



# **VST INDUSTRIES LIMITED**

**ANNUAL REPORT 2017-18**





# CONTENTS

	Page
Board of Directors .. .. .	3
Notice of Meeting .. .. .	4
Report of the Board of Directors & Management Discussion and Analysis .. .. .	12
Annexure to the Directors' Report .. .. .	26
Business Responsibility Report (BRR) .. .. .	63
Independent Auditors' Report .. .. .	68
Balance Sheet .. .. .	74
Statement of Profit and Loss .. .. .	75
Cash Flow Statement .. .. .	77
Notes to the Financial Statements .. .. .	78
Operating Results .. .. .	104
Proxy Form .. .. .	105

**BOARD OF DIRECTORS**

<b>Directors</b>	RAYMOND S. NORONHA *	Chairman
	(DIN 00012620)	
	PRADEEP V. BHIDE \$	
	(DIN 03304262)	
	DEVRAJ LAHIRI @	Managing Director
	(DIN 03588071)	
	N. SAI SANKAR @	Managing Director
	(DIN 00010270)	
	S. THIRUMALAI	
	(DIN 00011899)	
	MUBEEN RAFAT	
	(DIN 06776540)	
	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 Computershare 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. Raymond S. Noronha resigned as Director & Chairman with effect from the close of business hours on 12th April, 2018.

\$ Mr. Pradeep V. Bhide has been appointed as an Additional Non-Executive Director with effect from 12th April, 2018.

@ Mr. N. Sai Sankar has superannuated as Managing Director with effect from the close of business hours on 27th November, 2017. Mr. Devraj Lahiri has been appointed as Managing Director with effect from 28th November, 2017.



## NOTICE OF MEETING

NOTICE is hereby given that the Eighty Seventh Annual General Meeting of VST INDUSTRIES LIMITED will be held at Hotel Taj Krishna, Road No. 1, Banjara Hills, Hyderabad – 500 034 on **Friday, 28th September, 2018 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, 2018, 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, 2018.
3. To appoint a Director in place of Mr. Ramakrishna V. Addanki [DIN: 07147591] who retires by rotation and being eligible, offers himself for re-appointment.
4. To ratify the appointment of M/s. B S R & Associates LLP, Chartered Accountants (ICAI firm Registration Number 116231W/W-100024), as the Statutory Auditors of the Company and to authorize the Board of Directors to fix their remuneration.

### SPECIAL BUSINESS

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

"RESOLVED THAT Mr. Pradeep V. Bhide [DIN:03304262] who was appointed as an Additional Non-Executive Director of the Company with effect from 12th April, 2018 and who vacates office at the ensuing Annual General Meeting pursuant to Section 161 of the Companies Act, 2013 and Article 98 of the Articles of Association of the Company 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."

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 the recommendations of the Nomination & Remuneration Committee and approval of the Board and subject to the provisions of Sections 196, 197, 198, 203 read with Schedule V and other applicable provisions of the Companies Act, 2013

and the Rules framed thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), approval of the Members be and is hereby accorded to the appointment of Mr. Devraj Lahiri [DIN:03588071] as Managing Director of the Company, with effect from 28th November, 2017 to 27th November, 2022 [both days inclusive] on such terms and conditions including remuneration as detailed in the Statement attached here to with the liberty to the Board of Directors [hereinafter referred to as "the Board" which term shall be deemed to include the Nomination and Remuneration Committee of the Board] to alter and vary the terms and conditions of the remuneration including the components of remuneration as it may deem fit and as may be acceptable to Mr. Lahiri subject to the same not exceeding the limits specified under the Companies Act, 2013 read with Schedule V thereto or any statutory modification(s) or re-enactment thereof."

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

"RESOLVED THAT in supersession of the Resolution(s) passed by the Members at the Annual General Meeting held on 30th July, 2013 and pursuant to the provisions of Section 197(1)(ii) and other applicable provisions if any, of the Companies Act, 2013 or any amendment or re-enactment thereof, the Directors of the Company other than the Managing Director and the Wholtime Director(s) be paid remuneration by way of commission not exceeding 1% of the Company's net profits for each of the five financial years of the Company commencing from 1st April, 2018 for all such Directors aforesaid to be divided amongst the Directors aforesaid in such manner as the Board of Directors of the Company may from time to time determine and in default of such determination, equally."

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

By Order of the Board

PHANI K. MANGIPUDI

Dated this 21st day of July, 2018      Company Secretary  
Azamabad, Hyderabad - 500 020.





## NOTICE OF 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 Friday, 21st September, 2018 to Friday, 28th September, 2018 (both days inclusive) for payment of dividend, if declared.

