



ANNEXURE TO THE DIRECTORS' REPORT

Auditors' Certificate regarding compliance of the conditions of Corporate Governance under Clause 49 of the Listing Agreement

To the Members of
VST Industries Limited

We have examined the compliance of conditions of Corporate Governance by VST Industries Limited ("the Company" or "VST"), for the year ended 31st March, 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges in India.

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

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

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

Mumbai, 23rd April, 2009.

LALIT PUNJABI
Partner
Membership No. 48102
For and on behalf of
LOVELOCK & LEWES
Chartered Accountants



REPORT ON CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement entered into with Stock Exchanges, the Directors present the Company's Report on Corporate Governance for the year ended 31st March, 2009.

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Your Company is committed to the observance of the best corporate governance practices in all its business dealings encompassing customers, employees, shareholders and the society at large. The Company's corporate governance philosophy has been strengthened through Code of Conduct, prevention of Insider Trading and corporate disclosure practices. Your Company has in place an Information Security Policy that ensures proper utilization of IT resources and other aspects of IT management. Your Company also endeavours to ensure higher degree of transparency in its dealings and lays emphasis on accountability, integrity, regulatory compliance, improvement in quality of life and meeting social responsibility. Your Company believes that good corporate governance practices enable the management to direct and control the affairs of the Company in an efficient manner and to achieve its ultimate goal of maximising value for all its stakeholders.

2. I. Board of Directors

(A) Composition of Board

The Board of Directors of your Company has an optimum combination of Executive and Non-Executive Directors. As on 31st March, 2009, your Company's Board has nine Directors, out of whom seven Directors are Non-Executive Directors including the Chairman and the remaining two are Executive Directors.

The Directors bring in expertise in the fields of strategy, management, finance and human resource development. The Board provides leadership, strategic guidance, objective and independent view to the Company's management while discharging its fiduciary responsibilities and thereby ensuring that the management adheres to high standards of ethics, transparency and disclosures.

The table below gives the composition of your Board and the number of outside directorships held and number of memberships/chairmanships of Board Committees of other Companies held by each of the Directors -

Name of the Director	Position	Relationship with other Directors	No. of outside directorships held	No. of memberships/ chairmanships of board committees of other companies
Mr. A. Basu	Chairman (Independent Non-Executive Director)	None	–	Nil
Mr. Raymond S. Noronha	Managing Director	None	1	Nil
Mr. J.D. Bandaranayake	Non-Executive Director	None	9	Nil
Air Chief Marshal I.H. Latif (Retd.)	Independent Non-Executive Director	None	–	Nil
Mr. T. Lakshmanan	Independent Non-Executive Director	None	–	Nil
Mr. R.V.K.M. Suryarau	Independent Non-Executive Director	None	–	Nil
Mr. N. Sai Sankar	Deputy Managing Director & Secretary	None	1	Nil
Mr. S. Thirumalai	Independent Non-Executive Director	None	–	Nil
Mr. V. Sekar ¹	Independent Non-Executive Director	None	1	Nil
Mr. Milind Anna Kharat ²	Independent Non-Executive Director	None	–	Nil

¹ Nominee of General Insurers' (Public Sector) Association of India - resigned as a Director w.e.f. 31st December, 2008.

² Nominee of General Insurers' (Public Sector) Association of India - appointed as a Director w.e.f. 1st January, 2009.



None of the Independent Non-Executive Directors has any pecuniary relationship or transactions with the Company, its promoters, its senior management or its subsidiary 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.

(B) Non-Executive Directors' compensation and disclosures

All fees and commission paid to Non-Executive Directors including independent directors are fixed by the Board of Directors. Consent of the members of the Company is also obtained for commission paid to Non-Executive Directors including independent directors. The Company has no Employee Stock Option Scheme and hence, no stock options are granted to Non-Executive Directors, including independent directors.

(C) Other provisions as to Board and Committees

- i. During the financial year ended 31st March, 2009, four meetings of the Board were held on 17th April, 2008, 16th July, 2008, 17th October, 2008 and 16th January, 2009.

The table below gives the number of Board Meetings held and the attendance of Directors for the year ended 31st March, 2009 -

Name of the Director	No. of Board Meetings held	No. of Board Meetings attended	Attendance at last AGM
Mr. A. Basu	4	4	Yes
Mr. Raymond S. Noronha	4	4	Yes
Air Chief Marshal I.H. Latif (Retd.)	4	4	Yes
Mr. T. Lakshmanan	4	4	Yes
Mr. R.V.K.M. Suryarau	4	4	Yes
Mr. N. Sai Sankar	4	4	Yes
Mr. S. Thirumalai	4	4	Yes
Mr. J. D. Bandaranayake	4	4	Yes
Mr. V. Sekar ¹	4	3	No
Mr. Milind Anna Kharat ²	4	Nil	Not applicable ³

¹ Resigned as Nominee Director w.e.f. 31st December, 2008.

