



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, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges in India.

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

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

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

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

N. K. VARADARAJAN
Partner
Membership No. 90196

Hyderabad, 13th April, 2011.



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, 2011.

1. COMPANY'S CORPORATE GOVERNANCE PHILOSOPHY

Your Company has a strong legacy of fair, transparent and ethical governance practices and endeavours to improve upon these aspects on an ongoing basis and adopts innovative approaches. Through its process and independence of functioning, the Board of Directors of your Company provides effective leadership to the Company and its management for achieving sustained growth which enhances the stakeholder value.

2. I. Board of Directors

(A) Composition of Board

As on 31st March, 2011, your Company's Board has seven Directors, out of whom five Directors are Non-Executive Directors including the Chairman and the remaining two are Executive Directors.

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 ¹	Chairman - Independent Non-Executive Director	None	–	–
Mr. Raymond S. Noronha	Managing Director	None	1	–
Air Chief Marshal I.H. Latif P.V.S.M. (Retd.) ²	Independent Non-Executive Director	None	–	–
Mr. T. Lakshmanan	Independent Non-Executive Director	None	–	–
Mr. R.V.K.M. Suryarau ³	Chairman - Independent Non-Executive Director	None	–	–
Mr. N. Sai Sankar	Deputy Managing Director	None	1	–
Mr. S. Thirumalai	Independent Non-Executive Director	None	–	–
Mr. Peter G. Henriques ⁴	Non-Executive Director	None	–	–
Mr. Milind Anna Kharat ⁵	Independent Non-Executive Director	None	1	–

¹ Ceased to be Non-Executive Director & Chairman with effect from 15th October, 2010.

² Ceased to be Non-Executive Director with effect from 16th April, 2010.

³ Elected as Chairman of the Board with effect from 15th October, 2010.

⁴ Represents equity interest of promoter group - British American Tobacco, U.K.

⁵ Represents equity interest of General Insurers' (Public Sector) Association of India.



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, 2011, four meetings of the Board were held on 15th April, 2010, 16th July, 2010, 14th October, 2010 and 13th January, 2011.

The table below gives the number of Board Meetings held, attendance of Directors at Board Meetings and at the Annual General Meeting (AGM) for the year ended 31st March, 2011:

Name of the Director	No. of Board Meetings		Attendance at last AGM held on 16th July, 2010
	Held	Attended	
Mr. A. Basu ¹	4	3	Yes
Mr. Raymond S. Noronha	4	4	Yes
Air Chief Marshal I.H. Latif P.V.S.M. (Retd.) ²	4	1	NA
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	3	Yes
Mr. Peter G. Henriques	4	4	Yes
Mr. Milind Anna Kharat	4	4	Yes

¹ Ceased to be a Non-Executive Director & Chairman with effect from 15th October, 2010.

² Ceased to be a Non-Executive Director with effect from 16th April, 2010.

- 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 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 laid down Code of Conduct which is applicable to all Board Members and Senior Management of the Company. The Code of Conduct is also posted on the website of the Company [www.vsthyd.com].

Declaration

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, 2011.

For VST INDUSTRIES LIMITED

RAYMOND S. NORONHA

Managing Director

Hyderabad, 13th April, 2011

II. Audit Committee

(A) The composition of the Audit Committee and the details of meetings held and attended by its members are given below:

During the financial year ended 31st March, 2011 four Audit Committee meetings were held on 14th April, 2010, 15th July, 2010, 13th October, 2010 and 12th January, 2011.

Name of the Director	Position	Number of Meetings	
		Held	Attended
Mr. T. Lakshmanan ¹	Chairman	4	3
Mr. R.V.K.M. Suryarau ²	Member	4	4
Air Chief Marshal I.H. Latif P.V.S.M. (Retd.) ³	Member	4	1
Mr. A. Basu ⁴	Member	4	3
Mr. S. Thirumalai ⁵	Member	4	2

¹ Appointed as Member with effect from 15th July, 2010 and as Chairman with effect from 12th January, 2011.

² Ceased to be Chairman with effect from 12th January, 2011.

³ Ceased to be Member with effect from 16th April, 2010.

⁴ Ceased to be Member with effect from 15th October, 2010.