Valid transfer of shares received at the office of Registrar and Transfer Agents of the Company, M/s. Karvy Computershare Private Limited, before the close of business hours on 20th September, 2018 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 AGM to those Members whose names appear in the Register of Members of the Company on 28th September, 2018 or to their mandates, subject however to the provisions of Section 126 of the Companies Act, 2013 or any amendment thereto or re-enactment thereof. In respect of dematerialised shares, the dividend will be payable on the basis of beneficial ownership as

on 20th September, 2018, 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 authorising 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 Computershare Private Limited of any change in their registered address, mandate/bank details/e-mail address. Similarly, Members holding shares in electronic form should inform their Depository Participants (DP) of any change in their registered address, mandate/bank details/e-mail address.
7. The shares of the Company are under compulsory demat trading. Members holding shares in physical form are requested to convert their shares into dematerialized form in their own interest and for their convenience.
8. SEBI has directed listed companies to use electronic payment modes such as NEFT, RTGS, ECS etc., for payment to 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 Computershare Private Limited by submitting a cancelled cheque, while Members holding shares in electronic form are requested to update such bank details with their respective Depository Participants.
9. Members who have multiple folios in identical names or joint names in the same order are requested to intimate the Registrar and Transfer Agents, M/s. Karvy Computershare Private Limited about these folios to enable consolidation of all such shareholdings into one folio.
10. 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,



## NOTICE OF MEETING

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 Agents or can be downloaded from the Company's website [www.vsthyd.com](http://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.
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 Securities & Exchange Board of India (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 Krishnamurthy 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 Computershare 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 and any amendment thereof, 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 as provided by 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 Computershare 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 2017-18, free of cost upon sending a written request either to the Company or to the Registrar & Transfer Agents.

By Order of the Board

PHANI K. MANGIPUDI  
Company Secretary

Dated this 21st day of July, 2018  
Azamabad, Hyderabad - 500 020



## NOTICE OF MEETING

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

#### Item No. 5

Mr. Pradeep V. Bhide was appointed as an Additional Non-Executive Director of the Company with effect from 12th April, 2018 at the Board Meeting held on 12th April, 2018 in terms of Section 161(1) of Companies Act, 2013 and Article 98 of the Articles of Association of the Company.

Mr. Pradeep V. Bhide, [68] is a former Senior IAS Official and former Secretary in the Ministry of Finance. He spent 27 years in the Indian Government/Administrative Service, and has worked both at National and State levels.

Mr. Bhide was Secretary of the Department of Revenue, Ministry of Finance from 2007-2010. He has also held other senior roles in the Ministry, including Joint Secretary and subsequently Secretary, Department of Disinvestment, and Deputy Secretary, Department of Economic Affairs. In addition, he has also served as Special Secretary, Ministry of Home Affairs, and as Advisor to India's Executive Director to the International Board for Reconstruction and Development in Washington D.C.

Mr. Bhide was Managing Director of the Apex Cooperative Marketing Society for Handloom (APCO) from 1981-1983, and was Managing Director for listed fertiliser manufacturer Godavari Fertilisers from 1997-2002. Since retiring from Government service in 2010, Mr. Bhide has been active in the private sector, serving in a number of Non-Executive roles, primarily in Indian listed companies and subsidiaries of multinational companies across a variety of industries. Mr. Bhide is Chairman of the Hyderabad-based, privately-owned venture capital group APIDC Venture Capital Ltd. He presently is a Director for Heidelberg Cements (India) Ltd., GlaxoSmithKline (India) Pharmaceuticals Ltd., NOCIL Ltd., Tube Investments India Ltd., L&T Finance Holdings Ltd., L&T Finance Ltd., BILT Paper B.V. and, in addition, he has served as an Advisor on the India Advisory Board for Joshi Technologies International Inc., Deutsche Telekom and Citibank (India). Mr. Bhide obtained his B.Sc. in Chemistry (Hons.) in 1970 and his LL.B in 1973, both from Delhi University. He later obtained his M.B.A. with specialisation in Financial Management from Indira Gandhi National Open University in 2002.

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

Act, 2013 to act as Director if appointed and intimation in terms of Companies (Appointment & Qualification of Directors) Rules, 2014 to the effect that he is not disqualified under sub-section(2) of Section 164 of Companies Act, 2013, have been received from Mr. Pradeep V. Bhide. Mr. Bhide does not hold any shares in the Company and is not related to any other Director of the Company.

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

The Board commends this item of business for your approval.

#### Item No. 6

The Members at their Meeting held on 12th July, 2012 approved the appointment of Mr. Devraj Lahiri as Wholetime Director of the Company to hold office as such from 1st August, 2011 to 31st July, 2016 (both days inclusive).

