,902	0	49,65,902	32.16	49,65,902	0	49,65,902	32.16	0.00
(c) Banks/FI	0	0	0	0.00	0	0	0	0.00	0.00
(d) Any others	0	0	0	0.00	0	0	0	0.00	0.00
Sub-Total A(2) :	49,65,902	0	49,65,902	32.16	49,65,902	0	49,65,902	32.16	0.00
Total Shareholding of Promoter									
(A)=A(1)+A(2)	49,65,902	0	49,65,902	32.16	49,65,902	0	49,65,902	32.16	0.00
(B) PUBLIC SHAREHOLDING									
(1) INSTITUTIONS									
(a) Mutual Funds /UTI	19,86,448	250	19,86,698	12.87	25,01,750	250	25,02,000	16.20	3.34
(b) Financial Institutions/Banks	9,749	4,394	14,143	0.09	10,047	4,394	14,441	0.09	0.00
(c) Central Government/ State Government(s)	0	0	0	0.00	0	0	0	0.00	0.00
(d) Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
(e) Insurance Companies	3,04,092	9,750	3,13,842	2.03	2,35,721	9,750	2,45,471	1.59	-0.44
(f) Foreign Institutional Investors	14,67,296	50	14,67,346	9.50	13,69,514	50	13,69,564	8.87	-0.63
(g) Foreign Venture Capital Investors	0	0	0	0.00	0	0	0	0.00	0.00
(h) Others (Specify)	0	0	0	0.00	0	0	0	0.00	0.00
Sub-Total B(1) :	37,67,585	14444	37,82,029	24.49	41,17,032	14,444	41,31,476	26.75	2.26
(2) NON-INSTITUTIONS									
(a) Bodies Corporate	45,64,638	3,831	45,68,469	29.58	42,18,512	3,181	42,21,693	27.34	-2.25
(b) Individuals									
(i) Individuals holding nominal share capital upto Rs.1 lakh	12,81,217	3,85,597	16,66,814	10.79	12,81,755	3,49,142	16,30,897	10.56	-0.23
(ii) Individuals holding nominal share capital in excess of Rs.1 lakh	1,26,868	41,781	1,68,649	1.09	1,36,757	41,781	1,78,538	1.16	0.06
(c) Others	1,68,885	1,21,172	2,90,057	1.88	1,92,242	1,21,172	3,13,414	2.03	0.14
Sub-Total B(2) :	61,41,608	5,52,381	66,93,989	43.35	58,29,266	5,15,276	63,44,542	41.09	-2.26
Total B=B(1)+B(2) :	99,09,193	5,66,825	1,04,76,018	67.84	99,46,298	5,29,720	1,04,76,018	67.84	0.00
Total (A+B) :	1,48,75,095	5,66,825	1,54,41,920	100.00	1,49,12,200	5,29,720	1,54,41,920	100.00	0.00
(C) Shares held by custodians for GDR's & ADR's									
GRAND TOTAL (A+B+C) :	1,48,75,095	5,66,825	1,54,41,920	100.00	1,49,12,200	5,29,720	1,54,41,920	100.00	



ANNEXURE F

ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year (As at 1st April, 2018)			Shareholding at the end of the year (As at 31st March, 2019)			% change in share holding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	
1	The Raleigh Investment Company Limited	36,20,420	23.45	0	36,20,420	23.45	0	0
2	Tobacco Manufacturers (India) Limited	12,78,942	8.28	0	12,78,942	8.28	0	0
3	Rothmans International Enterprises Limited	66,540	0.43	0	66,540	0.43	0	0
	Total	49,65,902	32.16	0	49,65,902	32.16	0	0

iii) Change in Promoters' Shareholding

	Shareholding at the beginning of the year (As at 1st April, 2018)		Cumulative Shareholding during the year 1st April, 2018 to 31st March, 2019	
	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
At the beginning of the year	49,65,902	32.16	49,65,902	32.16
Date wise increase/decrease in promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity, etc):	-	-	-	-
At the end of the year	49,65,902	32.16	49,65,902	32.16



ANNEXURE F

iv) Shareholding Pattern of top ten Shareholders: (other than Directors, Promoters and holders of GDRs and ADRs):

Sl. No.	Name	Shareholding at the beginning of the year (As at 1st April, 2018)		Date	Increase/ Decrease in shareholding	Reason	Cumulative Shareholding during the year 1st April, 2018 to 31st March, 2019	
		No. of shares	% of total shares of the Company				No. of shares	% of total shares of the Company
1	Bright Star Investments Private Limited	40,07,118	25.95	-	-	Nil movement	40,07,118	25.95
2	HDFC Trustee Company Limited (Multiple Funds)	13,71,722	8.88	08.06.2018 08.06.2018 21.09.2018	2,73,706 -2,73,706 415	Transfer Transfer Transfer	16,45,428 13,71,722 13,72,137	10.66 8.88 8.89
3	Matthews India Fund	11,67,175	7.56	-	-	Nil movement	11,67,175	7.56
4	DSP Equity & Bond Fund	4,23,610	2.74	04.05.2018 27.07.2018 07.09.2018 14.09.2018 21.09.2018 02.11.2018 23.11.2018 30.11.2018 07.12.2018 14.12.2018 21.12.2018	63,000 69,052 6,907 2,615 2,232 362 5,393 3,251 11,729 677 1,350	Transfer Transfer Transfer Transfer Transfer Transfer Transfer Transfer Transfer Transfer Transfer	4,86,610 5,55,662 5,62,569 5,65,184 5,67,416 5,67,778 5,73,171 5,76,422 5,88,151 5,88,828 5,90,178	3.15 3.60 3.64 3.66 3.67 3.68 3.71 3.73 3.81 3.81 3.82
5	ICICI Lombard General Insurance Company Limited #	3,02,100	1.96	27.04.2018 06.07.2018 13.07.2018 20.07.2018 27.07.2018 03.08.2018 10.08.2018	-72,049 -476 -28,967 -30,448 -85,580 -55,560 -29,020	Transfer Transfer Transfer Transfer Transfer Transfer Transfer	2,30,051 2,29,575 2,00,608 1,70,160 84,580 29,020 -	1.49 1.49 1.30 1.10 0.55 0.19 -
6	The New India Assurance Company Limited	2,35,721	1.53	-	-	Nil Movement	2,35,721	1.53
7	TATA India Consumer Fund	0	0.00	07.12.2018 21.12.2018 28.12.2018 11.01.2019 01.02.2019 08.02.2019	10,100 66,000 27,667 5,325 11,000 39,000	Transfer Transfer Transfer Transfer Transfer Transfer	10,100 76,100 1,03,767 1,09,092 1,20,092 1,59,092	0.07 0.49 0.67 0.71 0.78 1.03
8	L&T Mutual Fund Trustee Limited-L&T Emerging Business	0	0.00	25.01.2019 01.02.2019 08.02.2019 15.02.2019 22.02.2019 01.03.2019 08.03.2019 22.03.2019 29.03.2019	15,000 17,897 13,437 6,753 18,489 5,520 1,504 318 58,075	Transfer Transfer Transfer Transfer Transfer Transfer Transfer Transfer Transfer	15,000 32,897 46,334 53,087 71,576 77,096 78,600 78,918 1,36,993	0.10 0.21 0.30 0.34 0.46 0.50 0.51 0.51 0.89



ANNEXURE F

Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and holders of GDRs and ADRs) (Continued)

Sl. No.	Name	Shareholding at the beginning of the year (As at 1st April, 2018)		Date	Increase/Decrease in shareholding	Reason	Cumulative Shareholding during the year 1st April, 2018 to 31st March, 2019	
		No. of shares	% of total shares of the Company				No. of shares	% of total shares of the Company
9	IDBI Equity Advantage Fund	115621	0.75	27.04.2018	-131	Transfer	115490	0.75
				04.05.2018	-256	Transfer	115234	0.75
				11.05.2018	-457	Transfer	114777	0.74
				18.05.2018	-1045	Transfer	113732	0.74
				01.06.2018	-260	Transfer	113472	0.73
				20.07.2018	-305	Transfer	113167	0.73
				03.08.2018	-2457	Transfer	110710	0.72
				31.08.2018	-506	Transfer	110204	0.71
				07.09.2018	-363	Transfer	109841	0.71
				14.09.2018	-822	Transfer	109019	0.71
				05.10.2018	-87	Transfer	108932	0.71
				08.03.2019	-10000	Transfer	98932	0.64
				15.03.2019	10000	Transfer	108932	0.71
10	TATA Investment Corporation Limited	85276	0.55	14.09.2018	85276	Transfer	170552	1.10
				14.09.2018	-85276	Transfer	85276	0.55
11	Investor Education and Protection Fund Authority	82579	0.53	12.10.2018	404	Transfer	82983	0.54
				26.10.2018	10236	Transfer	93219	0.60

Ceased to be in the list of Top 10 shareholders as on 31st March, 2019. The same is reflected above since the shareholder was one of the Top 10 shareholders as on 1st April, 2018.

v) Shareholding of Directors and Key Managerial Personnel

Sl No.	For each of the Directors and Key Managerial Personnel	Shareholding at the beginning of the year (As at 1st April, 2018)		Cumulative Shareholding during the Year 1st April, 2018 to 31st March, 2019	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
DIRECTORS					
1	Mr. Raymond S Noronha*	-	-	-	-
2	Mr. Pradeep V. Bhide ^{\$}	-	-	-	-
3	Mr. S. Thirumalai	25	0.00	25	0.00
4	Ms. Mubeen Rafat	-	-	-	-
5	Mr. Ramakrishna V. Addanki [!]	-	-	-	-
6	Mr. Naresh Kumar Sethi [~]	-	-	-	-
KEY MANAGERIAL PERSONNEL					
1	Mr. Devraj Lahiri [Managing Director]	-	-	-	-
2	Mr. Anish Gupta [Chief Financial Officer]	-	-	-	-
3	Mr. Phani K. Mangipudi [Company Secretary]	1	0.00	1	0.00

* Ceased to be the Director from close of working hours on 12th April, 2018

^{\$} Appointed as Additional Director with effect from 12th April, 2018

[!] Ceased to be the Director w.e.f 14th December, 2018

[~] Appointed as Nominee Director w.e.f 14th December, 2018



ANNEXURE F

V. INDEBTEDNESS

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

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

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Sl No.	Particulars of Remuneration	Devraj Lahiri	Total Amount
		Managing Director	
		₹	₹
1	Gross salary		
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	2,32,29,182	2,32,29,182
	(b) Value of perquisites under Section 17(2) of the Income Tax Act, 1961	4,55,830	4,55,830
	(c) Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961	-	-
2	Stock Option	-	-
3	Sweat Equity	-	-
4	Commission - as % of profit - others	-	-
5	Others (Retirals)	19,28,651	19,28,651
	Total (A)	2,56,13,663	2,56,13,663
	Ceiling as per the Act [@5% of profits calculated under Section 198 of the Companies Act, 2013]		17,31,83,392