⁵ Appointed as Member with effect from 15th July, 2010.



All the members of the Audit Committee are independent directors.

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

The Chairman of the Audit Committee was present at the Annual General Meeting of the Company held on 16th July, 2010.

(B) Powers of Audit Committee

The Audit Committee is endowed with the following powers:

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

(C) Role of Audit Committee

The role of the Audit Committee includes the following:

- overseeing the Company's financial reporting process and disclosure of financial information to ensure that the financial statements reflects true and fair position and that sufficient and credible information is disclosed;
- recommending the appointment, re-appointment and removal of statutory auditor, fixation of audit fee and approval for payment for any other services rendered;
- discussing with statutory auditors before the audit commences, of the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- reviewing with the management the quarterly/half-yearly financial statements before submission to the Board for approval;
- reviewing with the management the annual financial statements before submission to the Board focusing primarily on:
 - ❖ any changes in accounting policies and practices;
 - ❖ major accounting entries based on exercise of judgment by management;
 - ❖ significant adjustments arising out of audit;
 - ❖ the going concern assumption;
 - ❖ compliance with accounting standards;
 - ❖ any related party transactions as per Accounting Standard 18;
 - ❖ compliance with listing and other legal requirements;
 - ❖ qualifications in draft audit report.
- reviewing the Company's financial and risk management policies;
- reviewing with the management, performance of statutory and internal auditors, the adequacy of internal control systems;
- discussing with internal auditors of any significant findings and follow-up thereon; and
- looking into reasons for substantial defaults in payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors, if any.

Minutes of the Audit Committee Meetings are circulated to the Members of the Board of Directors and taken note of.



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.

The composition of the Shareholders Grievance Committee and the details of meetings held and attended by its members are given below:

During the financial year ended 31st March, 2011 four meetings of Shareholders Grievance Committee were held on 14th April, 2010, 15th July, 2010, 13th October, 2010 and 12th January, 2011.

Name of the Director	Position	Number of Meetings	
		Held	Attended
Mr. S. Thirumalai ¹	Chairman	4	2
Mr. R.V.K.M. Suryarau	Member	4	4
Mr. Raymond S. Noronha	Member	4	4
Mr. N. Sai Sankar	Member	4	4
Mr. T. Lakshmanan ²	Member	4	3
Air Chief Marshal I.H. Latif P.V.S.M.(Retd.) ³	Member	4	1

¹ Appointed as Chairman with effect from 12th January, 2011.

² Appointed as Member and Chairman with effect from 15th July, 2010 and subsequently ceased to be a Chairman with effect from 12th January, 2011.

³ Ceased to be a Member & Chairman with effect from 16th April, 2010.

Name, designation and address of the Compliance Officer:

Mr. N. Sai Sankar
Company Secretary
VST Industries Limited
1-7-1063/1065, Azamabad
Hyderabad - 500 020
Tel : +91 40 2761 0478
Fax : +91 40 2760 6649
Email : saisankar@vstind.com

Number of shareholder complaints received, number not solved to the satisfaction of the shareholder and number of pending transfers:

Nature of Complaints/queries	Received	Attended to
Non-receipt of share certificates - transfers	Nil	Nil
Transmission of shares	59	59
Non-receipt of dividend warrants	26	26
Non-receipt of annual report	7	7
Letters from stock exchanges/SEBI	2	2



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.

IV. 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. During the year, the subsidiary company, VST Distribution, Storage & Leasing Company Private Limited has been merged with holding company pursuant to the orders passed by the Hon'ble High Court of Andhra Pradesh with effect from 1st April, 2010 being the appointed date in the Scheme of Arrangement.

V. 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 were placed before the Audit Committee and the Committee has reviewed the same for the year ended 31st March, 2011.

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 under the Companies (Accounting Standards) Rules, 2006 notified under Section 211 (3C) of the Companies Act, 1956. Significant accounting policies are provided elsewhere in the Annual Report.

(C) 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 issue.