The Board at its Meeting held on 20th April, 2016 on the recommendation of Nomination & Remuneration Committee approved the appointment of Mr. Devraj Lahiri as Deputy Managing Director of the Company w.e.f. 1st July, 2016 to 27th November, 2017 (both days inclusive).

With the superannuation of Mr. N. Sai Sankar, Managing Director w.e.f. close of business hours on 27th November, 2017 and considering the succession plan which was put in place, the Board of Directors ("the Board") at its Meeting held on 31st October, 2017 on the recommendation of Nomination & Remuneration Committee appointed Mr. Devraj Lahiri as Managing Director of the Company w.e.f. 28th November, 2017 to 27th November, 2022 (both days inclusive), on the following remuneration which was reviewed and revised based on the compensation survey conducted by the Company and which is subject to the approval of the Members. The Managing Director shall also be a Key Managerial personnel under Section 203 of the Companies Act, 2013.

- I. **Consolidated Salary :** At the rate of ₹ 4,41,667/- per month subject to such increases as the Board may determine in the consolidated salary during the tenure of office as Managing Director having regard to the annual performance of Mr. Devraj Lahiri and to cover the Consumer Price Index.





## NOTICE OF MEETING

- II. **Other Allowance :** ₹ 2,33,333/- per month.
- III. **Performance Bonus :** Payable annually for each financial year not exceeding 150% of the Consolidated Salary per annum after approval of the accounts as may be determined by the Board of Directors of the Company.
- IV. **Perquisites :** In addition to the aforesaid consolidated salary, other allowance and performance bonus, Mr. Devraj Lahiri shall be entitled to perquisites like gas, electricity, water, furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance etc. in accordance with the Rules of the Company, the monetary value of such perquisites being limited to ₹ 36,00,000/- per annum, for the purposes of which limit perquisites shall be evaluated as per Income Tax Rules, wherever applicable, and in absence of any such Rule, perquisites shall be evaluated at actual cost. However, the following shall not be included in the aforesaid perquisite limit :
- Rent free furnished accommodation owned/leased/rented by the Company or Housing Allowance in lieu thereof, subject to a maximum of 30% of the consolidated salary.
  - Contribution to Provident Fund and Superannuation Fund up to a maximum of 27% of salary and contribution to Gratuity Fund up to 8.33% of salary as limited and defined in the Rules of the respective Funds, or up to such other limit as may be prescribed under the Income Tax Act, 1961 and the Rules 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.

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

Mr. Devraj Lahiri satisfies all the conditions set out in Part-I of Schedule V of the Companies Act, 2013 and also conditions set out in sub-section (3) of Section 196 of Companies Act, 2013 for being eligible for his appointment. The Company has received from Mr. Devraj Lahiri intimation in terms of Companies (Appointment & Qualification of Directors) Rules, 2014 to the effect that he is not disqualified under sub-section(2) of Section 164 of Companies Act, 2013.

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

Mr. Devraj Lahiri, [45] is a Commerce Graduate from St. Xavier's College, Kolkata and Masters in Business Administration from Indian Institute of Social Welfare and 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 Wholtime Director of the Company with effect from 1st August, 2011. He is a Member of the CSR Committee, Committee of Directors and Stakeholders Relationship Committee of the Company and is also a Director on the board of The Tobacco Institute of India. 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 appointment and remuneration, none of the other Directors and Key Managerial Personnel of the Company or their respective relatives is, in any way, concerned or interested financially or otherwise in this item of business.



## NOTICE OF MEETING

The Board commends this item of business for your approval.

### **Item No. 7**

At the Eighty Second Annual General Meeting of the Company held on 30th July, 2013, the Members approved payment of remuneration to the Non-Executive Directors of the Company, by way of commission not exceeding one percent of the net profits of the Company as provided under Section 309(4) read with Section 198 of the Companies Act, 1956, now read with Section 197 of the Companies Act, 2013, for each of the five financial years commencing from 1st April, 2013.

Keeping in view the current trends and commensurate with the time devoted and contributions made by Non-Executive Directors, the Board of Directors of your Company at its

Meeting held on 12th April, 2018, recommended for the approval of the Members, the payment of remuneration by way of commission not exceeding 1% of the Company's net profits to the Non-Executive Directors of the Company for each of the five financial years commencing from 1st April, 2018 in the manner stated in the text of the Special Resolution at Item 7 of the Notice.

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

The Board commends this item of business for your approval.