ANNEXURE F

B. Remuneration to other Directors

Sl No.	Particulars of Remuneration	Name of Directors				Total Amount
		Mr. S. Thirumalai	Ms. Mubeen Rafat			
1	Independent Directors	₹	₹			₹
	Fee for attending Board/ Committee Meetings	9,25,000	9,25,000			18,50,000
	Commission	40,00,000	30,00,000			70,00,000
	Others	-	-			-
	TOTAL [1]	49,25,000	39,25,000			88,50,000
2	Other Non-Executive Directors	Mr. R.S. Noronha	Mr. Pradeep V. Bhide	Mr. Ramakrishna V. Addanki	Mr. Naresh Kumar Sethi	
	Fee for attending Board/ Committee Meetings	1,25,000	6,65,000	-	-	7,90,000
	Commission	-	65,00,000	-	-	65,00,000
	Others	-	-	-	-	-
	Total [2]	1,25,000	71,65,000	-	-	72,90,000
	Total [B] = [1+2]	50,50,000	1,10,90,000	-	-	1,61,40,000
	Total managerial remuneration [A+B]					4,17,53,663
	Overall ceiling as per the Act [@ 6% of profits calculated under Section 198 of the Companies Act, 2013]					20,78,20,069

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

Sl No.	Particulars of Remuneration	Key Managerial Personnel		Total Amount
		Anish Gupta CFO	Phani K. Mangipudi Company Secretary	
1	Gross salary	₹	₹	₹
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	76,33,956	53,67,928	1,30,01,884
	(b) Value of perquisites under Section 17(2) Income Tax Act, 1961	65,038	36,621	1,01,659
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission			
	- as % of profit	-	-	-
	- others	-	-	-
5	Others (Retirals)	5,22,975	2,40,106	7,63,081
	TOTAL	82,21,969	56,44,655	1,38,66,624



ANNEXURE F

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES

Type	Section of the Companies Act	Brief Description	Details of Penalty /Punishment/ Compounding fees imposed	Authority [RD/NCLT/ Court]	Appeal made, if any
A. COMPANY			NIL		
Penalty					
Punishment					
Compounding					
B. DIRECTORS					
Penalty					
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty					
Punishment					
Compounding					

ANNEXURE G

SECRETARIAL AUDIT REPORT



VST Industries Limited

For the Financial Year Ended 31 March, 2019

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

The Members
VST Industries Limited
Azamabad
Hyderabad – 500 020

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

Based on my verification of the Company’s books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31 March, 2019 (‘Audit Period’) complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31 March, 2019 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 (‘SCRA’) and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings (Not applicable to the Company 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, 2009 and 2018 (Not applicable to the Company during the Audit Period);
 - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (Not applicable to the Company during the Audit Period);
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not applicable to the Company during the Audit Period);
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not applicable to the Company during the Audit Period); and
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 and 2018 (Not applicable to the Company during the Audit Period).
- (vi) I 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:



SECRETARIAL AUDIT REPORT

- (a) The Tobacco Board Act, 1975 and Rules made thereunder; and
- (b) The Cigarette and Other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003 and Rules made thereunder.

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

- (i) Secretarial Standards (SS-1 and SS-2) issued by The Institute of Company Secretaries of India; and
- (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.

I further report that

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

compliance with the provisions of the Act.

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

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

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

I further report that during the audit period there were no specific events/actions having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards.

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

Pune, 3rd May, 2019

This report is to be read with my letter of even date which is annexed as Annexure and forms an integral part of this report.

ANNEXURE TO THE SECRETARIAL AUDIT REPORT



VST Industries Limited

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

My report of even date is to be read along with this letter:

- 1 Maintenance of secretarial records is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I 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-check basis to ensure that correct facts are reflected in secretarial records. I believe that the process and practices, I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
4. Wherever required, I have obtained Management Representation about the compliance of laws, rules and regulations and happening of events, etc.
5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedures on test-check basis.
6. The Secretarial Audit report is neither an assurance as to future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

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

Pune, 3rd May, 2019



BUSINESS RESPONSIBILITY REPORT

[Pursuant to Regulation 34(2)(f) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

SECTION A : GENERAL INFORMATION ABOUT THE COMPANY

1. Corporate Identity Number (CIN) of the Company	L29150TG1930PLC000576
2. Name of the Company	VST Industries Limited
3. Registered address	1-7-1063/1065, Azamabad, Hyderabad – 500 020
4. Website	www.vsthyd.com
5. E-mail id	investors@vstind.com
6. Financial Year reported	April 2018 to March, 2019
7. Sector(s) that the Company is engaged in (industrial activity code-wise)	Manufacturing of cigarettes containing tobacco (12003) and unmanufactured tobacco (46202)
8. List three key products/services that the Company manufactures/provides (as in balance sheet)	Cigarettes containing tobacco & Unmanufactured tobacco
9. Total number of locations where business activity is undertaken by the Company	(a) Number of international locations : Nil (b) Number of national locations: VST has its Registered Office and regional office in Hyderabad and its factories at Hyderabad and Toopran. It also has regional offices at Delhi, Mumbai, Kolkata, Chennai and Guwahati.
10. Markets served by the Company	Local/State/National/International : National & International

SECTION B : FINANCIAL DETAILS OF THE COMPANY

1. Paid up Capital	₹ 15,44,19,200
2. Turnover	₹ 1,22,301 lakhs
3. Total Profit after taxes	₹ 22,684 lakhs
4. Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	2%
5. List of activities in which expenditure in 4 above has been incurred	(a) Swachh Ghar Mission – Construction of household toilets (b) Solar Street Lighting

SECTION C : OTHER DETAILS

1. Does the Company have any subsidiary company/companies	No
2. Do the subsidiary company/companies participate in the BR initiatives of the parent company ? If yes, then indicate the number of such subsidiary company(s)	NA
3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company	No



BUSINESS RESPONSIBILITY REPORT

SECTION D : BR INFORMATION

<p>1. Details of Directors / persons responsible for BR</p>	<p>The Corporate Social Responsibility Committee comprises of Ms. Mubeen Rafat (DIN 02097314) as the Chairpeson, Mr. Pradeep V. Bhide, Mr. S. Thirumalai and Mr. Devraj Lahiri.</p> <p>Mr. S. Sriram, Vice President-HR is responsible for executing CSR in the Company. Telephone : +91 040 2768 8000, E-mail : shriram@vstind.com</p> <p>The role of Corporate Social Responsibility Committee is as follows :</p> <ul style="list-style-type: none"> ● 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 wherever required services of external service providers, Non-Governmental Organisations (NGOs), volunteers, professionals, consultants, specialized agencies, etc. if required, to undertake and audit such activities.
<p>2. The operating principles adopted by the Company supplement the requirements under the National Voluntary Guidelines</p>	<p>The National Voluntary Guidelines provide for the following nine principles.</p> <p>Principle 1 : Ethics, Transparency and Accountability [P1]</p> <p>Principle 2 : Products Lifecycle Sustainability [P2]</p> <p>Principle 3 : Employees' Well-being [P3]</p> <p>Principle 4 : Stakeholder Engagement [P4]</p> <p>Principle 5 : Human Rights [P5]</p> <p>Principle 6 : Environment [P6]</p> <p>Principle 7 : Policy Advocacy [P7]</p> <p>Principle 8 : Inclusive Growth [P8]</p> <p>Principle 9 : Customer Value [P9]</p>

(Contd.)



BUSINESS RESPONSIBILITY REPORT

Details of compliance (Reply in Yes/No)

No.	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
1.	Do you have a policy/policies for :	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2.	Has the policy being formulated in consultation with the relevant stakeholders?	Yes								
3.	Does the policy conform to any national/international standards?	The Policies are aligned to the legal requirements and are also in compliance as per the ISO and Occupational Health and Safety Assessment System.								
4.	Has the policy being approved by the Board? If yes, has it been signed by MD/ Owner/CEO/appropriate Board Director?	The policies are noted by the Board of Directors of the Company. Implementation of policy decision is carried out by the management.								
5.	Does the company have a specified committee of the Board/Director/Official to oversee the implementation of the policy?	The implementation and adherence to the Code of Conduct for employees is overseen by the Human Resource function. The Corporate Social Responsibility Policy is administered by the CSR Committee in line with requirements of the Companies Act, 2013 and the Employee Health and Safety (EHS) practices are overseen by the management.								
6.	Indicate the link for the policy to be viewed online?	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 .								
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Yes								
8.	Does the company have in-house structure to implement the policy/policies?	Yes								
9.	Does the company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Yes								
10.	Has the company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	No, your Company has not carried out independent audit of the policies. The Internal Audit team periodically looks at the implementation of the relevant policies.								
3.	Governance related to BR	Business Responsibility Report is part of the Annual Report. It is also available on the Company's website www.vsthyd.com . It is proposed to be assessed annually.								



BUSINESS RESPONSIBILITY REPORT

SECTION E: PRINCIPLE-WISE PERFORMANCE

Principle 1 : Businesses should conduct and govern themselves with Ethics, Transparency and Accountability

Your Company is committed to adhere to the highest standards of ethical and legal conduct of its business operations. In order to maintain these standards, it has adopted the 'Code of Conduct', which lays down the principles and standards that should govern the actions of the employees and the Board of Directors in the course of conduct of business of the Company. Any actual or potential violation of the Code, would receive appropriate intervention by the Company.

The Company has adopted a 'Whistle blower policy' to highlight any concerns and for a proper redressal of the same.

There were no complaints from shareholders pending at the beginning of the year. The Company received 77 complaints from shareholders during the year and all complaints have been resolved satisfactorily.

Principle 2 : Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

Your Company believes in developing products which are efficient and environment friendly and several steps have been taken in this direction.

The Environment Management practices of the Company focus on conservation of natural resources and waste management.

Further, at the factory locations, the Company endeavors to create jobs for the local communities.

Principle 3 : Businesses should promote the well being of all employees

1. Please indicate the Total number of employees : 782
2. Please indicate the Total number of employees hired on temporary/contractual/casual basis : 153
3. Please indicate the Number of permanent women employees : 16
4. Please indicate the Number of permanent employees with disabilities: Nil
5. Do you have an employee association that is recognized by management: Yes

6. What percentage of your permanent employees is members of this recognized employee association? 56%
7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year : Nil

No.	Category	No. of complaints filed during the financial year	No. of complaints pending as on end of the financial year
1	Child labour/forced labour/involuntary labour	0	0
2	Sexual harassment	0	0
3	Discriminatory employment	0	0

8. What percentage of your under mentioned employees were given safety & skill upgradation training in the last year?
 - (a) Permanent Employees : 70%
 - (b) Permanent Women Employees: Nil
 - (c) Casual/Temporary/Contractual Employees : 20%
 - (d) Employees with Disabilities: NA

Principle 4 : Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized

Your Company mapped its internal and external stakeholders in a structured way and carries out engagements with employees, customers, suppliers, business partners, etc. It also identifies the interests of its internal stakeholders like employees through feedback surveys and other periodic worker settlement reviews. The external shareholders are mapped through various sales and marketing activities such as trade shows, customer contact programs, channel partner meets, trainings, etc. The Company also commits to Government initiatives like Swachh Bharat. It participates in the events organized by trade associations and contributes by providing inputs when requested.

The Company has supported initiatives towards Agriculture & Horticulture development, Water Management & Harvesting, Training in Farming techniques to the farmers etc.

Your Company is involved in various programs for the improvement of living conditions in tobacco growing areas.



BUSINESS RESPONSIBILITY REPORT

Principle 5 : Businesses should respect and promote human rights

The Code of Conduct is applicable to all the employees. There have been no complaints received in the past financial year.

The Company promotes the Code of Conduct which apart from other things ensures that there are no instances of sexual harassment, child labour or discriminatory practices.