² Appointed as Nominee Director w.e.f. 1st January, 2009.

³ AGM was held on 17th July, 2008 before the date of his appointment.

- ii. Availability of information to the members of the Board
- Annual operating plans and budgets, capital budgets and any updates;
 - Quarterly, half yearly and annual results of the Company;
 - Minutes of meeting of Audit Committee and other committees;
 - Information on recruitment and remuneration of senior officers just below the Board level;
 - Contracts in which the Directors are interested;
 - Materially important show cause, demand, prosecution and penalty notices;
 - Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems;
 - Any materially relevant default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company;



- Issue which involves possible public or product liability claims of a substantial nature;
- Any judgement or order which may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company;
- Significant development on the human resources and industrial relations front;
- Quarterly details of foreign exchange exposure and the steps taken by the management to limit the risks of adverse exchange rate movement;
- Non-compliance of any regulatory, statutory or listing requirements as well as shareholders services such as non-payment of dividend and delays in share transfer, if any;
- Minutes of meetings of subsidiary company.

The Board of Directors of your Company is routinely presented with all information under the above heads whenever applicable and materially significant. These are submitted either as part of the agenda papers well in advance of the Board Meetings or are tabled in the course of the Board meetings or are tabled before the appropriate Committees of the Board.

- iii. 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 is a director as required under Clause 49 of the Listing Agreement. All the Directors have made the requisite disclosures regarding committee positions held by them in other companies.

(D) Code of Conduct

Your Board of Directors has adopted Code of Conduct for all the board members and senior management of the Company and all the board members and senior managerial personnel have affirmed compliance with the Code of Conduct for the current year. The Code of Conduct has also been posted on the website of the Company [www.vsthyd.com].

II. Audit Committee

(A) The Audit Committee comprises three independent Directors, the details are as follows:

Name of the Director	Position	Nature of Directorship
Mr. R.V.K.M. Suryarau	Chairman	Independent Non-Executive Director
Mr. A. Basu	Member	Independent Non-Executive Director
Air Chief Marshal I.H. Latif (Retd.)	Member	Independent Non-Executive Director

Mr. N. Sai Sankar, who is the Deputy Managing Director & Secretary, acts as the Secretary to the Audit Committee.

(B) Meetings of Audit Committee and attendance during the year

During the financial year ended 31st March, 2009 four Audit Committee meetings were held on 16th April, 2008, 15th July, 2008, 16th October, 2008 and 15th January, 2009.

Name of Audit Committee Member	No. of meetings held	No. of meetings attended
Mr. R.V.K.M. Suryarau	4	4
Mr. A. Basu	4	4
Air Chief Marshal I.H. Latif (Retd.)	4	4



(C) Powers of Audit Committee

The primary objective of the Audit Committee is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures and transparency, integrity and quality of financial reporting. The Audit Committee has powers to:

- Investigate any activity within its terms of reference;
- Seek information from any employee;
- Obtain outside legal or other professional advice; and,
- Secure attendance of outsiders with relevant expertise wherever it considers necessary.

(D) Role of Audit Committee

The Audit Committee of the Company provides re-assurance to the Board on the existence of an effective internal control environment and performs the following functions:

- overseeing the Company's financial reporting process and disclosure of financial information to ensure that the financial statement is correct, sufficient and credible;
- ensure compliance with accounting standards and with listing requirements with respect to the financial statements;
- recommending the appointment and removal of external auditor, fixation of audit fee and approval for payment for any other services;
- reviewing with Executive Directors, the quarterly, half yearly and annual financial statements before submission to the Board for approval;
- reviewing significant financial reporting judgements contained in financial statements;
- reviewing with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- monitoring and reviewing the effectiveness/adequacy of internal audit function;
- discussing with internal auditors any significant finding and follow-up thereon;
- reviewing the findings of internal investigation by the internal auditors in matters where there is suspected fraud or irregularity, or a failure of internal control systems of a material nature, and then reporting such matters to the Board;
- reviewing related party transactions;
- discussing with external auditors before the audit commences on the nature and scope of audit, as well as having post-audit discussion to ascertain any area of concern;
- reviewing the Company's financial and risk management policies; and,
- examining reasons for substantial default in the payment to depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors, if any.

(E) Review of information by Audit Committee

The Committee reviewed the internal controls put in place to ensure that the accounts of the Company are properly maintained and that the accounting transactions are in accordance with prevailing laws and regulations. In conducting such reviews, the Committee found no material discrepancy or weakness in the internal control systems of the Company.



The Committee has also reviewed the financial and risk management policies of the Company and expressed its satisfaction with the same.

Relying on the review and discussions conducted with the management and the independent auditors, the Audit Committee believes that the Company's financial statements are fairly presented in conformity with generally accepted accounting principles in all material aspects. The Committee also reviewed the statement of related party transactions, submitted by the management and the same is disclosed in the financial statements for the year ended 31st March, 2009.