By Order of the Board

Dated this 21st day of July, 2018  
Azamabad, Hyderabad - 500 020

PHANI K. MANGIPUDI  
Company Secretary



## 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 September, 2018, the cut off date (Record 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.
7. On successful login, the system will prompt you to select the EVENT i.e., VST Industries Limited.
8. On the voting page, enter the number of shares as on the cut off date under FOR/AGAINST or alternately you may enter partially any number in FOR and partially in AGAINST but the total number in FOR/AGAINST taken together should not exceed the total shareholding. You may also choose the option ABSTAIN.
9. Members holding multiple folios/demat account shall choose the voting process separately for each folio/demat account.
10. Cast your vote by selecting an appropriate option and click on SUBMIT. A confirmation box will be displayed. Click OK to confirm else CANCEL to modify. Once you confirm, you will not be allowed to modify your vote. During the voting period, Members can login any number of times till they have voted on the Resolution.
11. Once the vote on the Resolution is cast by the Member, he/she shall not be allowed to change it subsequently.
12. The Portal will be open for voting from 9.00 a.m. on 25th September, 2018 and closes at 5.00 p.m. on 27th September, 2018.
13. Members of the Company who have purchased their shares after the dispatch of the Notice but before the cut off date (20th September, 2018) may contact M/s. Karvy Computershare Private Limited at Telephone No. 1800 345 4001 (toll free) to obtain login ID and password.
14. 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 Computershare Private Limited at Telephone No. 1800 345 4001 (toll free).



## NOTICE OF MEETING

VST Industries Limited



### 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, 2018

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, 2018.

### Financial Results

	2017-18	2016-17
Revenue from Operations	<b>138244</b>	228137
Profit after Tax	<b>18189</b>	15153
Retained earnings brought forward from previous year	<b>29008</b>	27700
Balance available for Appropriation	<b>47197</b>	42853
Amount transferred to General Reserves	<b>900</b>	835
Dividend paid *	<b>11581</b>	10809
Corporate Dividend Tax thereon	<b>2358</b>	2201
Balance in retained earnings	<b>32358</b>	29008

\* Note :- The financial statement for financial year 2017-18 are prepared under Ind AS (Indian Accounting Standard) for the first time. The financial statement for financial year 2016-17 has been reinstated in accordance with Ind AS for comparative information.

### KEY RATIOS

Earnings Per Share (₹)	117.79	98.13
Dividend Per Share (₹)	75.00	70.00

- **Value creation during the decade has been Compounded Annual Growth Rate (CAGR), 11.4% in Earnings Per Share (EPS) and 14.1% in Dividend Per Share (DPS).**

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.

### INDUSTRY STRUCTURE & DEVELOPMENT

2017-18 was a landmark year as the much anticipated Goods and Services Tax (GST) came into effect in July 2017. GST brought in an uniform tax rate subsuming various central and state level taxes and duties (including VAT).

For the cigarette industry, GST implementation was the second tax increase in 2017-18 following the excise revision announced in the Union Budget in February. It continued the trend of year-on-year tax hikes. Cigarettes were placed in the highest tax slab and compensatory cess was also introduced. Subsequent price hikes affected overall legal industry volumes and provided further impetus to non-duty paid cigarettes.

Regulatory pressures encompassing 85% pictorial warning on front and back panels of packs, selling restrictions in Kerala and Tamil Nadu and ban on sale of loose sticks in Uttar Pradesh, Maharashtra, Uttarakhand, etc. continue to pose challenges for the industry. FCTC (Framework Convention on Tobacco Control) continues to promote stricter regulations without considering views of major stakeholders.

### DIVIDEND

The Directors are pleased to recommend a dividend of ₹77.50 per equity share of ₹10 each on the paid up equity share capital of the Company, for consideration and approval of Members at the Annual General Meeting (AGM). It is proposed to carry forward an amount of ₹900 lakhs to General Reserve.

Pursuant to Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, top five hundred listed entities, based on market capitalization, are required to formulate a Dividend Distribution Policy.

The Board has approved and adopted a Dividend Distribution Policy and the same is disclosed on the Company's website at <http://www.vsthyd.com/i/Dividend-Distribution-Policy.pdf>.

### 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.

### SHARE CAPITAL

The paid up Equity Share Capital as on 31st March, 2018 was ₹1544.19 lakhs. The Company has neither issued





## REPORT OF THE BOARD OF DIRECTORS

### COMPANY PERFORMANCE

Two successive tax increases in 2017-18 and increasing regulatory pressures made the operating environment more challenging.

Your Company's strategy of portfolio expansion through relevant differentiation in the form of new age brands such as Editions and Total has resulted in consolidating its market position. Your Company's heritage trademarks such as Red Special and Red Charms have also delivered a strong performance in key markets.

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

### MARKET SCENARIO

Cigarette volumes of your Company during 2017-18 stood at 7368 mnc compared to 7283 mnc in 2016-17. Your Company has slightly increased its volume base basis performance of key trademarks and increased market presence.