(D) 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, 2011

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Name	Position	Salary	Benefits & Contributions to Provident/Pension & Other Funds	Performance Linked Bonus	Commission	Sitting Fees	Total
Mr. A. Basu ¹	Chairman - Independent Non-Executive Director	–	–	–	5,39,500	81,000	6,20,500
Mr. R.S. Noronha	Managing Director	1,34,10,600	97,74,889	2,01,15,900	–	–	4,33,01,389
Mr. N. Sai Sankar	Deputy Managing Director & Secretary	82,87,200	50,01,723	1,24,30,800	–	–	2,57,19,723
Air Chief Marshal I.H. Latif P.V.S.M. (Retd.) ²	Independent Non-Executive Director	–	–	–	20,500	33,000	53,500
Mr. T. Lakshmanan	Independent Non-Executive Director	–	–	–	4,83,500	1,11,000	5,94,500
Mr. R.V.K.M. Suryarau ³	Chairman - Independent Non-Executive Director	–	–	–	7,30,000	1,32,000	8,62,000
Mr. S. Thirumalai	Independent Non-Executive Director	–	–	–	4,87,500	78,000	5,65,500
Mr. Peter G. Henriques	Non-Executive Director	–	–	–	^	24,000	24,000
Mr. Milind Anna Kharat	Independent Non-Executive Director	–	–	–	@	@	–

¹ Ceased to be a Non-Executive Director & Chairman with effect from 15th October, 2010.

² Ceased to be Non-Executive Director with effect from 16th April, 2010.

³ Elected as Chairman with effect from 15th October, 2010.

^ ₹1,19,500 Commission paid to British American Tobacco Company, U.K. represented by its Director Mr. Peter G. Henriques. Waived entitlement to sitting fees with effect from 14th October, 2010.

@ ₹48,000 Sitting Fees and ₹1,19,500 Commission paid to United India Insurance Company Limited represented by its Director Mr. Milind Anna Kharat.

Benefits include value of rent free accommodation, house 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 Articles of Association of the Company. No significant material transactions have been made with the Non-Executive Directors vis-a-vis 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 up to a ceiling of ₹25 lakhs for all Non-Executive Directors or such amount as may be determined by the Board within the ceiling of ₹25 lakhs to be divided as per Board's discretion w.e.f. 1st April, 2009 for each of the five financial years of the Company.

Remuneration paid to Non-Executive Directors is determined 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

As at 31st March, 2011 the number of shares held by Non-Executive Directors is as follows:

Mr. A. Basu ¹	900 equity shares of ₹10 each
Mr. S. Thirumalai	25 equity shares of ₹10 each

¹ Ceased to be a Director & Chairman of the Company with effect from 15th October, 2010.

There are no convertible instruments issued by the Company and hence none held by the Non-Executive Directors during the year ended 31st March, 2011.

(A) Management

- The Management Discussion and Analysis is part of Directors' Report to the Members and provided elsewhere in the Annual Report.
- For the year ended 31st March, 2011 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.

(B) Shareholders Information

- The quarterly results are sent to the stock exchanges on which the Company is listed so as to display the same on its own website. During the year, there were no presentations made by the Company to analysts. The Company has been having conference calls on financial results with investors/analysts, at periodical intervals.
- 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.

VI. CEO/CFO Certification

The CEO/CFO certification for the year ended 31st March, 2011 has been enclosed 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.

VII. 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
2009-10	Hotel Taj Krishna, Banjara Hills, Hyderabad	16.7.2010	10.30. a.m.
2008-09	Hotel Taj Krishna, Banjara Hills, Hyderabad	16.7.2009	10.30. a.m.
2007-08	Hotel Taj Krishna, Banjara Hills, Hyderabad	17.7.2008	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 16th July, 2010

- Re-appointment of Wholetime Director & Secretary and payment of remuneration

Annual General Meeting held on 16th July, 2009

- Redesignation of Wholetime Director & Secretary and payment of adhoc performance payment
- Payment of commission to Non Wholetime Directors
- Alteration of Article 93 of the Articles of Association of the Company

Annual General Meeting held on 17th July, 2008 - No special resolution was passed.

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. 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, 14th July, 2011 at 10.30 a.m. at Hotel Taj Krishna, Road No. 1, Banjara Hills, Hyderabad - 500 034, Andhra Pradesh.