Based on the Committee's discussion with the management and the auditors, the Committee has recommended the following to the Board of Directors:

- a. The financial statements prepared as per the generally accepted accounting principles in India, of the Company and its subsidiary for the financial year ended 31st March, 2009 be accepted by the Board as a true and fair statement of financial status of the Company.
- b. Re-appointment of M/s. Lovelock & Lewes, Chartered Accountants, as the statutory auditors of the Company and the fees payable for the financial year ending 31st March, 2010. The necessary resolution for appointing them as auditors is placed before the Members of the Company.

The Committee also reviewed the appointment of M/s. Ernst & Young Private Limited as systems auditors to review various operations of the Company and determined and approved the fees payable to them for the financial year ending 31st March, 2010.

III. Subsidiary Company

The Company does not have any material unlisted subsidiary company as defined in Clause 49 of the Listing Agreement with the Stock Exchanges. The Minutes of the meeting of the subsidiary company viz., VST Distribution, Storage & Leasing Company Private Limited are regularly placed before the Board of your Company.

IV. Disclosures

(A) Basis of related party transactions

There have been no materially significant related party transactions that may have potential conflict with the interest of the Company at large.

The details of transactions with related parties are placed before the Audit Committee and the committee has reviewed the same for the year ended 31st March, 2009.

The details of related party transactions are disclosed in Note IV on Schedule 19 to the Accounts in the Annual Report.

(B) Disclosure of Accounting Treatment

The Company has complied with the appropriate accounting policies and has ensured that they have been applied consistently. There have been no deviations from the treatment prescribed in the Accounting Standards notified under Section 211 (3C) of the Companies Act, 1956. Significant Accounting Policies is provided elsewhere in the Annual Report.

(C) Board Disclosures

i. Risk Management

The management analyses and evaluates the risk management, to address risks inherent to strategy, operations, finance and compliance and their resulting organizational impact and associated with its business on a continuous basis and adopts risk management practices to minimize the adverse impact.



The strategy risks are discussed at Corporate Executive Committee (CEC) and operational risks discussed at Business Risk Identification Team (BRIT) and Business Risk Evaluation Team (BRET) meetings, thus monitoring the effectiveness of the risk management processes of the organization.

Business risks are identified and prioritized through a company wide exercise. Appropriate de-risking strategies are developed and systems put in place.

The Audit Committee receives the updated status report on risk management on a quarterly basis and monitors the progress of risk management.

ii. Internal Control System

The Company has put in place an adequate system of internal control for all its business operations in order to provide:

- Reliable financial and operational information
- Effectiveness and efficiency of operations
- Safeguarding assets from unauthorized use or losses
- Compliance with systems, applicable laws and regulations
- Review of Information Technology and other business process systems

The Company has a well defined management audit system in the organization which, on an ongoing basis, assesses the various risks and existence of adequate controls to mitigate them. The management uses effective diagnostic as well as transaction analysis through software tool for prioritizing areas of key process controls based on risks and also to evaluate the existence of internal controls.

The most essential parts of the control environment related to financial reporting are included in delegation of power with authority limits for approving revenue as well as capital expenditure. The Company also has an exhaustive budgetary control system to monitor all expenditures against approved budgets on an ongoing basis.

The Company has appointed M/s. Ernst & Young Private Limited to carry out systems audit of the Company's activities. The audit is based on systems audit plan, which is reviewed each year in consultation with the Audit Committee. In line with international practice, the planning and conduct of systems audit is oriented towards the review of systems in the management of risks and opportunities in the Company's activities.

The Audit Committee of the Board periodically reviews audit plans, observations and recommendations of the internal and statutory auditors, with reference to significant risk areas and adequacy of internal controls and keeps the Board of Directors informed of its comments from time to time.

(D) Proceeds from public issues, rights issues, preferential issues, etc.

During the year, your Company has not raised any money through public issue, rights issue or preferential issues.

(E) Remuneration of Directors

No separate remuneration committee has been constituted. The remuneration of Executive Directors is considered by the Committee of Directors before being taken up at the Board, subject further to the approval of Members. Non-Executive Directors' remuneration is considered by the Board subject to Members' approval.