### LEAF TOBACCO

Your Company procured quality tobaccos for own manufacturing and also recorded leaf sales turnover of ₹250 crore in the year 2017-18, leveraging its expertise in all varieties of tobacco. Your Company is continuing domestic sales in addition to exports.

The focus on the development of niche

varieties and high nicotine tobaccos continued in view of the changing requirements of tobacco in the international market with established customers. Besides helping develop backward regions, it has also helped in improving the Company's profitability.

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

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

### PRODUCTION AND PLANT MODERNISATION

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. A state of art plant has been commissioned at Toopran which has received "Gold Rating Green Building" award from CII.

### RESEARCH & DEVELOPMENT ACTIVITY

Your Company continued to focus on R&D activity, by way of developing blends 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, from April 2017 to March 2019.

### HUMAN RESOURCE DEVELOPMENT

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

Development plans have been drawn up for key managers to assume higher responsibilities as well as to enhance their job effectiveness.

As on 31st March, 2018, your Company had a strength of 786 employees, with 335 management staff and 451 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

272 employees and 53 contractors and contract workmen have undergone EHS training and 275 employees and 75 contract workmen have undergone 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 Recertification Audit was held at Azamabad & Toopran premises by M/s. Rina India Private limited in the month of December 2017 and received renewed



## REPORT OF THE BOARD OF DIRECTORS

certificate for ISO 14001:2015 & OHSAS 18001:2007 for both premises in the month of January 2018.

Your Company received "Safety Innovation Award 2017" for Azamabad factory from Institute of Engineers, New Delhi.

Your Company also received "Green Factory Building Certification with Gold rating" for Toopran factory from CII-Indian Green Building Council, Hyderabad.

CFO Renewal Application for Azamabad factory was submitted to TSPCB for the period of 5 years (2018 to 2023) in the month of March 2018.

### FINANCE

#### a. Profits

The Profit after Tax of your Company for the year is ₹ 181.89 crore.

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

#### b. Treasury Operations

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

### PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

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

### RATING

The Credit Rating Information Services India Limited (CRISIL) has re-affirmed the rating of your Company to "FAAA/Stable" for Fixed Deposit Schemes, "AA+/Stable" for Long Term Non-convertible Debentures and

"A1+" for Non-fund based liabilities (Letter of Credit and Bank Guarantee). Your Company has stopped accepting fresh deposits for the past several years.

### UNCLAIMED DIVIDENDS

Pursuant to the provisions of Sections 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, 2010 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, 2017 on the website of the Company ([www.vsthyd.com](http://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, 2018 is given in the Report on Corporate Governance.

The Company has also completed the process of complying with the provisions of Section 124(6) of the Companies Act, 2013 read with the IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 and Amendments thereof by transferring 68,386 shares pertaining to 734 shareholders on 30th November, 2017, whose dividend has been unclaimed for a continuous period of seven years, after following the procedure specified thereunder.

### 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 Securities & Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred as 'Listing Regulations').

The status of unclaimed shares as on 31st March, 2018 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 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 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 four Board Meetings and four Audit Committee Meetings were convened and held. The details



## REPORT OF THE BOARD OF DIRECTORS

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

Internal Auditors were invited to attend the Audit Committee meetings and make presentations covering their 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 as and when required.

### Risk Management

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

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

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

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

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

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

The Company addresses this risk by engaging in continuous social dialogue with stakeholders and regulatory community through industry bodies. At the same time, it works on developing strategies and capabilities to be able to launch competitive and consumer



## REPORT OF THE BOARD OF DIRECTORS

acceptable brands within the changing regulatory environment.

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

The Company's business is subjected to substantial central and state level taxes whereby due to differential increase in excise duties in various segments; change in length of cigarette stick on which excise duty is payable could require the Company to take up product prices and in absence of such action, impact its business. The impact increases when due to change in economic situation, consumers disposal income reduces resulting in down-trading to cheaper cigarettes or alternative tobacco products.

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

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

Regional disturbances through state level restriction on trade or through terrorism and political violence including bandhs, strikes, has the potential to disrupt the Company's business operations. Such disruptions result in potential

loss of assets and increased costs due to more complex supply chain arrangements and/or maintaining inefficient facilities.

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

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

The Company generates positive cash flows which are predominantly invested with financial institutions and mutual funds. Delay 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 social activities like provision of clean water etc.

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

Pursuant to the provisions of Section 135 and Schedule VII of the Companies Act, 2013, the Corporate Social Responsibility (CSR) Committee of the Board of Directors was formed to recommend the policy on Corporate Social Responsibility and monitor its implementation. The CSR policy is available on the Company's website at : [www.vsthyd.com/i/CSRPolicy.pdf](http://www.vsthyd.com/i/CSRPolicy.pdf). Your Company has initially decided to focus on "Sanitation" as a key area.