Principle 6 : Businesses should respect, protect, and make efforts to restore the environment

All the Company's manufacturing units have policies on environment, health and safety measures in line with the Environment, Health and Safety Practices adopted by the Company.

The units are covered under ISO 14000 environment management system. The Company also monitors hazardous wastes and emissions in its manufacturing units and the wastes and emissions are within permissible limits as laid down by the regulators.

There are no pending EHS show cause notices as at the end of the financial year.

Principle 7 : Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

The Company is a member of the following trade/chamber/association:

- a) All India Management Association
- b) Telangana and Andhra Pradesh Chambers of Commerce

and Industry

- c) Confederation of Indian Industry
- d) Tobacco Institute of India

Your Company participates in seminars, conferences organized by these associations.

Principle 8 : Businesses should support inclusive growth and equitable development

Your Company is committed to corporate citizenship and sustainability. It has a policy on Corporate Social Responsibility and the focal areas at present being rural sanitation and environment sustainability.

These initiatives are implemented by the Company mainly through Gramalaya, a non-profit organization. The financial and impact details are covered in the Directors' Report and its Annexures.

Principle 9 : Businesses should engage with and provide value to their customers in a responsible manner

There were two consumer cases pending during the financial year relating to the Company. One was dismissed in your Company's favor during the year. The other one is being dealt with appropriately before the respective consumer forums and your Company does not find them tenable. For receiving and resolving customer complaints there are adequate systems in place to address them. Customers may register their grievances over the dedicated helpline. Your Company adheres to all applicable laws and regulations on product labelling.



INDEPENDENT AUDITORS' REPORT

To the Members of VST Industries Limited

Report on the Audit of the Ind AS Financial Statements

Opinion

We have audited the Ind AS financial statements of VST Industries Limited ("the Company"), which comprise the balance sheet as at 31 March 2019, 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 Ind AS financial statements, including a summary of the significant accounting policies and other explanatory information (herein after referred to as the "Ind AS financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS 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 31 March 2019, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

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 Ind AS 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 Ind AS 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 we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Ind AS financial statements of the current period. These matters were addressed in the context of our audit of the Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Litigations and contingencies related to taxation and other claims

Refer Note 18 and Note 27 to Ind AS 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.

Key audit matters	How the matter was addressed in our audit
<p>The Company is subjected to a large volume of tax litigations and other claims, 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. In addition, the Company estimates and records related accruals at the end of the reporting period. This includes assumptions relating to the likelihood and/or timing of cash outflows from the business and the interpretation of preliminary and pending court rulings.</p> <p>We considered the tax related litigations and contingencies and other claims important given the size and complexity of the litigations, and related uncertainty of the outcomes.</p>	<p>Our key audit procedures included:</p> <ul style="list-style-type: none"> • Through discussion with the Management, we understood the Company's process around the identification, evaluation and continuous re-assessment of tax related provision, accounting policy thereof and other claims. The process followed by management involved application of accounting standards in estimating the amounts if any to be provided for or disclosed as a contingent liability which is inherently subjective. This includes assumptions relating to the likelihood and/or timing of cash outflows from the business and the interpretation of preliminary and pending court rulings. • Assessed the Company's provisioning methodology and discussed significant litigation matter with the Management and performed review of board and audit committee minutes. • Involved our internal tax specialists to assess the Company's tax positions and to analyse and challenge the assumptions used by management to assess the probability and determine the amount, to be provided as a liability or disclosed as a contingent liability. • Assessed relevant historical and recent judgements passed by the court authorities in considering any legal precedent or case law, as well as assessing legal opinions from third party lawyers. • Assessed the adequacy of the Company's disclosures (in Note 18 and 27) made in relation to Litigations and contingencies related to taxation and other claims.



INDEPENDENT AUDITORS' REPORT

Revenue Recognition

Refer to Note 1 -Significant Accounting Policies to the Ind AS financial statements

Key audit matters	How the matter was addressed in our audit
<p>Regulatory restrictions and taxation changes may have impact on the revenue growth of the Company and resultant impact on the price and volume of product sold.</p> <p>Revenue from sale of goods is recognized when effective 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.</p> <p>Revenue is measured at fair value of the consideration received or receivable 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 & service Tax, etc.</p> <p>Revenue is one of the key performance indicators of the Company and there could be a risk that Management may override controls to meet targets or expectations. This may result in revenue to be recognized before the control have been transferred to the customer. Further, recognition and measurement of provision related to trade promotion scheme, incentives and rebates involve management judgement.</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"> ● Assessed the appropriateness of the Company's revenue recognition accounting policies including those relating to discounts, incentives and rebates and assessing compliance with the policies in terms of applicable accounting standards. ● Tested the effectiveness of the Company's controls over measurement and recognition of revenue in accordance with customer contract which includes control over transaction pricing including discounts, incentives and rebates and correct timing of revenue recognition. ● Assessed sales transactions taking place at either side of the balance sheet date as well as credit notes issued after the year end date to assess whether that revenue was recognised in the correct period. ● Also performed analytical procedures on current period rebate/discounts in comparison with previous year, including the estimates made for evidence of Management bias. ● Other audit procedures specifically designed to address risk of Management override of controls included journal entry testing.

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 our auditors' report thereon.

Our opinion on the Ind AS 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 Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Ind AS 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 Responsibility for the Ind AS 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 Ind AS 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. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments 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



INDEPENDENT AUDITORS' REPORT

Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Ind AS financial statements, management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the Ind AS 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 Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Ind AS 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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting 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 Ind AS 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 Ind AS financial statements, including the disclosures, and whether the Ind AS 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 Ind AS financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.



INDEPENDENT AUDITORS' REPORT

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2016 ("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. 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 Ind AS financial statements comply with the Ind AS specified under section 133 of the Act, read with Rule 3 of the Companies (Accounts) Rules, 2014;
 - e) On the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 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"; and
 - g) With respect to the other matters to be included in the Auditors' 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:
 - i. The Company has disclosed the impact of pending litigations as at 31 March 2019 on its financial position in its Ind AS financial statements - Refer Note 18 and 27 to the Ind AS financial statements;
 - ii. The Company has long-term contracts including derivative contracts comprising of forward contracts as at 31 March 2019 for which there were no material foreseeable losses; and
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
3. With respect to the matter to be included in the Auditors' Report under section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid 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 to any director 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) which are required to be commented upon by us.

For B S R & ASSOCIATES LLP
Chartered Accountants
ICAI Firm Registration Number : 116231W/W-100024

SRIRAM MAHALINGAM
Partner
Membership Number : 049642

Place : Hyderabad
Date : 3rd May, 2019



ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT

Report on the matters specified in paragraphs 3 and 4 of Companies (Auditor's Report) Order, 2016 to the aforesaid Ind AS financial statements under Sub-section 11 of Section 143 of the Companies Act, 2013.

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date).
We report that:

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment;
(b) The property, plant and equipment are physically verified by the management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the property, plant and equipment has been physically verified by the management during the year and no material discrepancies have been noticed on such verification.
(c) According to the information and explanations given to us and on the basis of our examination of records of the Company, the title deeds of immovable properties, as disclosed in Note 2 on property, plant and equipment to the Ind AS financial statements, are held in the name of the Company.
- ii. The inventories have been physically verified by the Management during the year at reasonable intervals. In our opinion, the frequency of such verification is reasonable. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited liability partnership or other parties covered in the Register maintained under Section 189 of the Companies Act, 2013 ("the Act"). Accordingly, paragraph 3(iii) of the Order is not applicable to the Company.
- iv. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Sections 185 and 186. Accordingly, paragraph 3(iv) of the Order is not applicable to the Company.
- v. The Company has not accepted any deposits from the public in accordance with provisions of Sections 73 to 76 of the Act and the Rules framed thereunder.
- vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company. Accordingly, paragraph 3(vi) of the Order is not applicable to the Company.
- vii. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident fund, Employees' state insurance, Income-tax, Goods and Service tax, Duty of customs, Duty of excise, Cess and other material statutory dues have been regularly deposited during the year 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 Provident fund, Employees' state insurance, Income-tax, Goods and Service tax, Duty of customs, Duty of excise, Cess and other material statutory dues were in arrears as at 31 March 2019 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, there are no dues of Income tax, Goods and Service tax, Duty of customs, Duty of excise and Value added tax which have not been deposited with appropriate authorities on account any dispute. According to the information and explanations given to us, the following dues of Sales tax and Service tax have not been deposited by the Company on account of disputes.

**ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT**

Name of statute	Nature of dues	Amount in lakhs (₹)	Period to which the amount relates	Forum where the dispute is pending
The Central Excise Act, 1944	Service tax credit ineligibility under Cenvat Credit Rules, 2002	248.82	May 2008 to September 2011; October 2012 to September 2013; August 2015 to March 2016; April 2016 to March 2017	Customs, Excise & Service Tax Appellate Tribunal
The Central Sales Tax	Central Sales tax	68.83	Financial year 2010-11	Joint Commissioner Appeals (Guwahati)

- viii. The Company does not have any loans or borrowings from any financial institution or bank or Government nor has it issued any debentures during the year. Accordingly, paragraph 3(viii) of the Order is not applicable to the Company.
- ix. The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3(ix) of the Order is not applicable to the Company.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
- xi. According to the information and explanations given to us and based on our examination of the records on the Company, the Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V of the Act.
- xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable to the Company.
- xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Section 177 and 188 of the Act where applicable and details of such related party transactions have been disclosed in the Note 29 to the Ind AS Financial Statements as required by the applicable Indian Accounting Standards.
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable to the Company.
- xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transaction with the directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable to the Company.
- xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable to the Company.

For B S R & ASSOCIATES LLP
Chartered Accountants
ICAI Firm Registration Number : 116231W/W-100024
SRIRAM MAHALINGAM
Partner
Membership Number : 049642

Place : Hyderabad
Date : 3rd May, 2019



ANNEXURE B TO THE INDEPENDENT AUDITORS' REPORT

Report on the internal financial controls with reference to the aforesaid Ind AS financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in clause (f) of paragraph 2 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 31 March 2019 in conjunction with our audit of the Ind AS 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 31 March 2019, 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 on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

Management's Responsibility 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 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 Companies Act, 2013 (hereinafter referred to as "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 whether 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 such internal financial controls, 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.