Financial Calendar: 2011-12 (Tentative)

First Quarter Results	July, 2011
Second Quarter and Half Yearly Results	October, 2011
Third Quarter Results	January, 2012
Annual Results	April, 2012



Dates of Book Closure

12th July, 2011 to 14th July, 2011 (both days inclusive)

Dividend Payment Date

11th August, 2011

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 2011-12 has been paid to the above stock exchanges.

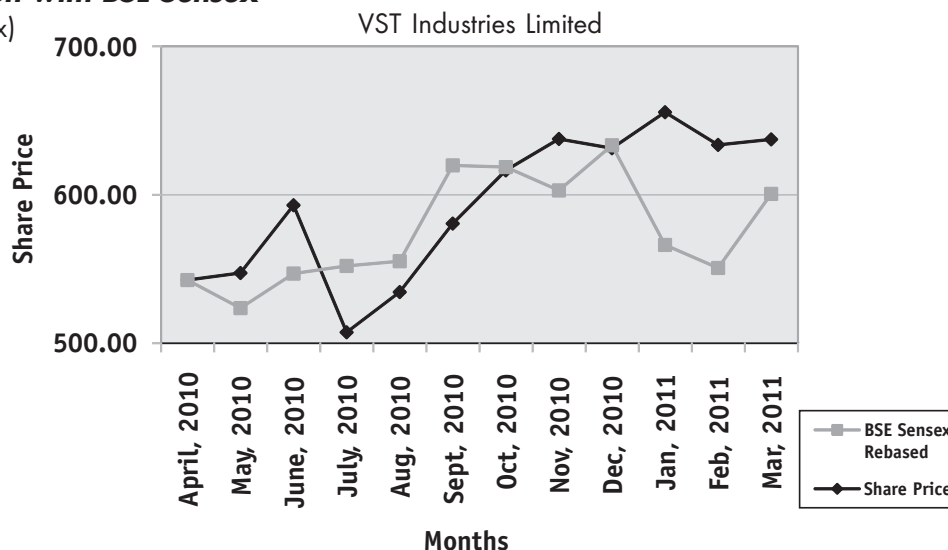
Market Price Data: High/Low during each month in the last financial year (2010-11)

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Period	Bombay Stock Exchange Limited		National Stock Exchange of India Limited	
	High	Low	High	Low
April, 2010	570.00	522.50	574.20	508.00
May, 2010	558.95	521.85	558.00	501.10
June, 2010	613.00	530.00	631.00	475.00
July, 2010	617.00	500.55	616.90	501.10
August, 2010	580.00	501.00	555.00	505.00
September, 2010	589.95	522.10	580.50	511.25
October, 2010	647.00	549.90	646.00	568.00
November, 2010	649.90	593.20	649.25	595.10
December, 2010	648.20	601.00	642.00	591.00
January, 2011	674.60	611.00	683.50	611.15
February, 2011	658.95	570.00	656.90	568.65
March, 2011	664.95	607.00	655.00	605.00

Performance in comparison with BSE Sensex

(based on closing price/Sensex)





CONTACT INFORMATION

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, Punjagutta,

Hyderabad - 500 034

Phone: +91 40 3016 0333

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 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, 2011.

Reconciliation of Share Capital Audit

For each quarter of the financial year 2010-11, 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 Clause 47 (c) of the Listing Agreement with stock exchanges and a copy of the same is filed with BSE and NSE.

Categories of shareholding as on 31st March, 2011

Category	Number of Shares Held	Percentage of Shareholding
Promoters and Associates	49,65,902	32.16
Foreign Institutional Investors	88,782	0.57
Insurance Companies	9,52,524	6.17
Mutual Funds	8,68,162	5.62
Nationalised banks and other banks	15,720	0.10
NRIs and OCBs	1,15,278	0.75
Bodies Corporate	59,09,966	38.27
Indian Public and Others	25,25,586	16.36
TOTAL	<u>1,54,41,920</u>	<u>100.00</u>