Details of remuneration paid/payable to the Directors for the financial year ended 31st March, 2009

Rupees

Name	Position	Salary	Benefits & Contributions to Provident/Pension & Other Funds	Performance Linked Bonus	Commission	Sitting Fees	Total
Mr. A. Basu	Chairman	–	–	–	8,00,000	1,08,000	9,08,000
Mr. R.S. Noronha	Managing Director	1,00,88,400	67,44,515	1,26,10,500	–	–	2,94,43,415
Mr. N. Sai Sankar	Deputy Managing Director & Secretary	59,78,400	34,88,397	74,73,000	–	–	1,69,39,797
Air Chief Marshal I.H. Latif (Retd.)	Non-Executive Director	–	–	–	4,00,000	1,32,000	5,32,000
Mr. T. Lakshmanan	Non-Executive Director	–	–	–	83,334	48,000	1,31,334
Mr. R.V.K.M. Suryarau	Non-Executive Director	–	–	–	4,00,000	1,32,000	5,32,000
Mr. S. Thirumalai	Non-Executive Director	–	–	–	1,50,000	96,000	2,46,000
Mr. J. D.Bandaranayake	Non-Executive Director	–	–	–	^	48,000	48,000
Mr. V. Sekar	Non-Executive Director	–	–	–	@	36,000	36,000
Mr. Milind Anna Kharat	Non-Executive Director	–	–	–	@	Nil	–

^ Rs.83,333 Commission paid to British American Tobacco Company represented by its Director Mr. J.D. Bandaranayake.

@ Rs.83,333 Commission paid to United India Insurance Company Limited represented by its Director Mr. V. Sekar [upto 31st December, 2008] and Mr. Milind Anna Kharat [from 1st January, 2009].

Benefits include value of rent free accommodation, rent allowance, leave travel allowance, reimbursement of medical expenses, insurance, provision of gas, electricity and club subscriptions and perquisite value of white goods provided.

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 the Articles of Association of the Company.

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

Criteria for making payments to Non-Executive Directors

The Board periodically reviews the criteria for making payments to Non-Executive Directors and these are calculated as per the provisions of Companies Act, 1956 and the rules made thereunder. The method of calculation of Directors' remuneration is disclosed separately in the financial statements.

The Non-Executive Directors are paid sitting fees for attending each meeting of the Board or its Committee as per the details given below:

Rupees

Board Meeting	12,000
Audit Committee	9,000
Shareholders Grievance Committee	6,000
Committee of Directors	6,000



Members of the Company have approved payment of commission upto a ceiling of Rs.20 lakhs for all Non-Executive Directors or such amount as may be determined by the Board within the ceiling of Rs.20 lakhs to be divided as per Board's discretion w.e.f. 1st April, 2004 for each of the five financial years of the Company which ends on 31st March, 2009. The special resolution for payment of commission to Non-Executive Directors w.e.f. 1st April, 2009 for each of the five financial years is being placed for Members' approval.

Remuneration paid to Non-Executive Directors is determined by keeping in view industry benchmarks and also on the basis of their memberships in various committees of the Board.

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

For the year ended 31st March, 2009 the number of shares held by Non-Executive Directors are as follows:

Mr. A. Basu	800 equity shares of Rs.10 each
Mr. S. Thirumalai	25 equity shares of Rs.10 each

There are no convertible instruments issued by the Company and hence none held by the Non-Executive Directors during the year ended 31st March, 2009.

(F) Management

- i. The Management Discussion and Analysis as part of Directors' Report to the shareholders is provided elsewhere in the Annual Report.
- ii. For the year ended 31st March, 2009 your Company's Board has obtained senior management declarations 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.

(G) Shareholders Information

- i. Details of Directors who have been appointed by the Board and those seeking re-appointment/extension of tenure of office

Mr. S. Thirumalai

Mr. S. Thirumalai was appointed as an Additional Director on the Board of your Company with effect from 20th October, 2005. He was appointed under the provisions of Section 257 of the Companies Act, 1956 at the Annual General Meeting held on 27th July, 2006. Mr. Thirumalai is due to retire by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

Mr. S. Thirumalai is a Commerce and Law Graduate and is a Fellow Member of Institute of Chartered Accountants of India and Institute of Company Secretaries of India. He is also a Certified Associate of the Indian Institute of Bankers. He attended the Advanced Management Program at Harvard Business School, Boston, M.A. (USA) in 1992. He has over 30 years of experience in manufacturing industry covering all aspects of Finance, Taxation and General Management (including three years with Reserve Bank of India/Unit Trust of India as an Officer). He retired as a Partner from Deloitte Haskins and Sells, Chartered Accountants and is now the Senior Advisor to the consulting firm Deloitte Touche Tohmatsu India Private Limited. He is a Member of the Shareholders Grievance Committee and Committee of Directors of your Company. Mr. Thirumalai holds 25 shares in the Company and is not related to any other director of the Company.