ANNEXURE B TO THE INDEPENDENT AUDITORS' REPORT

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

ICAI Firm Registration Number : 116231W/W-100024

SRIRAM MAHALINGAM

Partner

Membership Number : 049642

Place : Hyderabad

Date : 3rd May, 2019



BALANCE SHEET AS AT 31ST MARCH, 2019

₹ in Lakhs

	Note	As at 31st March, 2019	As at 31st March, 2018
I ASSETS			
1 Non-Current Assets			
(a) Property, Plant and Equipment	2A	21333.73	19506.23
(b) Capital Work-in-Progress	2B	29.85	3422.11
(c) Intangible Assets	2C	7.24	1.22
(d) Financial Assets			
(i) Investments	3	225.98	202.61
(ii) Loans	4	13.38	14.85
(iii) Other Financial Assets	5	1.77	1.77
(e) Deferred Tax Assets (Net)	6	3101.46	2481.65
(f) Other Non-Current Assets	7	111.80	297.80
2 Current Assets			
(a) Inventories	8	28184.96	25287.48
(b) Financial Assets			
(i) Investments	9	57305.88	41409.57
(ii) Trade Receivables	10	1431.74	2733.09
(iii) Cash and Cash Equivalents	11	2638.60	2852.11
(iv) Other Bank Balances	12	1047.21	906.71
(v) Loans	4	1.46	1.69
(vi) Other Financial Assets	5	121.21	0.12
(c) Current Tax Assets (Net)	13	192.77	261.72
(d) Other Current Assets	7	4935.84	7032.60
TOTAL		<u>120684.88</u>	<u>106413.33</u>
II EQUITY AND LIABILITIES			
1 Equity			
(a) Equity Share Capital	14	1544.19	1544.19
(b) Other Equity		64858.86	56664.88
2 Liabilities			
Non-Current Liabilities			
(a) Provisions	15	1849.74	1415.15
Current Liabilities			
(a) Financial Liabilities			
(i) Trade Payables	16		
- Total outstanding dues of micro enterprises and small enterprises		30.01	32.28
- Total outstanding dues of creditors other than micro enterprises and small enterprises		8271.35	5776.67
(ii) Other Financial Liabilities	17	1270.37	1308.70
(b) Other Current Liabilities	18	42860.36	39671.46
TOTAL		<u>120684.88</u>	<u>106413.33</u>
The accompanying notes 1 to 34 form an integral part of the Financial Statements.			
This is the Balance Sheet referred to in our report of even date.		On behalf of the Board,	
For B S R & Associates LLP		PRADEEP V. BHIDE	Chairman
Firm Registration No. 116231W/W - 100024		DIN : 03304262	
Chartered Accountants		DEVRAJ LAHIRI	Managing Director
		DIN : 03588071	
SRIRAM MAHALINGAM		ANISH GUPTA	Chief Financial Officer
Partner		PHANI K. MANGIPUDI	Company Secretary
Membership No. 049642			
Hyderabad, 3rd May, 2019.		Hyderabad, 3rd May, 2019.	



STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2019

₹ in Lakhs

	Note	For the year ended 31st March, 2019	For the year ended 31st March, 2018
I Revenue from operations	19	118410.61	135863.55
II Other Income	20	3889.99	2462.40
III Total Income (I+II)		<u>122300.60</u>	<u>138325.95</u>
IV Expenses			
Cost of Materials Consumed	21	55964.19	46324.43
Changes in Inventories of Finished Goods and Work-in-Progress	22	(947.49)	705.19
Excise Duty (Refer Note 33)		8509.61	41106.43
Employee Benefits Expense	23	9226.12	8919.52
Depreciation and Amortisation Expense		4134.53	3916.41
Other Expenses	24	10346.19	9408.58
Total Expenses		<u>87233.15</u>	<u>110380.56</u>
V Profit before tax (III-IV)		35067.45	27945.39
VI Tax expense:			
1) Current tax	6	13076.44	9956.20
2) Deferred tax	6	<u>(693.42)</u>	<u>(200.12)</u>
		12383.02	9756.08
VII Profit for the year (V-VI)		22684.43	18189.31
Other Comprehensive Income			
A (i) Items that will not be reclassified to profit or loss:			
- Remeasurements of the defined benefit plans (net)		(215.40)	75.89
- Change in Fair Value of Equity instruments		23.37	26.09
(ii) Income tax relating to items that will not be reclassified to profit or loss	6	46.14	(26.26)
B (i) Items that will be reclassified to profit or loss:			
- Change in Fair Value of effective portion of Cash flow hedges		127.36	(21.29)
(ii) Income tax relating to items that will be reclassified to profit or loss	6	(44.48)	7.37
VIII Other Comprehensive Income (A+B)		<u>(63.01)</u>	<u>61.80</u>
IX Total Comprehensive Income for the year (VII+VIII)		<u>22621.42</u>	<u>18251.11</u>
X Earnings per equity share (Face Value ₹10 each):			
1) Basic (in ₹)	25	146.90	117.79
2) Diluted (in ₹)	25	146.90	117.79

The accompanying notes 1 to 34 form an integral part of the Financial Statements.

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

For B S R & Associates LLP
Firm Registration No. 116231W/W - 100024
Chartered Accountants

SRIRAM MAHALINGAM
Partner
Membership No. 049642

Hyderabad, 3rd May, 2019.

On behalf of the Board,

PRADEEP V. BHIDE
DIN : 03304262

DEVRAJ LAHIRI
DIN : 03588071

ANISH GUPTA

PHANI K. MANGIPUDI

Hyderabad, 3rd May, 2019.

Chairman

Managing Director

Chief Financial Officer

Company Secretary



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2019

VST Industries Limited

₹ 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, 2018	1544.19	-	1544.19				
For the year ended 31st March, 2019	1544.19	-	1544.19				
B OTHER EQUITY							
	Reserve and Surplus			Other Comprehensive Income (OCI)		Total	
	Capital Redemption Reserve	General Reserve	Retained Earnings	Equity Instruments	Cash Flow Hedge		Remeasurement of defined benefit plans (net)
Balance as at 31st March, 2017	1000.25	22402.15	29007.96	36.53	9.53	(103.50)	52352.92
Profit for the year			18189.31				18189.31
Other Comprehensive Income (net of tax)				26.09	(13.92)	49.63	61.80
Dividend on							
Ordinary Shares-Final (₹75/- per share)			(11581.44)				(11581.44)
Dividend tax thereon			(2357.71)				(2357.71)
Transfer to General Reserve		900.00	(900.00)				-
Balance as at 31st March, 2018	1000.25	23302.15	32358.12	62.62	(4.39)	(53.87)	56664.88
Profit for the year			22684.43				22684.43
Other Comprehensive Income (net of tax)				22.75	82.88	(168.64)	(63.01)
Dividend on							
Ordinary Shares-Final (₹77.5/- per share)			(11967.49)				(11967.49)
Dividend tax thereon			(2459.95)				(2459.95)
Transfer to General Reserve		2250.00	(2250.00)				-
Balance as at 31st March, 2019	1000.25	25552.15	38365.11	85.37	78.49	(222.51)	64858.86

An amount of ₹ 95/- per ordinary share (2018 - ₹ 77.5/-) 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. The amount of total dividend is ₹ 14669.82 Lakhs (2018 - ₹ 11967.49 Lakhs) and income tax thereon is ₹ 3015.43 Lakhs (2018 - ₹ 2459.95 Lakhs).

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 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.

The accompanying notes 1 to 34 form an integral part of the Financial Statements.

For B S R & Associates LLP Firm Registration No. 116231W/W - 100024 Chartered Accountants SRIRAM MAHALINGAM Partner Membership No. 049642 Hyderabad, 3rd May, 2019.	On behalf of the Board, PRADEEP V. BHIDE DIN : 03304262 DEVRAJ LAHIRI DIN : 03588071 ANISH GUPTA PHANI K. MANGIPUDI Hyderabad, 3rd May, 2019.	Chairman Managing Director Chief Financial Officer Company Secretary
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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2019

₹ in Lakhs

	For the year ended 31st March, 2019	For the year ended 31st March, 2018
A Cash Flow from Operating Activities		
Profit Before Tax Expense	35067.45	27945.39
Adjustments:		
Depreciation and Amortisation Expense	4134.53	3916.41
Profit on sale of Property, Plant and Equipment (Net)	(9.86)	(165.16)
Unrealised (Gain)/Loss on Exchange (Net)	56.02	(55.27)
Interest on Loans and Deposits, etc.	(5.80)	(8.13)
Dividend Income from Non-Current Investments	(4.35)	(4.47)
Net gain arising on Current Investments measured at FVTPL	(3661.34)	(2121.16)
Operating Profit before Working Capital Changes	35576.65	29507.61
Adjustments for Movement in Working Capital:		
Trade Receivables, Advances and Other Assets	3342.65	(7145.12)
Inventories	(2897.48)	7643.55
Trade Payables, Other Liabilities and Provisions	5860.81	22108.49
Cash generated from Operations	41882.63	52114.53
Income Taxes Paid (Net)	(12866.32)	(10102.23)
Net cash from Operating Activities	29016.31	42012.30
B Cash Flow from Investing Activities		
Purchase of Property, Plant and Equipment, Intangibles, etc	(2588.98)	(4541.32)
Sale of Property, Plant and Equipment	10.16	219.14
Purchase of Current Investments	(317867.00)	(511446.00)
Sale/ Redemption of Current Investments	305632.03	489339.52
Dividend Income from Non-Current Investments	4.35	4.47
Interest on Loans and Deposits, etc.	5.36	8.01
Loans realised	1.70	3.05
Net cash used in Investing Activities	(14802.38)	(26413.13)
C Cash Flow from Financing Activities		
Dividends (including tax thereon) paid on equity shares	(14427.44)	(13939.15)
Net cash used in Financing Activities	(14427.44)	(13939.15)
Net change in cash and cash equivalents	(213.51)	1660.02
Opening cash and cash equivalents	2852.11	1192.09
Closing cash and cash equivalents	2638.60	2852.11

The accompanying notes 1 to 34 form an integral part of the Financial Statements.

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

For B S R & Associates LLP
Firm Registration No. 116231W/W - 100024
Chartered Accountants

SRIRAM MAHALINGAM
Partner
Membership No. 049642

Hyderabad, 3rd May, 2019.

On behalf of the Board,

PRADEEP V. BHIDE
DIN : 03304262

DEVRAJ LAHIRI
DIN : 03588071

ANISH GUPTA

PHANI K. MANGIPUDI

Hyderabad, 3rd May, 2019.

Chairman

Managing Director

Chief Financial Officer

Company Secretary



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.

STATEMENT OF COMPLIANCE

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 and relevant amendment Rules issued thereafter.

The financial statements have also been prepared in accordance with the relevant presentation requirements of the Companies Act, 2013. The Company adopted Ind AS from 1st April, 2017. The financial statements were authorised for issue by the Company's Board of Directors on 3rd May, 2019.

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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. 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.

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 17 – 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.

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 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.

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 upgrades / enhancements are charged off as revenue expenditure unless they bring similar significant additional 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 gains or losses arising on retirement or disposal of property, plant and equipment is determined as difference between the sale proceeds 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 on freehold Land	-	20 Years
Building on Leasehold Land	-	20 Years
Motor Vehicles	-	4 Years

Assets costing ₹ 5,000 or less - fully depreciated in the year of purchase.

Freehold land is not depreciated.

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
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The amortisation period and the amortisation method for finite-life intangible assets is reviewed at each financial year end and adjusted prospectively, if 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 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 that qualify as fair value hedges are recognised in statement of profit and loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the designated portion of hedging instrument and the change in fair value of the hedged item attributable to the hedged risk are recognised in the statement of profit and loss in the line item relating to the hedged item.



NOTES TO THE FINANCIAL STATEMENTS

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 INR, 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 income 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 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 recognized 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



NOTES TO THE FINANCIAL STATEMENTS

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 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 are 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 recognized 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 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.

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 recognized amounts and there is an intention to settle on a net basis or realize 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.



NOTES TO THE FINANCIAL STATEMENTS

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 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 its 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 recognized when effective 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 fair value of the consideration received or receivable 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 recognized 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 recognizes contribution payable to such trusts as an expense including any shortfall in interest between the amount of interest realized by 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 recognized 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.



NOTES TO THE FINANCIAL STATEMENTS

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:

- (a) when the Company can no longer withdraw the offer of those benefits; or
- (b) 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.