The Company has with the help of Gramalaya, a non-profit organization constructed toilets in individual homes (of farmers living) in and around Jogulamba-Gadwal and Medak districts of Telangana where your Company has its operations, under the 'Swachh Ghar' programme 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 1,200 toilets have already been constructed during the financial year and your Company





## REPORT OF THE BOARD OF DIRECTORS

has plans to extend it further to other houses in the same area and thereafter extend it to other areas. Your Company has also taken up the identified project of installing more than 300 solar street lights in villages in the above Districts. 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

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

Form AOC-2 for disclosure of particulars of contracts/arrangements, entered into by your Company with related parties is annexed herewith as **"Annexure C"** and forms part of this Report.

### BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013 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.

### REMUNERATION POLICY

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

### MEETING OF INDEPENDENT DIRECTORS

The performance of the Non-Executive Director, the Chairman and the Board as a whole is done by 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](http://www.vsthyd.com/i/WhistleBlowerPolicy.pdf).

### DIRECTORS AND KEY MANAGERIAL PERSONNEL

#### Directors retiring by rotation

#### Mr. Ramakrishna V. Addanki

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

Mr. Ramakrishna V. Addanki, a nominee of Raleigh Investment Company Limited, a British American Tobacco (BAT) group Company, has been appointed as a Director of the Company with effect from 21st April, 2015 and by the Members at their Meeting held on 12th August, 2015 and re-appointed at their Meeting held on 2nd August, 2017.

Mr. Ramakrishna V. Addanki, [48] is a Commerce graduate from Osmania University and an associate member of the Institute of Cost Accountants of India and has over 24 years of experience in the tobacco industry. Having started his career in India, Mr. Addanki for the past 19 years has been with British American Tobacco Group in different countries with experiences in finance and general management. Mr. Addanki is currently the Area Director – South Central Europe based in Romania, covering 10 markets including Romania, Bulgaria and Former Yugoslavia. Prior to this he was the General Manager for the Group's Adria cluster headquartered in





## REPORT OF THE BOARD OF DIRECTORS

Croatia, covering markets of Bosnia, Herzegovina and Slovenia. Before this assignment, he was the Finance Director for Group's subsidiary in Turkey and before that was the CEO of the Group's business in the Czech Republic and was responsible for the Czech Cluster as a whole. He specializes in finance and general management functions.

He is not a Member of any Committee of the Board and is not a Director of any other Company in India.

Mr. Addanki does not hold any shares in the Company and is not related to any other Director of the Company.

### Directors' Retirement/ Resignation/Appointments

#### Mr. Raymond S. Noronha

Mr. Raymond S. Noronha resigned as Director and Chairman of your Company to be effective from the close of business hours on 12th April, 2018. The Board of Directors place on record their deep appreciation of the outstanding contribution made to your Company by Mr. Raymond S. Noronha.

#### Mr. N. Sai Sankar

Mr. N. Sai Sankar retired as Managing Director of your Company with effect from the close of business hours on 27th November, 2017. The Board of Directors place on record their deep appreciation of the contribution made to your Company by Mr. N. Sai Sankar.

#### Mr. Devraj Lahiri

The Board of Directors of your Company ("the Board") at its Meeting held on 20th April, 2016 on the recommendation of Nomination & Remuneration Committee appointed Mr. Devraj Lahiri as Deputy Managing Director of the Company, with effect

from 1st July, 2016 to 27th November, 2017 (both days inclusive) and was approved by the Members at the Annual General Meeting held on 11th August, 2016. At the Meeting of the Board of Directors held on 31st October, 2017 on the recommendation of the Nomination & Remuneration Committee, Mr. Devraj Lahiri was appointed as Managing Director of the Company subject to the approval of the Members. He shall also be a Key Managerial personnel under Section 203 of the Companies Act, 2013.

Mr. Devraj Lahiri, [45] is a Commerce Graduate from St. Xavier's College, Kolkata and Masters in Business Administration from Indian Institute of Social Welfare and 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 Wholetime Director of the Company with effect from 1st August, 2011. He is a Member of the Corporate Social Responsibility Committee, Committee of Directors and Stakeholders Relationship Committee of the Company and is also a director on the board of The Tobacco Institute of India. 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.

A suitable Resolution is being put up for your approval.

#### Mr. Pradeep V. Bhide

The Board of Directors of your Company at its Meeting held on 12th April, 2018 on the recommendation of

the Nomination & Remuneration Committee appointed Mr. Pradeep V. Bhide as an Additional Director of the Company with effect from 12th April, 2018.