Mr. N. Sai Sankar

Mr. Sai Sankar was appointed a Director on the Board of your Company with effect from 1st January, 2001. He was appointed under the provisions of Section 257 of the Companies Act, 1956 at the Annual General Meeting held on 14th June, 2001. Mr. Sai Sankar was re-appointed as Director with effect from 1st January, 2006 for a further period of five years at the Board Meeting held on 21st April, 2005 and this was approved by the Members at the Annual General Meeting held on 28th July, 2005. He was last retired and re-appointed at the Annual



General Meeting held on 27th July, 2006. He was appointed as Deputy Managing Director & Secretary with effect from 1st February, 2009. Mr. Sai Sankar is now due to retire by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

Mr. Sai Sankar is a Commerce Graduate from St. Xavier's College, Kolkata and is a Fellow Member of Institute of Chartered Accountants of India, Institute of Cost & Works Accountants of India and Institute of Company Secretaries of India. He has about 28 years of experience in finance, accounting and secretarial field. He is a member of the Committee of Directors and Shareholders Grievance Committee of the Company and is also a director on the board of the Tobacco Institute of India. He is also the Secretary to the Audit Committee. Mr. Sai Sankar does not hold any shares in the Company and is not related to any other director of the Company.

Mr. Milind A. Kharat

Mr. Milind A. Kharat was nominated by General Insurers' (Public Sector) Association of India as a Director of your Company with effect from 1st January, 2009 in place of Mr. V. Sekar. He holds office upto the date of forthcoming Annual General Meeting. A notice has been received from a Member pursuant to Section 257 of the Companies Act, 1956 intimating the intention to propose a resolution for the appointment of Mr. Milind A. Kharat as a Director of your Company.

Mr. Kharat is a Post Graduate in Economics, a Bachelor of Law and a Fellow of Insurance Institute of India. He has rich experience of more than three decades in the general insurance industry. He was the Chief Metropolitan Magistrate appointed by Government of Maharashtra. He has made significant contributions for revision of Fiji's Insurance Act, 1998. He served as an Executive Member on National Road Safety Council of Fiji representing Insurance industry. He is an Executive Member of Foreign Non-Life Insurance Association of Japan. He is now the General Manager of United India Insurance Company Limited. Mr. Kharat does not hold any shares in the Company and is not related to any other director of the Company.

Mr. Raymond S. Noronha

Mr. Raymond S. Noronha was appointed a Director on the Board of your Company with effect from 1st November, 1998. He was appointed under the provisions of Section 257 of the Companies Act, 1956 at the Annual General Meeting held on 27th September, 1999 and was last re-appointed at the Annual General Meeting held on 17th July, 2008 for a period of two years from 1st November, 2008 to 31st October, 2010 (both days inclusive) or upto the date of his retirement, whichever is earlier.

The Board of Directors at their meeting held on 16th January, 2009 have subject to the approval of the shareholders at the Seventy-eighth Annual General Meeting, re-appointed Mr. Raymond S. Noronha granting extension of period of his current tenure of office as Managing Director due to expire on 2nd September, 2010 for a further period of two years from 3rd September, 2010 to 2nd September, 2012 (both days inclusive).

Mr. Noronha is a B.A. (Hons.) from St. Stephen's College, Delhi and attended the Wharton Advanced Management Program (1995) at Philadelphia, USA. He has over 35 years of varied experience in the cigarette business both international and domestic and has held several top level positions for over a decade. He is a Member of the Committee of Directors and Shareholders Grievance Committee of your Company. He is a director on the board of the Tobacco Institute of India. Mr. Noronha does not hold any shares in the Company and is not related to any other director of the Company.

- ii. The quarterly results are sent to the stock exchanges on which the Company is listed so as to display the same on their respective websites. During the year, there were no presentations made by the Company to analysts.

iii. Shareholders Grievance Committee

The Shareholders Grievance Committee has been constituted to oversee redressal of shareholder complaints related to transfer of shares, non-receipt of declared dividends, non-receipt of annual report etc. The Committee also oversees the performance of the Registrar and Transfer Agents of the Company and recommends measures for overall improvements in the quality of investor services.

**Composition, name of members and Chairman**

Name of the Director	Position	Nature of Directorship
Air Chief Marshal I.H. Latif (Retd.)	Chairman	Independent Non-Executive Director
Mr. R.V.K.M. Suryarau	Member	Independent Non-Executive Director
Mr. Raymond S. Noronha	Member	Managing Director
Mr. N. Sai Sankar	Member	Deputy Managing Director & Secretary
Mr. S. Thirumalai	Member	Independent Non-Executive Director

Meetings and attendance during the year

During the financial year ended 31st March, 2009 four meetings of Shareholders Grievance Committee were held on 16th April, 2008, 15th July, 2008, 16th October, 2008 and 15th January, 2009.

Name of Shareholders Grievance Committee Member	No. of meetings held	No. of meetings attended
Air Chief Marshal I.H. Latif (Retd.)	4	4
Mr. R.V.K.M. Suryarau	4	4
Mr. Raymond S. Noronha	4	4
Mr. N. Sai Sankar	4	4
Mr. S. Thirumalai	4	4

Shareholders/Investors complaints

The Shareholders/Investors complaints and other complaints are normally responded to within a period of 7 working days 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.