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/receivable 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 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 taxation 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) is recognized in the period in which the interim dividends are approved by the Board of Directors or in respect of final dividend when approved by shareholders.

LEASES

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 INDIAN ACCOUNTING STANDARDS (Ind AS)

Ministry of Corporate Affairs ("MCA"), through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified the following new and amendments to Ind AS which the Company has not applied as effective date for application of these amendments is annual period beginning on or after April 1, 2019.



NOTES TO THE FINANCIAL STATEMENTS

Ind AS 116 Leases

Ind AS 116 will replace the existing leases standard, Ind AS 17 Leases. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises right-of-use asset representing its right to use the underlying asset and a liability representing its obligation to make lease payments.

The Company has only low value lease and short term lease assets, accordingly the management believes that the standard will not have a significant impact on the Company's financial statement in the period of its initial application.

Ind AS 12 Income taxes (amendments relating to income tax consequences of dividend and uncertainty over income tax treatments)

The amendment relating to income tax consequences of dividend clarify that an entity shall recognise the income tax consequences of dividends in statement of profit and loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The Company does not expect any impact from this pronouncement. It is relevant to note that the amendment does not amend situations where the entity pays a tax on dividend which is effectively a portion of dividends paid to taxation authorities on behalf of shareholders. Such amount paid or payable to taxation authorities continues to be charged to equity as part of dividend, in accordance with Ind AS 12.

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. It outlines the following: (1) the entity has to use judgement, to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty (2) the entity is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount (3) entity has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon such probability. The Company does not expect any significant impact of the amendment on its financial statements.

Ind AS 19 Plan Amendment, Curtailment or Settlement

The amendments relating to 'Employee Benefits' require an entity:

- to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

The Company does not expect any significant impact of the amendment on its financial statements.



NOTES TO THE FINANCIAL STATEMENTS

₹ in Lakhs

	Gross Block						Accumulated Depreciation & Amortisation				Net Block			
	Balance as at 31.03.2017	Additions	Disposals	Balance as at 31.03.2018	Additions	Disposals	Balance as at 31.03.2019	For the year	Adjustment on Disposals	Balance as at 31.03.2019	For the year	Adjustment on Disposals	Balance as at 31.03.2019	Balance as at 31.03.2018
2A. PROPERTY PLANT AND EQUIPMENT														
Land	1724.80	-	-	1724.80	556.42	-	2281.22	-	-	-	-	-	2281.22	1724.80
Buildings on Freehold Land (including roads)	2539.69	40.52	-	2580.21	3048.58	-	5628.79	142.70	-	250.47	459.64	-	4918.68	2329.74
Buildings on Leasehold Land	34.41	8.40	-	42.81	8.73	-	51.54	3.59	-	7.67	4.12	-	39.75	35.14
Plant & Equipment	20014.30	1342.86	17.08	21340.08	1897.95	-	23238.03	3543.97	16.95	6914.20	3454.10	-	12869.73	14425.88
Electrical Installation & Equipment	779.98	-	-	779.98	330.61	-	1110.59	77.94	-	120.23	97.73	-	892.63	659.75
Furniture & Fixtures	129.62	77.21	-	206.83	63.73	0.55	270.01	18.07	-	36.70	33.80	0.28	199.79	170.13
Motor Vehicles	241.83	7.81	128.84	120.80	4.63	8.16	117.27	66.20	74.99	60.22	32.12	8.16	33.09	60.58
Office Equipment	206.67	-	-	206.67	50.45	2.45	254.67	61.04	-	106.46	51.79	2.42	98.84	100.21
Total Property, Plant and Equipment	25671.30	1476.80	145.92	27002.18	5961.10	11.16	32952.12	3913.51	91.94	7495.95	4133.30	10.86	21333.73	19506.23
2B. CAPITAL WORK-IN-PROGRESS														
2C. INTANGIBLE ASSETS														
Computer Software etc.	7.03	-	-	7.03	7.25	-	14.28	2.90	-	5.81	1.23	-	7.04	1.22
Total Intangible assets	7.03	-	-	7.03	7.25	-	14.28	2.90	-	5.81	1.23	-	7.04	1.22

Note: The amortisation expense of intangible assets have been included under "Depreciation and amortisation expense" in the Statement of Profit and Loss.



NOTES TO THE FINANCIAL STATEMENTS

₹ in Lakhs

	As at 31st March, 2019	As at 31st March, 2018
3. NON-CURRENT INVESTMENTS		
Investment in Government/Trust Securities (at amortised cost)		
National Savings Certificate cost ₹ 500 (Previous Year - ₹ 500) Lodged with Government Authority		
Investment in Mutual Funds (at fair value through other comprehensive income)		
HDFC - Top 100 Fund 50,000 units of ₹10 each fully paid up	24.47 <u>24.47</u>	23.72 <u>23.72</u>
Investment in Equity instruments Other than Trade (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	11.58	8.21
Golden Tobacco Limited 50 Equity Shares of ₹10 each fully paid up	0.02	0.03
Housing Development Finance Corporation Limited 6,000 Equity Shares of ₹ 2 each fully paid up	118.04	109.54
HDFC Bank Limited 2,500 Equity Shares of ₹ 2 each fully paid up	57.91 <u>187.57</u>	47.15 <u>164.95</u>
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 , Previous Year - ₹ 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	<u>13.94</u>	<u>13.94</u>
Total of Non-Current Investments	<u>225.98</u>	<u>202.61</u>
Aggregate amount of Quoted Investments - Market Value	212.04	188.67
Aggregate amount of Other Investments	13.94	13.94



NOTES TO THE FINANCIAL STATEMENTS

₹ in Lakhs

	As at 31st March, 2019		As at 31st March, 2018	
	Current	Non-Current	Current	Non-Current
4. LOANS				
Loans to Employees				
Secured, considered good	1.28	13.38	1.51	14.85
Unsecured, considered good	<u>0.18</u>	<u>-</u>	<u>0.18</u>	<u>-</u>
TOTAL	<u><u>1.46</u></u>	<u><u>13.38</u></u>	<u><u>1.69</u></u>	<u><u>14.85</u></u>
5. OTHER FINANCIAL ASSETS				
Balances with Banks:				
- On Term Deposits with original maturity of more than 12 months Lodged with Government Authorities	-	1.77	-	1.77
Other financial assets				
Interest accrued on Loans, Deposits, Investments, etc.	0.55	-	0.12	-
Other receivables				
- On account of Foreign Currency Forward Contracts	<u>120.66</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL	<u><u>121.21</u></u>	<u><u>1.77</u></u>	<u><u>0.12</u></u>	<u><u>1.77</u></u>
	As at 31st March, 2019		As at 31st March, 2018	
6. INCOME TAXES				
A. Income tax expense recognised in Statement of Profit and Loss				
Current tax				
Current tax for the year		13093.17		10201.84
Adjustments/(credits) related to previous years - Net		<u>(16.73)</u>		<u>(245.64)</u>
Total Current tax expense (a)		<u><u>13076.44</u></u>		<u><u>9956.20</u></u>
Deferred tax				
Origination and reversal of temporary differences		<u>(693.42)</u>		<u>(200.12)</u>
Total Deferred tax expense (b)		<u><u>(693.42)</u></u>		<u><u>(200.12)</u></u>
TOTAL (a + b)		<u><u>12383.02</u></u>		<u><u>9756.08</u></u>
B. Income tax expense recognised in Other Comprehensive Income				
Current tax				
On item that will be not reclassified to statement of profit and loss				
- Related to remeasurement gains/(losses) on defined benefit plans		<u>(75.27)</u>		<u>-</u>
Total Current tax expense (a)		<u><u>(75.27)</u></u>		<u><u>-</u></u>
Deferred tax				
On item that will be not reclassified to statement of profit and loss				
- Related to remeasurement gains/(losses) on defined benefit plans		28.51		26.26
- Related to change in fair value of equity instruments		0.62		-
On item that will be reclassified to statement of profit and loss				
- Related to effective portion of hedging instruments in cash flow hedges		<u>44.48</u>		<u>(7.37)</u>
Total Deferred tax expense (b)		<u><u>73.61</u></u>		<u><u>18.89</u></u>
TOTAL (a+b)		<u><u>(1.66)</u></u>		<u><u>18.89</u></u>
Reconciliation of estimated income tax expense at statutory income tax rate to income tax expense reported in Statement of Profit and Loss is as follows:				
Profit before tax		35067.45		27945.39
Statutory income tax rate		34.94%		34.61%
Expected income tax expense		12253.97		9671.34
Adjustment :				
Effect of expenses not deductible for tax purposes		173.23		162.14
Others *		<u>(44.18)</u>		<u>(77.40)</u>
Income tax expense recognised in Statement of Profit and Loss		<u><u>12383.02</u></u>		<u><u>9756.08</u></u>
* Others include adjustments related to previous years				



NOTES TO THE FINANCIAL STATEMENTS

₹ in Lakhs

B. Significant components of Deferred Tax Assets/(Liabilities)				
	Opening Balance	Recognised in profit or loss	Recognised in/reclassified in OCI	Closing Balance
2018-19				
Deferred tax assets in relation to:				
- Employees' separation and retirement	668.23	107.66	(28.51)	747.38
- State and Central Taxes, etc.,	3099.61	556.52	-	3656.13
- Other temporary differences	172.30	25.01	-	197.31
Total deferred tax assets	<u>3940.14</u>	<u>689.19</u>	<u>(28.51)</u>	<u>4600.82</u>
Deferred tax liabilities in relation to:				
- Fiscal allowances on Property, Plant and Equipment, etc.	1080.96	(304.35)	-	776.61
- Cash flow hedges	(2.32)	-	44.48	42.16
- Unrealised gain on Equity instruments carried at FVTPL or FVOCI	-	-	0.62	0.62
- Other temporary differences	379.85	300.12	-	679.97
Total deferred tax liabilities	<u>1458.49</u>	<u>(4.23)</u>	<u>45.10</u>	<u>1499.36</u>
Deferred Tax Assets - net	<u>2481.65</u>	<u>693.42</u>	<u>(73.61)</u>	<u>3101.46</u>
2017-18				
Deferred tax assets in relation to:				
- Employees' separation and retirement	629.46	65.03	(26.26)	668.23
- State and Central Taxes, etc.,	3063.05	36.56	-	3099.61
- Other temporary differences	165.88	6.42	-	172.30
Total deferred tax assets	<u>3858.39</u>	<u>108.01</u>	<u>(26.26)</u>	<u>3940.14</u>
Deferred tax liabilities in relation to:				
- Fiscal allowances on Property, Plant and Equipment, etc.	1489.96	(409.00)	-	1080.96
- Cash flow hedges	5.05	-	(7.37)	(2.32)
- Other temporary differences	62.96	316.89	-	379.85
Total deferred tax liabilities	<u>1557.97</u>	<u>(92.11)</u>	<u>(7.37)</u>	<u>1458.49</u>
Deferred Tax Assets - net	<u>2300.42</u>	<u>200.12</u>	<u>(18.89)</u>	<u>2481.65</u>
7. OTHER ASSETS				
	As at 31st March, 2019		As at 31st March, 2018	
	Current	Non-Current	Current	Non-Current
Capital Advances	-	50.81	-	236.92
Advances other than capital advances				
Security Deposits				
- With Statutory Authorities	-	0.55	-	0.55
- Others	-	60.44	-	60.33
Advances recoverable in cash or in kind or for value to be received	184.86	-	203.77	-
Other Advances				
- Prepaid Expenses	241.73	-	245.27	-
- Balance with Statutory/Government Authorities	4508.07	-	6583.36	-
Other Receivables *	1.18	-	0.20	-
TOTAL	<u>4935.84</u>	<u>111.80</u>	<u>7032.60</u>	<u>297.80</u>
* Includes receivables on account of export incentives				