Mr. Pradeep Bhide, [68] is a former Senior IAS Official and former Secretary in the Ministry of Finance. He spent 27 years in the Indian Government/Administrative Service, and has worked both at National and State levels.

Mr. Bhide was Secretary of the Department of Revenue, Ministry of Finance from 2007-2010. He has also held other senior roles in the Ministry, including Joint Secretary and subsequently Secretary, Department of Disinvestment and Deputy Secretary, Department of Economic Affairs. In addition, he has also served as Special Secretary, Ministry of Home Affairs, and as Advisor to India's Executive Director to the International Board for Reconstruction and Development in Washington D.C.

Mr. Bhide was Managing Director of the Apex Cooperative Marketing Society for Handloom (APCO) from 1981-1983, and was Managing Director for listed fertiliser manufacturer Godavari Fertilisers from 1997-2002. Since retiring from Government service in 2010, Mr. Bhide has been active in the private sector, serving in a number of Non-Executive roles, primarily in Indian listed companies and subsidiaries of multinational companies across a variety of industries. Mr. Bhide is Chairman of the Hyderabad-based, privately-owned venture capital group APIDC Venture Capital Ltd. He presently is a Director for Heidelberg Cements (India) Ltd., GlaxoSmithKline (India) Pharmaceuticals Ltd., NOCIL Ltd., Tube Investments India Ltd., L&T Finance Holdings Ltd., L&T Finance



## REPORT OF THE BOARD OF DIRECTORS

Ltd., BILT Paper B.V. and, in addition, he has served as Advisor on the India Advisory Board for Joshi Technologies International Inc., Deutsche Telekom and Citibank (India). Mr. Bhide obtained his B.Sc. in Chemistry (Hons.) in 1970 and his LL.B in 1973, both from Delhi University. He later obtained his M.B.A. with specialisation in Financial Management from Indira Gandhi National Open University in 2002.

Mr. Bhide does not hold any shares in the Company and is not related to any other Director of the Company.

A suitable Resolution is being put up for your approval.

### Independent Directors

At the Annual General Meeting held on 12th August, 2014, the Members of your Company appointed Ms. Mubeen Rafat and Mr. S. Thirumalai as Independent Directors under the Companies Act, 2013 for a period of five years with effect from 12th August, 2014 and 1st October, 2014 respectively.

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

### 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, 2018 and of the statement of profit and loss and cash flow of your Company for the period ended 31st March, 2018;
3. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
4. the annual accounts have been prepared on a going concern basis.
5. proper internal financial controls have been laid down to be followed by your Company and such internal financial controls are adequate and were operating effectively; and
6. proper systems to ensure compliance with the provisions of all applicable laws have been

devised, and such systems were adequate and operating effectively.

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

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. Income Tax

#### Financial Services Business

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

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

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

Further in connection with its divestment from the Foods Business in the financial year 1999-00, your Company had incurred a total loss of ₹53.68 crore, of which ₹44.18 crore was claimed as a loss under the head "Income from Business" and ₹9.50 crore was claimed as a capital loss under the provisions



## REPORT OF THE BOARD OF DIRECTORS

of the Income Tax Act. The Income Tax Department has disallowed the entire amount excepting ₹5.70 crore which was allowed as a capital loss. The Commissioner of Income Tax (Appeals) further allowed ₹11.24 crore out of the balance amount of ₹47.98 crore, on appeal before him and the same was upheld by the Income Tax Appellate Tribunal. Your Company has preferred an appeal against the above order before the then Hon'ble High Court of Andhra Pradesh.

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

### ii. Luxury Tax

The Hon'ble Supreme Court by its judgement dated 20th January, 2005 set aside levy of luxury tax on tobaccoconists by various states. The Court had also directed the Companies to pay back to the state any amount of luxury tax recovered from the customers after obtaining stay orders from the Court. The Department has alleged that your Company has failed to pay an amount of ₹34.86 crore being the luxury tax collected from customers by your Company after passing of the interim order dated 1st June, 1999, to the then undivided State Government of Andhra Pradesh which is in violation of the said judgement dated 20th January, 2005 and filed the contempt petition against the then Managing Director of your Company. The contempt charges were dismissed by the Hon'ble Supreme Court in March, 2010.

The State decided to continue with the legal proceedings for recovery of luxury

tax from your Company by substituting the Company's Managing Director with your Company as the Respondent. The Supreme Court appointed an independent Auditor to examine and verify the accounts of your Company for the period 1st April, 1999 to 20th January, 2005 and submit their report as to whether any sum was collected by your Company towards luxury tax during the operation of the Stay Order dated 1st April, 1999. The Auditor forwarded its report to the Supreme Court endorsing your Company's stand. The Supreme Court, after examining the report of the Auditor, disposed off the petition with an observation that no contempt lies against your Company. However, the State Government has been given an opportunity to issue a show cause notice to your Company for refund of the luxury tax collected after obtaining interim order from the Supreme Court. Show cause notice should be backed and supported by the evidence the department wishes to rely upon in support of its case and is subject to contest by the parties as per Law.