Nature of Complaints	Received	Attended to
Non-receipt of share certificates - transfers	2	2
Transmission of shares	40	40
Non-receipt of dividend warrants	48	48
Matters relating to dematerialisation of shares	1	1

- iv. To expedite the process of share transfers, your Board has delegated the above power to Registrar and Transfer Agents - M/s. Sathguru Management Consultants Private Limited.

V. CEO/CFO Certification

The CEO/CFO certification for the year ended 31st March, 2009 has been annexed at the end of this report. Similarly, the CEO/CFO also give quarterly certification on financial results while placing the quarterly financial results before the Board in terms of Clause 41 of the Listing Agreement entered into with Stock Exchanges.

VI. Adoption of Mandatory and Non-Mandatory Requirements of Clause 49

The Company has complied with all the mandatory requirements of Clause 49. Non-mandatory requirements have not been adopted and are being reviewed for implementation.



3. GENERAL BODY MEETINGS

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

Year	Venue	Date	Time
2007-08	Hotel Taj Krishna, Banjara Hills, Hyderabad	17.7.2008	10.30. a.m.
2006-07	Hotel Taj Krishna, Banjara Hills, Hyderabad	18.7.2007	10.30. a.m.
2005-06	Hotel Taj Krishna, Banjara Hills, Hyderabad	27.7.2006	10.30. a.m.

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

Annual General Meeting held on 17th July, 2008 - No special resolutions were passed

Annual General Meeting held on 18th July, 2007 - No special resolutions were passed

Annual General Meeting held on 27th July, 2006

- Variation in the remuneration payable to Wholetime Directors
- To delist the Company's shares from the Hyderabad Stock Exchange Limited

No special resolution requiring a postal ballot under Section 192A of the Companies Act, 1956, was placed before the last Annual General Meeting. Similarly, no special resolution requiring a postal ballot is being proposed at the ensuing Annual General Meeting.

4. MEANS OF COMMUNICATION

- The quarterly, half yearly and annual results are published in Business Standard and in a vernacular newspaper i.e., Andhra Prabha. The results are also posted on the Company's website viz., www.vsthyd.com. Apart from the above, the Company also provides the above information to Stock Exchanges as per the requirements of Listing Agreement. Further as required, these are uploaded in the SEBI's website under Electronic Data Information Filing and Retrieval System (EDIFAR) and can be retrieved from the website www.sebiedifar.nic.in. During the year, there were no presentations made to institutional investors or to the analysts.
- There have been no instances of non-compliance by the company and no penalties, strictures were imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

5. GENERAL SHAREHOLDER INFORMATION

Date, Time and Venue of the Annual General Meeting

Thursday, 16th July, 2009, at 10.30 a.m. at Hotel Taj Krishna, Road No.1, Banjara Hills, Hyderabad - 500 034, Andhra Pradesh.

Financial Calendar 2009 - 2010 (Tentative)

First Quarter Results	July, 2009
Second Quarter and Half Yearly Results	October, 2009
Third Quarter Results	January, 2010
Annual Results	April, 2010



Dates of Book Closure

14th July, 2009 to 16th July, 2009 (both days inclusive)

Dividend Payment Date

Within 30 days from 16th July, 2009

Listing on Stock Exchanges with Stock Code

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

Listing Fees for the year 2009 - 2010 has been paid to the above stock exchanges.

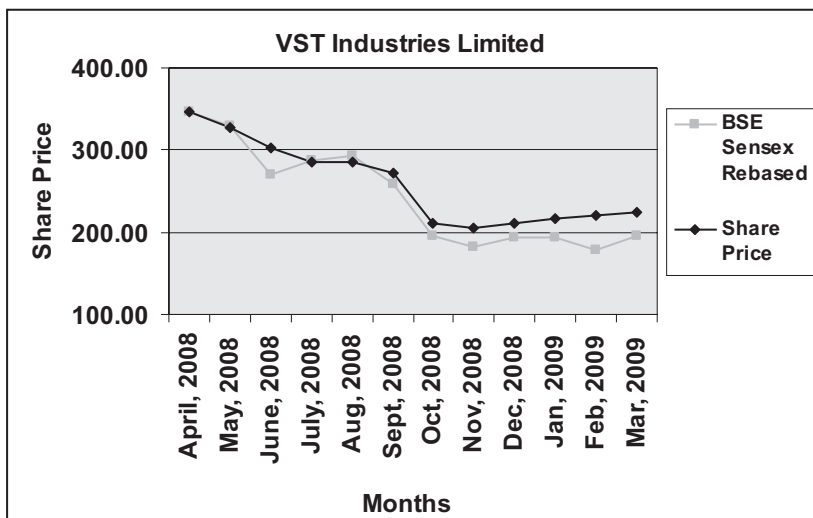
Market Price Data: High/Low during each month in the last financial year (2008-09)