NOTES TO THE FINANCIAL STATEMENTS

₹ in Lakhs

	As at 31st March, 2019	As at 31st March, 2018
8. INVENTORIES		
(At lower of cost and net realisable value)		
Raw Materials including packing materials	24549.36	22767.59
Work-in-Progress	841.23	666.84
Finished Goods	2641.62	1742.51
Stores and Spares	152.75	110.54
TOTAL	<u>28184.96</u>	<u>25287.48</u>
The above includes goods in transit	-	-
The cost of inventories recognised as an expense in respect of write- down of inventory to net realisable value.	4.93	95.61
9. CURRENT INVESTMENTS		
Other than Trade and quoted - (at fair value through profit or loss)		
Investment in Mutual Funds		
Aditya Birla Sun Life Savings Fund - Growth - Direct Plan 7,89,632 (2018-7,89,632) units of ₹100 each fully paid up	2935.52	2715.74
Aditya Birla Sun Life Liquid Fund- Growth - Direct Plan 17,29,463 (2018- 16,60,025) units of ₹100 each fully paid up	5195.93	4636.70
Aditya Birla Sun Life Money Manager Fund - Growth - Direct Plan 2,09,094 (2018- Nil) units of ₹100 each fully paid up	526.29	-
DSP Liquidity Fund - Direct Plan - Growth 2,90,383 (2018- 2,33,207) units of ₹1000 each fully paid up	7763.07	5795.95
HDFC Liquid Fund - Direct Plan - Growth 1,67,000 (2018-1,43,460) units of ₹1000 each fully paid up	6142.75	4911.90
HDFC Floating Rate Debt Fund - Direct Plan - Wholesale Growth Option 72,28,970 (2018-72,28,970) units of ₹10 each fully paid up	2364.13	2196.33
ICICI Prudential Savings Fund - Direct Plan - Growth 8,14,584 (2018- 8,14,584) units of ₹100 each fully paid up	2942.02	2727.99
ICICI Prudential Liquid Fund - Direct Plan - Growth 20,72,090 (2018-18,16,689) units of ₹100 each fully paid up	5727.60	4671.37
Kotak Liquid - Direct Plan - Growth 1,92,493 (2018- Nil) units of ₹1000 each fully paid up	7284.58	-
Reliance Low Duration Fund - Direct Growth Plan - Growth Option 1,12,224 (2018- 1,12,224) units of ₹1000 each fully paid up	2963.15	2736.78
Reliance Liquid Fund - Direct Plan Growth Plan - Growth Option 1,20,548 (2018- 1,21,177) units of ₹1000 each fully paid up	5499.29	5137.85
SBI Liquid Fund - Direct - Growth 2,71,858 (2018-2,15,790) units of ₹1000 each fully paid up	7961.55	5878.96
Total of Current Investments	<u>57305.88</u>	<u>41409.57</u>
Aggregate amount of quoted Investments - Market Value	57305.88	41409.57
10. TRADE RECEIVABLES		
Unsecured, considered good (Refer Note 31)	1431.74	2733.09
TOTAL	<u>1431.74</u>	<u>2733.09</u>



NOTES TO THE FINANCIAL STATEMENTS

₹ in Lakhs

	As at 31st March, 2019	As at 31st March, 2018
16. TRADE PAYABLES		
Payables for Goods and Services		
Total outstanding dues of micro enterprises and small enterprises	30.01	32.28
Total outstanding dues of creditors other than micro enterprises and small enterprises	<u>8271.35</u>	<u>5776.67</u>
TOTAL	<u>8301.36</u>	<u>5808.95</u>
DUE TO MICRO AND SMALL ENTERPRISES		
a) Principal amount remaining unpaid	30.01	32.28
b) Interest due remaining unpaid	-	-
c) Interest paid, in terms of Section 16 of MSMED Act, 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 - disallowable	-	-
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.		
17. OTHER FINANCIAL LIABILITIES		
Current		
Unpaid/Unclaimed Dividends	1047.21	906.71
Security Deposits	2.98	3.10
Other Liabilities		
- On account of Foreign Currency Forward Contracts	-	6.71
- Others (including payable for property, plant and equipment, etc.)	<u>220.18</u>	<u>392.18</u>
TOTAL	<u>1270.37</u>	<u>1308.70</u>
There is no amount due and outstanding to be credited to Investor Education and Protection Fund as at the year end.		
18. OTHER CURRENT LIABILITIES		
Advances from Customers	7886.55	3030.41
Statutory Liabilities	<u>34973.81</u>	<u>36641.05</u>
TOTAL	<u>42860.36</u>	<u>39671.46</u>
<p>The Company has ongoing disputes relating to tax matters under various State and Central Acts pending before various judicial forums. These litigation are subject to many uncertainties, and generally, it is not possible to predict the outcome of any particular litigation pending, or to reasonably estimate the amount of range of any possible loss.</p> <p>The Company has reviewed all its pending litigations and proceedings and believes that it has valid bases for appeals and intends to defend all such pending disputes vigorously. However, as a matter of prudence, it has adequately recognised the disputed amount in the books wherever required and is reflected above under 'Statutory Liabilities'. These mainly comprise:</p> <p>(a) Income Tax : Matters relating to disallowed expenditure, tax treatment of certain expenses claimed as deductions, and computation of, or eligibility of certain tax incentives or allowances ₹ 1702.85 Lakhs (2018: ₹ 1702.85 Lakhs).</p> <p>(b) Central Excise and Service Tax : Matters mainly relating to classification and taxability on manufacture and consumption of input raw material; and availment of input tax credit on goods and services - ₹ 2956.48 Lakhs (2018: ₹ 1504.35 Lakhs).</p> <p>(c) State Acts : Matters mainly relating to taxability of finished goods under a particular State Act on occurrence of specified taxable event - ₹ 10916.74 Lakhs (2018: ₹ 10823.86 Lakhs).</p> <p>Contingent liabilities where applicable are disclosed in the financial statements (Refer Note 27).</p>		



NOTES TO THE FINANCIAL STATEMENTS

₹ in Lakhs

	For the year ended 31st March, 2019	For the year ended 31st March, 2018
19. REVENUE FROM OPERATIONS		
Particulars in respect of sales (Gross)		
Cigarettes (Refer Note 33)	94381.45	110787.67
Unmanufactured Tobacco	<u>23889.66</u>	<u>24960.02</u>
	118271.11	135747.69
Other Operating Income		
Scrap Sales	115.14	81.62
Other receipts	<u>24.36</u>	<u>34.24</u>
TOTAL	<u><u>118410.61</u></u>	<u><u>135863.55</u></u>
20. OTHER INCOME		
Interest on Loans and Deposits, etc.	5.80	8.13
Dividend Income from:		
Equity Instruments measured at FVOCI held at the end of reporting period	4.35	4.47
Other gains and losses from:		
Net gain recognised on sale of property, plant and equipment, etc.	9.86	165.16
Net gain arising on financial assets mandatorily measured at FVTPL*	3661.34	2121.16
Gain on foreign exchange (Net)	119.91	81.89
Other non-operating Income	<u>88.73</u>	<u>81.59</u>
TOTAL	<u><u>3889.99</u></u>	<u><u>2462.40</u></u>
* Includes ₹ 2813.03 Lakhs (2018 - ₹ 1205.52 Lakhs) being net gain arising on sale of Investments		
21. COST OF MATERIALS CONSUMED		
Raw Materials Consumed *		
Opening Stock	22767.59	21338.53
Purchases	<u>57745.96</u>	<u>47753.49</u>
	80513.55	69092.02
Less: Closing Stock	<u>24549.36</u>	<u>22767.59</u>
TOTAL	<u><u>55964.19</u></u>	<u><u>46324.43</u></u>
The above includes cost of unmanufactured tobacco sold - Value ₹ 21041.45 Lakhs (2018 - ₹ 21987.18 Lakhs). * Includes Packing Material		
22. CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS		
(a) (Increase)/Decrease in Finished Goods		
Opening Stock	1742.51	10426.56
Closing Stock	<u>2641.62</u>	<u>1742.51</u>
	(899.11)	8684.05
(b) Increase/(Decrease) in Excise Duties on Finished Goods (Refer Note 33)	126.01	(8373.58)
(c) (Increase)/Decrease in Work-in-Progress		
Opening Stock	666.84	1061.56
Closing Stock	<u>841.23</u>	<u>666.84</u>
	(174.39)	394.72
TOTAL	<u><u>(947.49)</u></u>	<u><u>705.19</u></u>
23. EMPLOYEE BENEFITS EXPENSES		
Salaries and wages	8241.48	7546.58
Contribution to Provident and other funds	447.34	902.59
Staff welfare expenses	<u>537.30</u>	<u>470.35</u>
TOTAL	<u><u>9226.12</u></u>	<u><u>8919.52</u></u>



NOTES TO THE FINANCIAL STATEMENTS

₹ in Lakhs

	For the year ended 31st March, 2019	For the year ended 31st March, 2018
24. OTHER EXPENSES		
Insurance	165.13	122.57
Consumption of Stores and Spares	608.70	535.05
Power and Fuel	890.30	729.45
Rent	326.61	329.52
Repairs		
Buildings	58.24	25.96
Machinery	98.34	87.40
Others	34.67	40.76
Rates and Taxes	835.20	711.44
Outward Freight	1762.80	1441.57
Sales Promotion Expenses	487.50	669.25
Distribution Expenses	249.90	659.79
Miscellaneous	4125.40	3408.97
Payment to Auditors (see note (a) below)	46.25	49.10
Corporate Social Responsibility (see note (b) below)	495.75	468.50
Directors' Sitting Fees & Commission	161.40	129.25
TOTAL	10346.19	9408.58
(a) Payment to Auditors		
Audit fees	30.00	27.00
Tax Audit fees	2.00	2.00
Limited Reviews	6.00	6.00
Fees for certification	5.55	2.25
Fees for audit related services	-	8.00
Reimbursement of expenses	2.70	3.85
	46.25	49.10
(b) Corporate Social Responsibility (CSR)		
CSR amount required to be spent as per Section 135 of the Companies Act, 2013, read with Schedule VII thereof, by the Company during the year is ₹ 495.75 Lakhs (2018 - ₹ 468.50 Lakhs).		
The details of actual expenditure related to CSR is as under:		
(i) On Construction/Acquisition of any asset	-	-
(ii) For purposes other than (i) above (Revenue account)	495.75	468.50
	495.75	468.50
The Company does not carry any provisions in respect of expenditure under CSR for the current year and previous year.		
25. EARNINGS PER SHARE		
Earnings per Share is computed as under:		
(a) Profit for the year (₹ in Lakhs)	22684.43	18189.31
(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) ₹	146.90	117.79
(d) Diluted Earnings Per Share (Face Value per Share - ₹ 10) ₹	146.90	117.79
26. EXPENDITURE ON RESEARCH & DEVELOPMENT		
On Capital account	300.92	74.26
On Revenue account	681.48	536.58
	982.40	610.84



NOTES TO THE FINANCIAL STATEMENTS

27. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Contingent Liabilities

(i) Claims against the Company not acknowledged as debts ₹ 44.40 Lakhs (2018 - ₹ 336.92 Lakhs)

These Comprise -

Excise duty, service tax and customs duty matters ₹ 40.15 Lakhs (2018 - ₹ 332.67 Lakhs)

Other matters related to employees/ex-employees, etc. ₹ 4.25 Lakhs (2018 - ₹ 4.25 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 (not provided for) - ₹ 718.31 Lakhs (2018 - ₹ 2015.33 Lakhs).