**Distribution of shareholding as on 31st March, 2011**

Slab	No. of Shares	%	No. of Shareholders	%
1 - 500	10,40,513	6.74	10,738	91.33
501 - 1000	4,07,290	2.64	561	4.77
1001 - 2000	3,21,902	2.08	233	1.98
2001 - 3000	2,48,150	1.61	101	0.86
3001 - 4000	97,725	0.63	28	0.24
4001 - 5000	97,066	0.63	22	0.19
5001 - 10000	2,47,079	1.60	35	0.30
10001 and above	1,29,82,195	84.07	39	0.33
Total	1,54,41,920	100.00	11,757	100.00
Physical Mode	58,60,874	37.95	4,429	37.67
Demat Mode	95,81,046	62.05	7,328	62.33

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, 2011, 95,81,046 Equity Shares of the Company constituting 62.05% 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 2011-12 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

6. AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

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



SHAREHOLDER REFERENCER

Pursuant to Section 205A(5) of the Companies Act, 1956, unclaimed dividends upto and including for the financial year 1994-95 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed their dividend warrant(s) relating to financial year(s) upto and including the financial year 1994-95 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 1995-96 and thereafter. The dividend for the financial year 2002-03 viz., Dividend No. 168 has been transferred to Investor Education and Protection Fund Account on 28th August, 2010.

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 ₹	Amount of Unpaid Dividend as on 31.03.2011 ₹	Due for transfer to IEPF on
2003-04	169	22.07.2004	9,26,51,520	12,53,946	26.08.2011
2004-05	170	28.07.2005	19,30,24,000	23,95,800	30.08.2012
2005-06	171	27.07.2006	19,30,24,000	26,17,668	31.08.2013
2006-07	172	18.07.2007	30,88,38,400	39,76,900	23.08.2014
2007-08	173	17.07.2008	30,88,38,400	39,06,580	22.08.2015
2008-09	174	16.07.2009	46,32,57,600	59,31,900	21.08.2016
2009-10	175	16.07.2010	46,32,57,600	64,59,060	21.08.2017

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 their bank account - name of the bank, branch with complete address and account number which will be printed on the dividend warrants to prevent fraudulent encashment.

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

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



NATIONAL ELECTRONIC CLEARING SERVICE (NECS) FACILITY

The Company provides the facility of remittance of dividend through NECS to Members at various locations, including the following cities:

Agra, Ahmedabad, Allahabad, Amritsar, Asansol, Aurangabad, Belgaum, Bengaluru, Bhilwara, Bhopal, Bhubaneswar, Bijapur, Burdwan, Calicut, Chandigarh, Chennai, Coimbatore, Davangere, Dehradun, Delhi, Dhanbad, Durgapur, Ernakulam, Erode, Gadag, Gorakpur, Guwahati, Gwalior, Haldia, Hubli, Hyderabad, Indore, Jabalpur, Jaipur, Jalandhar, Jammu, Jamnagar, Jamshedpur, Jodhpur, Kakinada, Kanpur, Kochi, Kolhapur, Kolkata, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Nashik, Nellore, Panaji, Patna, Puducherry, Pune, Raipur, Rajkot, Ranchi, Salem, Shimla, Shimoga, Siliguri, Solapur, Surat, Thiruvananthapuram, Tiruchirapalli, Tirupati, Tirupur, Trichur, Udaipur, Udupi, Vadodara, Varanasi, Vijayawada and Visakhapatnam.

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/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, 4th 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
17th Floor, Dalal Street,
Mumbai - 400 001
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 Members which is mainly useful for 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 2B which can be obtained from Registrars - Sathguru Management Consultants Private



Limited at the address mentioned above or can be downloaded from the Company's website www.vsthyd.com under the section Investor Relations.

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

Details of Unclaimed Shares

SEBI vide its Circular No. CIR/CFD/DIL/10/2010 dated 16th December, 2010 amended the Listing Agreement entered into with Stock Exchanges wherein under Clause 5A, the Company is required to open an unclaimed suspense account with demat participant and transfer all the unclaimed share certificates of Members after giving three reminders. Accordingly, your Company has sent three reminders to those Members who have unclaimed the shares issued pursuant to the Bonus issue made in the year 1989 and 1991 which were returned undelivered.

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

	No. of shareholders	No. of shares
Outstanding at the beginning of the year	385	47,040
Members approached for transfer of shares	54	6,291
Members to whom shares were transferred	54	6,291
Outstanding shares lying at the end of the year	331	40,749

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



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, 2011.
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, 13th April, 2011