Rupees

Period	Bombay Stock Exchange Limited		National Stock Exchange of India Limited	
	High	Low	High	Low
April, 2008	364.95	295.60	358.00	295.00
May, 2008	359.85	273.00	358.95	325.15
June, 2008	364.95	281.00	350.00	265.50
July, 2008	340.00	265.00	345.00	265.00
August, 2008	299.70	275.05	296.00	277.10
September, 2008	299.90	261.00	296.00	226.85
October, 2008	270.00	190.75	270.00	185.10
November, 2008	259.00	189.00	242.70	191.00
December, 2008	230.00	182.65	235.00	196.00
January, 2009	267.00	203.10	245.00	201.00
February, 2009	236.55	206.00	230.80	207.00
March, 2009	264.00	208.00	247.50	205.00

Performance in comparison with BSE Sensex

(based on closing price/Sensex)





CONTACT INFORMATION

Registered Office
VST Industries Limited
1-7-1063/1065, Azamabad
Hyderabad - 500 020
Phone: +91 40 2761 0460
Fax : +91 40 2761 5336

Correspondence to the following officer may be addressed at the Registered Office of the Company.

COMPLIANCE OFFICER

Mr. N. Sai Sankar
Company Secretary
Phone: +91 40 2761 0478
Fax : +91 40 2760 6649
Email : saisankar@vstind.com

Registrar and Transfer Agents

As a VST Shareholder, you are encouraged to contact the Registrars for all your share related services and queries whose address is given below:

M/s. Sathguru Management Consultants Private Limited
Plot No. 15, Hindi Nagar, Behind Sai Baba Temple
Punjagutta
Hyderabad - 500 034
Phone: +91 40 2335 6507, 2335 0586, 2335 6975
Fax : +91 40 4004 0554
Email : sta@sathguru.com
Contact person: Mr. R. Chandra Sekar, Senior Divisional Manager, Capital Markets

Share Transfer System

The share transfers which are received in physical form are registered and returned in the normal course within an average period of 15 days from the date of receipt, if the documents are clear in all respects. The Board has delegated the authority for approving transfer, transmission etc., of the Company's securities to the Managing Director and Deputy Managing Director & Secretary. A summary of transfer and transmission of shares of the Company approved is placed at the meeting of the Shareholders Grievance 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 3 working days from the date of receipt of request.

There are no pending share transfers as at 31st March, 2009.

Secretarial Audit

For each quarter of the financial year 2008-09, a qualified Company Secretary in Practice has carried out secretarial audit to reconcile the total admitted capital with NSDL and CDSL and total issued and listed capital. The audit report confirms that the total issued / paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

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



Categories of Shareholding as on 31st March, 2009

Category	Number of Shares Held	Percentage of Shareholding
Promoters and Associates	49,65,902	32.16
Foreign Institutional Investors	50	0.00
Public Financial Institutions	16,30,406	10.56
Mutual Funds	250	0.00
Nationalised banks and other banks	16,270	0.11
NRIs and OCBs	64,906	0.42
Bodies Corporate	64,02,357	41.46
Indian Public and Others	23,61,779	15.29
TOTAL	1,54,41,920	100.00

Distribution of shareholding as on 31st March, 2009

Slab	No. of Shares	%	No. of Shareholders	%
1 - 500	9,81,529	6.36	9,833	91.49
501 - 1000	3,70,346	2.40	510	4.75
1001 - 2000	2,93,537	1.90	211	1.96
2001 - 3000	2,03,822	1.32	85	0.79
3001 - 4000	1,03,197	0.67	30	0.28
4001 - 5000	1,01,074	0.65	23	0.21
5001 - 10000	1,86,242	1.21	26	0.24
10001 and above	1,32,02,173	85.49	30	0.28
Total	1,54,41,920	100.00	10,748	100.00
Physical Mode	59,53,587	38.55	4,869	45.30
Demat Mode	94,88,333	61.45	5,879	54.70

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, 2009, 94,88,333 Equity Shares of the Company constituting 61.45% 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 one working day. 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 2009-2010 has been paid to NSDL and CDSL, the Depositories.

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



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

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

Plant Location

1-7-1063/1065, Azamabad,
Hyderabad - 500 020
Andhra Pradesh
India

6. AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

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



SHAREHOLDER REFERENCER

Pursuant to Section 205A(5) of the Companies Act, 1956, unclaimed dividends upto and including for the financial year 1994 - 1995 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed their dividend warrant(s) relating to financial year(s) upto and including the financial year 1994 - 1995 are requested to claim the amounts from the Registrar of Companies, Andhra Pradesh, 2nd Floor, Kendriya Sadan, No. 3-5-998, Sultan Bazar, Hyderabad - 500 095 in the prescribed form, which can be furnished by the Company's Registrar on request. However, no claim shall lie either with the Company or Investor Education and Protection Fund (IEPF), in terms of Section 205C of Companies Act, 1956, in respect of the unclaimed dividend transferred to IEPF for the financial year 1995 - 1996 and thereafter. The dividend for the financial year 2000 - 2001 viz., Dividend No. 166 has been transferred to Investor Education and Protection Fund Account on 17th July, 2008.