28. FUTURE LEASE OBLIGATIONS

The Company has entered into various operating lease agreements and the amounts paid under such agreements have been charged to revenue as Rent under Note 24. All these agreements are cancellable in nature.

₹ in Lakhs

29. RELATED PARTY TRANSACTIONS DURING THE YEAR

	For the year ended 31st March, 2019	For the year ended 31st March, 2018
(a) Company having significant influence		
British American Tobacco Group		
- Dividends paid, to		
• The Raleigh Investment Company Limited	2805.82	2715.31
• Tobacco Manufacturers (India) Limited	991.18	959.21
• Rothmans International Enterprises Limited	51.57	49.91
(b) Remuneration to Key Managerial Personnel		
(i) Executive Directors		
Mr. N. Sai Sankar (upto 27th November, 2017)		
Mr. Devraj Lahiri		
Remuneration*:		
- Short - term benefits	236.85	415.37
- other remuneration	19.29	105.28
* includes ₹ 22.69 Lakhs (2018- ₹ 23.34 Lakhs) subject to shareholders approval		
(ii) Non - Executive Directors		
Mr. Raymond S Noronha (upto 12th April, 2018)		
Mr. Pradeep V. Bhide (w.e.f. 12th April, 2018)		
Mr. S Thirumalai		
Ms. Mubeen Rafat		
Mr. Ramakrishna V Addanki (upto 14th December, 2018)		
Mr. Naresh Kumar Sethi (w.e.f. 14th December, 2018)		
Dividend Paid	0.02	0.02
Sitting fees and Commission	161.40	129.25



NOTES TO THE FINANCIAL STATEMENTS

₹ in Lakhs

30. SEGMENT REPORTING	For the year ended 31st March, 2019	For the year ended 31st March, 2018
<p>The chief operating decision-maker (CODM) evaluates the Company's performance and allocates resources at an overall level considering the business and industry its 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.</p> <p>Geographical segments considered for disclosure mainly consists of sales within India and sales outside India, information in respect thereof is as under:</p>		
(a) Sales within India	103515.88	121461.15
(b) Sales outside India	14755.23	14286.54
	118271.11	135747.69
<p>The entire activity pertaining to sales outside India is carried out from India, hence all segment assets are considered entirely to be in India.</p>		
31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES		
A CAPITAL MANAGEMENT		
<p>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.</p>		
B CATEGORIES OF FINANCIAL INSTRUMENTS - FAIR VALUE MEASUREMENT AND FAIR VALUE HIERARCHY		
<p>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.</p> <p>Financial assets and liabilities are measured at fair value as at Balance Sheet date as under:</p>		
<p>i) The fair value of investment in government securities and quoted investment in equity shares is based on the current bid price of respective investments as at the Balance Sheet date.</p>		
<p>ii) 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 from the investors.</p>		
<p>iii) 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, yield curves, volatility, etc., as applicable.</p>		
<p>iv) Cash and cash equivalents (except for investments in units of mutual fund), trade receivables, trade payables and other current financial assets and liabilities (except derivative financial instruments), have fair values that approximate to their carrying amounts due to their short-term nature.</p>		
<p>Fair value of the financial instruments have been classified into various fair value hierarchies based on the following three levels:</p>		
<p>Level 1 - Quoted prices for identical assets or liabilities in an active market.</p>		
<p>Level 2 - Directly or indirectly observable market inputs, other than Level 1 inputs; and</p>		
<p>Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).</p>		
<p>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 counterparty.</p>		
<p>The following table shows the carrying amount and fair value of financial assets and liabilities, including their levels in the fair value hierarchy:</p>		



NOTES TO THE FINANCIAL STATEMENTS

₹ in Lakhs

Particulars	Note	Fair Value Hierarchy (Level)	As at 31st March, 2019		As at 31st March, 2018	
			Carrying Value	Fair Value	Carrying Value	Fair Value
FINANCIAL ASSETS						
Measured at Fair value through OCI						
i) Equity Instruments	3	Level 1	212.04	212.04	188.67	188.67
ii) Equity Instruments	3	Level 3	13.94	13.94	13.94	13.94
Sub-total			<u>225.98</u>	<u>225.98</u>	<u>202.61</u>	<u>202.61</u>
Measured at Fair value through Profit and Loss						
i) Investment in Mutual Funds	9	Level 1	57305.88	57305.88	41409.57	41409.57
Sub-total			<u>57305.88</u>	<u>57305.88</u>	<u>41409.57</u>	<u>41409.57</u>
Derivatives measured at fair value						
i) Foreign exchange forward contracts	5	Level 2	120.66	120.66	-	-
Sub-total			<u>120.66</u>	<u>120.66</u>	<u>-</u>	<u>-</u>
Measured at amortised cost						
i) Investments in Government Securities	3	-	-	-	-	-
ii) Loans	4	-	14.84	14.84	16.54	16.54
iii) Other Financial Assets	5	-	2.32	2.32	1.89	1.89
iv) Trade receivables	10	-	1431.74	1431.74	2733.09	2733.09
v) Cash and cash equivalents	11	-	2638.60	2638.60	2852.11	2852.11
vi) Other bank balances	12	-	1047.21	1047.21	906.71	906.71
Sub-total			<u>5134.71</u>	<u>5134.71</u>	<u>6510.34</u>	<u>6510.34</u>
Total financial assets			<u>62787.23</u>	<u>62787.23</u>	<u>48122.52</u>	<u>48122.52</u>
FINANCIAL LIABILITIES						
Derivatives measured at fair value						
i) Foreign exchange forward contracts	17	Level 2	-	-	6.71	6.71
Sub-total			<u>-</u>	<u>-</u>	<u>6.71</u>	<u>6.71</u>
Measured at amortised cost						
i) Trade Payables	16	-	8301.36	8301.36	5808.95	5808.95
ii) Other financial liabilities	17	-	1270.37	1270.37	1301.99	1301.99
Sub-total			<u>9571.73</u>	<u>9571.73</u>	<u>7110.94</u>	<u>7110.94</u>
Total financial liabilities			<u>9571.73</u>	<u>9571.73</u>	<u>7117.65</u>	<u>7117.65</u>

There were no significant changes in the classification and no significant movements between the fair value hierarchy classifications of assets and liabilities during FY 2018-19.

**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 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, 2019 and 31st March, 2018.

The Company's Current assets aggregate to ₹ 95859.67 Lakhs (2018 - ₹ 80485.09 Lakhs) including Current investments, Cash and cash equivalents and Other bank balances of ₹ 60991.69 Lakhs (2018 - ₹ 45168.39 Lakhs) against an aggregate Current liability of ₹ 52432.09 Lakhs (2018 - ₹ 46789.11 Lakhs); Non-current liabilities amounting to ₹ 1849.74 Lakhs (2018 - ₹ 1415.15 Lakhs) on the reporting date. Further, the Company's total equity stood at ₹ 66403.05 Lakhs (2018 - ₹ 58209.07 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 Risks

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, 2019 is ₹ 225.98 Lakhs (2018 - ₹ 202.61 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.

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 underlying portfolio of such mutual fund schemes in which the Company has invested, such price risk is not significant.

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, trade receivables are considered to be a single class of financial assets.

The value of Trade Receivables as at 31st March, 2019 is ₹ 1431.74 Lakhs (2018 - ₹ 2733.09 Lakhs)

Further, the Company maintains exposure in cash and cash equivalents, term deposits with banks, government securities, money market liquid mutual funds and derivative instruments with financial institution. The Company has set counter-parties limits based on multiple factors including financial position, credit rating, etc.

The Company's maximum exposure to credit risk as at 31st March, 2019 and 31st March, 2018 is the carrying value of each class of financial assets.

**NOTES TO THE FINANCIAL STATEMENTS****Foreign Currency Risks**

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 risks.

The Company has established risk management policies to hedge the volatility arising from exchange rate fluctuations 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 forecast 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:

₹ in Lakhs

		As at 31st March, 2019		As at 31st March, 2018	
Currency Pair	Currency	Buy	Sell	Buy	Sell
USD/INR	INR	-	3648.18	-	2976.06

The aforesaid hedges have a maturity of less than 1 year as on respecting reporting dates.

The carrying amount of foreign currency denominated financial assets and liabilities, are as follows:

₹ in Lakhs

		As at 31st March, 2019		As at 31st March, 2018	
Currency Pair	Currency	Assets	Liabilities	Assets	Liabilities
USD/INR	INR	1168.65	1.18	2375.09	55.82
EUR/INR	INR	-	1.58	-	9.19

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 & 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.

The movement in the cash flow hedging reserve in respect of designated cash flow hedges is summarised below:

₹ in Lakhs

Particulars	2019	2018
At the beginning of the year	(4.39)	9.53
Add: Changes in the fair value of effective portion of matured cash flow hedges during the year	(147.91)	82.11
Add: Changes in the fair value of effective portion of outstanding cash flow hedges during the year	120.66	(6.71)
Less: Amounts transferred to the statement of profit and loss on occurrence of transaction during the year	(152.29)	91.64
(Less)/Add: Deferred tax	(42.16)	2.32
At the end of the year	<u>78.49</u>	<u>(4.39)</u>

Foreign Currency Sensitivity

A 1% strengthening of the INR 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, 2019 to be lower by ₹ 11.66 Lakhs (2018 - ₹ 23.10 Lakhs) and total equity (pre-tax) as at 31st March, 2019 would change by ₹ 11.66 Lakhs (2018 - ₹ 23.10 Lakhs).

A 1% weakening of the INR against these currencies would have led to an equal but opposite effect.

**NOTES TO THE FINANCIAL STATEMENTS****32. 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 ₹ 246.70 Lakhs (2018 - ₹ 252.24 Lakhs).

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

		2019	2018
Central Government Securities	[%]	22.1	24.1
State Government Securities	[%]	41.7	39.4
High Quality Corporate Bonds	[%]	32.7	33.0
Equity Instruments	[%]	3.5	3.1
Cash and cash equivalent	[%]	0.0	0.4

(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 - ₹ 498.86 Lakhs; (2018-₹ 435.17 Lakhs). Consequently, Liability recognised in the Balance sheet as at 31st March, 2019 ₹ 1821.78 Lakhs; (2018-₹ 1372.97 Lakhs).

(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 -₹ 79.00 Lakhs (2018 -₹ 93.93 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.