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

Financial Year	Dividend No.	Date of Declaration	Amount of Dividend Rs.	Amount of Unpaid Dividend as on 31.03.2009 Rs.	Due for transfer to IEPF on
2001 - 2002	167	24.07.2002	6,94,88,640	10,23,501	28.08.2009
2002 - 2003	168	24.07.2003	8,49,30,560	13,52,598	28.08.2010
2003 - 2004	169	22.07.2004	9,26,51,520	14,89,644	26.08.2011
2004 - 2005	170	28.07.2005	19,30,24,000	27,42,789	30.08.2012
2005 - 2006	171	27.07.2006	19,30,24,000	30,84,682	31.08.2013
2006 - 2007	172	18.07.2007	30,88,38,400	44,91,420	23.08.2014
2007 - 2008	173	17.07.2008	30,88,38,400	43,87,906	22.08.2015

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 confirming non-encashment/non-receipt of dividend warrant(s). Once the unclaimed dividend is transferred to Investor Education and Protection Fund, no claim shall lie in respect thereof against the Fund or the Company.

BANK DETAILS

Members holding shares in physical form are requested to notify/send the following to the Registrar to facilitate better service:

- any change in their address/mandate/bank details and
- particulars of bank account including account number, MICR codes of their bank with complete address

Members holding shares in Dematerialised form are requested to notify the following to their Depository Participant:

- any change in their address/mandate/bank details
- particulars of bank account including account number, MICR codes of their bank with complete address



ELECTRONIC CLEARING SERVICE (ECS) FACILITY

With respect to the payment of dividend, the Company provides the facility of ECS to Members residing in the following cities:

Ahmedabad, Baroda, Bengaluru, Bhopal, Bhubaneswar, Coimbatore, Chennai, Chandigarh, Ernakulam, Guwahati, Hyderabad, Indore, Jaipur, Kolkata, Kanpur, Lucknow, Mangalore, Madurai, Mumbai, New Delhi, Nagpur, Panaji, Patna, Pune, Rajkot, Thiruvananthapuram, Vijayawada and Visakhapatnam.

Members holding shares in physical form, who now wish to avail ECS facility, may send their ECS mandate in the prescribed form to the Registrar. The ECS 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 - ECS / Bank Mandate. Members holding shares in demat form are requested to update their bank accounts with their respective depository participants.

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

Trade World, 5th Floor, Kamala Mills Compound,
Senapati Bapat Marg, Lower Parel,
Mumbai - 400 013

Phone : +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

Phiroze Jeejeebhoy Towers
28th Floor, Dalal Street,
Mumbai - 400 023

Phone : +91 22 2272 3333 / 2272 3224

Fax : +91 22 2272 3199 / 2272 2072

e-mail : investors@cdslindia.com

website : www.cdslindia.com

INVESTOR GRIEVANCES

As required under Clause 47(f) of Listing Agreement with Stock Exchanges, your Company has created 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 Companies (Amendment) Act, 1999 has introduced through Section 109A, the facility of nomination to shareholders which is mainly useful for shareholders 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 2B which could be obtained from Registrars - Sathguru Management Consultants Private Limited at the address mentioned above.

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.



Certificate of Compliance with the Code of Conduct Policy

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Board Members and the Senior Management Personnel have affirmed compliance with the Code of Conduct for the year ended 31st March, 2009.

Hyderabad, 23rd April, 2009

RAYMOND S. NORONHA
Managing Director

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

We, Raymond S. Noronha, Managing Director and N. Sai Sankar, Deputy Managing Director & Secretary of VST Industries Limited, to the best of our knowledge and belief, certify that:

1. We have reviewed the Balance Sheet and Profit and Loss Account and all its schedules and notes on accounts as well as the Cash Flow Statements for the year ended 31st March, 2009.
2. To the best of our knowledge and belief,
 - i. these statements do not contain any untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. the financial statements and other financial information included in this report present a true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws and regulations.
3. To the best of our knowledge and belief, 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.
4. We accept responsibility for establishing and maintaining internal controls for financial reporting.

We have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the 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.

5. We have indicated to the Company's Auditors and the Audit Committee of the Company's board of directors that during the year :
 - i. there are no significant changes in internal control over financial reporting;
 - ii. there are no significant changes in accounting policies; and,
 - iii. there are no frauds, whether or not material that involves management or other employees who have significant role in the Company's internal control system over financial reporting.

RAYMOND S. NORONHA
Managing Director

N. SAI SANKAR
Deputy Managing Director & Secretary
Hyderabad, 23rd April, 2009