NOTES TO THE FINANCIAL STATEMENTS

₹ in Lakhs

Particulars	As at 31st March, 2019		As at 31st March, 2018	
	Gratuity	Pension	Gratuity	Pension
A Components of Employer Expense				
Recognised in Profit or Loss				
i) Current Service Cost	139.67	5.97	168.19	6.03
ii) Past Service Cost	-	-	398.58	-
iii) Net Interest Cost	(21.01)	(2.99)	(17.84)	(2.79)
iv) Total expense recognised in the statement of profit and loss	118.66	2.98	548.93	3.24
Remeasurements recognised in Other Comprehensive Income				
v) Return on plan assets (excluding amounts included in Net interest cost)	14.75	0.59	41.77	(1.15)
vi) Effect of changes in demographic assumptions	0.36	(0.11)	-	-
vii) Effect of changes in financial assumptions	-	-	(192.40)	(2.81)
viii) Changes in asset ceiling (excluding interest income)	-	-	-	-
ix) Effect of experience adjustments	196.16	3.65	(42.05)	0.35
x) Total remeasurements included in Other Comprehensive Income	211.27	4.13	(192.68)	(3.61)
xi) Total defined benefit cost recognised in Profit and Loss and Other Comprehensive Income (iv+x)	329.93	7.11	356.25	(0.37)
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 23. 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	4201.70	108.49	3751.20	95.53
ii) Fair Value of Plan Assets	4181.77	136.43	3719.95	130.58
iii) Status [Surplus/(Deficit)]	(19.93)	27.94	(31.25)	35.05
C Changes in Defined Benefit Obligation (DBO)				
i) Present value of DBO at the beginning of the year	3751.20	95.53	3619.18	99.26
ii) Current Service Cost	139.67	5.97	168.19	6.03
iii) Past Service Cost	-	-	398.58	-
iv) Interest Cost	275.30	7.03	238.00	6.47
v) Remeasurement (gains)/losses:				
Effect of changes in demographic assumptions	0.36	(0.11)	-	-
Effect of changes in financial assumptions	-	-	(192.40)	(2.81)
Changes in asset ceiling (excluding interest income)	-	-	-	-
Effect of experience adjustments	196.16	3.65	(42.05)	0.35
vi) Curtailment Cost/(Credits)	-	-	-	-
vii) Settlement Cost/(Credits)	-	-	-	-
viii) Benefits paid	(160.99)	(3.58)	(438.30)	(13.77)
ix) Present value of DBO at the end of the year	4201.70	108.49	3751.20	95.53
D Change in Fair Value of Assets				
i) Plan Assets at the beginning of the year	3719.95	130.58	3589.85	133.94
ii) Interest Income	296.31	10.02	255.84	9.26
iii) Remeasurement gains/(losses) on plan assets	(14.75)	(0.59)	(41.77)	1.15
iv) Actual Company Contributions	341.25	-	354.33	-
v) Benefits paid	(160.99)	(3.58)	(438.30)	(13.77)
vi) Plan Assets at the end of the year	4181.77	136.43	3719.95	130.58



NOTES TO THE FINANCIAL STATEMENTS

₹ in Lakhs

Particulars	As at 31st March, 2019		As at 31st March, 2018	
	Gratuity	Pension	Gratuity	Pension
E Estimate of Employers' Expected Contribution for the next year	406.12	17.82	395.80	3.91
	As at 31st March, 2019		As at 31st March, 2018	
F Acturial Assumptions	Discount Rate (%)	Expected Return on Plan Assets (%)	Discount Rate (%)	Expected Return on Plan Assets (%)
i) Gratuity	7.50	7.50	7.50	7.50
ii) Pension	7.50	7.50	7.50	7.50

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

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 optimize 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, 2019	DBO as at 31st March, 2018
1. Discount Rate + 100 basis points	4090.96	3644.62
2. Discount Rate - 100 basis points	4552.47	4069.91
3. Salary Increase Rate + 1%	4479.40	4038.63
4. Salary Increase Rate - 1%	4133.34	3665.56
Maturity Analysis of the Benefit Payments		
1. Year 1	602.16	514.28
2. Year 2	502.70	544.68
3. Year 3	473.41	472.90
4. Year 4	555.70	440.74
5. Year 5	417.38	503.01
6. Next 5 Years	1727.00	1588.95

**NOTES TO THE FINANCIAL STATEMENTS**

33. With implementation of Goods & Service tax (GST) with effect from 1st July, 2017, the Company's main product is now subjected to GST and Compensation Cess in addition to Central Excise (currently only National Calamity Contingent Fund). Due to such restructuring of indirect taxes, the figures for "Revenue from operations" (net of GST and Compensation Cess collected on behalf of government) and "Excise duty" for the year ended 31st March, 2019 are not comparable with the previous period.

34. COMPARATIVE FIGURES

The Comparative figures for the previous year have been re-arranged to conform with the current year presentation of the accounts.

As per our report of even date.

For B S R & Associates LLP
Firm Registration No. 116231W/W - 100024
Chartered Accountants

SRIRAM MAHALINGAM
Partner
Membership No. 049642

Hyderabad, 3rd May, 2019.

On behalf of the Board,

PRADEEP V. BHIDE
DIN : 03304262

Chairman

DEVRAJ LAHIRI
DIN : 03588071

Managing Director

ANISH GUPTA

Chief Financial Officer

PHANI K. MANGIPUDI

Company Secretary

Hyderabad, 3rd May, 2019.



Operating Results 2010-2019

	2010	2011	2012	2013	2014	2015	2016	2017 [#]	2018 [#]	2019 [#]
REVENUE FROM OPERATION (GROSS)	112542	139964	160276	162607	163121	172308	206299	226130	135864	118411
EXCISE DUTY	65325	81811	91833	95739	84203	88692	117984	133891	41106	8510
OPERATING PROFIT	7018	14257	20977	18031	21811	24257	23740	24774	29399	35312
OTHER INCOME (NET)	3323	1711	2572	2625	3244	1809	2020	2008	2462	3890
DEPRECIATION & AMORTISATION	1787	2442	2483	2250	2657	3190	3102	3692	3916	4135
PROFIT BEFORE TAX & EXTRAORDINARY ITEM	8554	13526	21066	18406	22398	22876	22658	23090	27945	35067
PROFIT AFTER TAX & EXTRAORDINARY ITEM	6205	9501	14251	12625	15015	15221	15311	15153	18189	22684
OTHER COMPHRENSIVE INCOME AFTER TAX	--	--	--	--	--	--	--	(129)	62	(63)
TOTAL COMPHRENSIVE INCOME	6205	9501	14251	12625	15015	15221	15311	15024	18251	22621

Equity, Liabilities and Assets 2010-2019

	2010	2011	2012	2013	2014	2015	2016	2017 [#]	2018 [#]	2019 [#]
SHARE CAPITAL	1544	1544	1544	1544	1544	1544	1544	1544	1544	1544
OTHER EQUITY	23194	24900	27475	28867	31280	33124	35499	52353	56665	64859
SHAREHOLDER'S FUNDS	24738	26444	29019	30411	32824	34668	37043	53897	58209	66403
PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND CAPITAL WORK-IN-PROGRESS (NET)	13940	15249	16353	17523	20913	19778	21468	22083	22930	21371
OTHER ASSETS (NET OF LIABILITIES*)	10798	11195	12666	12888	11911	14890	15575	31814	35279	45032
NET ASSETS EMPLOYED	24738	26444	29019	30411	32824	34668	37043	53897	58209	66403

Performance 2010-2019

	2010	2011	2012	2013	2014	2015	2016	2017 [#]	2018 [#]	2019 [#]
EARNINGS PER SHARE (Rs.)	40.2	61.5	92.3	81.8	97.2	98.6	99.2	98.1	117.8	146.9
DIVIDEND ^	5402	8076	11666	11291	12646	13010	13010	13939	14427	17685
DIVIDEND PER SHARE (Rs.)	30.0	45.0	65.0	62.5	70.0	70.0	70.0	75.0	77.5	95.0
RETURN ON CAPITAL EMPLOYED (%)	25.1	35.9	49.1	41.5	45.7	43.9	41.3	27.9	31.4	34.1

As per Indian Accounting Standards (Ind AS); Previous GAAP for earlier years

* Borrowings - Nil

^ Includes Income Tax on Dividend.

**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, 2019

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 per annum							
1	Devraj Lahiri	46 B.Com., MBA	Managing Director	12-3-2001	21	25,613,663	NFO Singapore
2	Gopi A	56 B.E., MBA	Vice President - Technical	1-8-1994	32	9,022,252	BMF Beltings Limited
3	Lakshmi Narasaiah T	53 M.Sc. Ag., Ph.D.	Vice President - Leaf	1-2-1994	25	9,017,275	---
4	Rohit Sahni	57 B.Sc.	Vice President - Marketing	1-3-2006	30	8,838,871	Dabur India Limited
5	Kalyan Basu	49 B.Com., MBA	Vice President - Marketing	15-9-2006	25	8,518,865	Coca Cola India
6	Anish Gupta	47 B.Com., FCA	Chief Financial Officer	7-8-2000	22	8,221,969	ITW Signode
7	Sriram S	52 B.E., PGCHRM (XLRI)	Vice President - H R	2-3-1993	30	8,214,544	Shriram Refrigeration
8	Phani K Mangipudi	39 B.Com., CS, LLB	Company Secretary & Head-Legal & Secretarial	7-2-2017	17	5,644,655	Agro Tech Foods Limited
9	Biju Joseph P	52 B.Tech	General Manager Production (PMD)	15-3-1993	30	5,490,211	Siemens Limited
10	Magesh L	49 MBA	General Manager	1-6-2006	29	5,260,099	Alembic Limited - OTC Division
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							

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 & other Funds 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.

On behalf of the Board,

Dated this 3rd day of May, 2019
Hyderabad

Pradeep V. Bhide
DIN No : 03304262

PROXY FORM

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014] Form No. MGT-11



VST Industries Limited

VST Industries Limited

CIN: L29150TG1930PLC000576

Registered Office: Azamabad, Hyderabad – 500 020

Phone: +91 40 27688000 | Fax: +91 40 27615336

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

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 88th Annual General Meeting of the Company, to be held on Wednesday, 28th August, 2019 at 9.30 a.m. at Hotel Taj Krishna, Road No.1, Banjara Hills, Hyderabad – 500 034 and at any adjournment thereof in respect of such Resolutions as are indicated below :

Resolution No.	Resolutions	For*	Against*
Ordinary Business			
1.	Consideration and adoption of Audited Financial Statements, Report of the Board of Directors and Auditors thereon		
2.	Declaration of dividend on equity shares		
3.	Mr. S. Thirumalai (DIN:00011899), who retires by rotation and being eligible, offers himself for re-appointment		
Special Business			
4.	Appointment of Mr. Naresh Kumar Sethi (DIN: 08296486) as a Non-Executive Director		
5.	Appointment of Ms. Rama Bijapurkar (DIN: 00001835) as an Independent Director		
6.	Appointment of Mr. Sudip Bandyopadhyay (DIN: 00007382) as an Independent Director		
7.	Appointment of Mr. Rajiv Gulati (DIN: 06820663) as an Independent Director		
8.	Variation in the terms of remuneration paid/payable to Mr. Devraj Lahiri, Managing Director (DIN: 03588071)		
9.	Remuneration payable to Mr. Naresh Kumar Sethi, Non-Executive Director (DIN : 08296486)		
10.	Remuneration payable to Mr. S. Thirumalai, Non-Executive Director (DIN : 00011899)		

Signed this _____ day of _____ 2019

Signature of Member _____

Signature of Proxy _____

Affix a
15 paise
Revenue
Stamp

Note :

- This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
 - A person can act as a proxy on behalf of Members, not exceeding fifty, and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. A Members 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