The Commercial Tax Department has issued a show cause notice and reply to the same has been filed by your Company. The matter was adjudicated on 11th March, 2017 and an Assessment Order, A.O.No.4208 RC No.LT/SEC/01/1/1001/1996-97 dated 13th February, 2017 was passed by the department confirming the demand. Against the same, a Writ Petition in WP No. 8240 of 2017 was filed by your Company in the High Court of Judicature at Hyderabad praying to issue a writ of certiorari quashing the above mentioned Assessment Order. The matter came up for admission on 9th March, 2017

before the Hon'ble High Court of Telangana & Andhra Pradesh. The Hon'ble High Court was pleased to admit the Writ but at the same time remanded the matter to be adjudicated by the Appellate Authority as factual information was also involved and directed the Petitioners to file the appeal within two weeks from the date of receipt of the Order. Your Company approached the Hon'ble Supreme Court and had withdrawn the SLP and filed an appeal with a delay of one day before the Appellate Authority. The said Appellate Authority had issued a show cause notice to your Company asking why the delay of one day in filing the appeal should be condoned and against which your Company has approached the Hon'ble High Court of Telangana & Andhra Pradesh for condonation of delay of one day. The matter is pending before the said High Court.

### iii. Entry Tax

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

The Hon'ble Supreme Court in the batch of cases headed by Jai Prakash



## REPORT OF THE BOARD OF DIRECTORS

Associates Vs the State of MP has referred a number of vital questions on levy of entry tax, to the Constitutional Bench in terms of Article 145(3) of the Constitution.

The Hon'ble Supreme Court constituted a 9 Judges Bench and heard the matter and vide its Judgment dated 11th November, 2016 held that relevant State Entry Tax matters are not violative on compensatory grounds but if the Act is found to be discriminatory, then it is violative of Article 304(a) of the Constitution. Certain tests have been laid out in the aforesaid judgement, namely, discrimination and local area applicability to ascertain whether the respective state acts are unconstitutional or not and remanded the matter to be heard by the Regular Bench of the Supreme Court. Your Company believes, based on legal advice, that it has defensible grounds on merits and intends to file necessary petitions if required before the regular bench of the Supreme Court or the respective State High Courts and contest the matter on the grounds of discrimination and local area.

The Single Bench of Hon'ble High Court of Calcutta struck down the levy of entry tax imposed by the State Government of West Bengal in the case of Bharti Airtel and others and aggrieved by the same, the State Government has preferred an appeal before the Division Bench. On identical grounds, the Single Bench of Hon'ble High Court of Calcutta allowed the Writ Petition in favour of your Company with a direction to file implead petition and an early hearing petition before the division bench.

Your Company, as directed, has filed an implead petition and an early

hearing application which is pending before the Division Bench of High Court of Calcutta. Subsequently the State of West Bengal amended the Entry Tax Act to give retrospective effect of levy on locally manufactured goods in order to avoid discrimination of local and outside manufacturers. There was also an amendment to the State Finance Act and effect of the same being that all Entry Tax matters to be heard by the Tribunal. Hence your Company intends to file an application before the Tribunal to contest the West Bengal Entry tax matter.

Your Company has filed fresh petitions before the Allahabad and Ranchi High Courts to contest the entry tax matter pertaining to Uttar Pradesh and Jharkhand and also filed amendment petitions before the High Court of Patna and Guwahati to contest the matters pertaining to Bihar and Assam Entry Tax.

### **iv. Excise**

#### **a. Wrapping Materials**

The Excise department claimed a sum of ₹3.62 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 March 2002. The Customs, Excise and Service Tax Appellate Tribunal (CESTAT), Bangalore had allowed your Company's appeal against the said demand and set aside the demand of the Excise Department. An appeal against the said Order was filed by the Excise Department and the Hon'ble Supreme Court was pleased to allow the appeal by way of remand to CESTAT to decide the matter afresh and pass an order on merits. The Hon'ble

CESTAT heard the matter and allowed the appeal in favour of your Company. Against the CESTAT's order, the department filed an appeal before the Supreme Court and when the matter came up for admission, the Hon'ble Supreme Court tagged your Company matter to be heard along with another identical matter pending before it.

#### **b. Cigarette manufacture in North Eastern states**

The Excise Department had demanded a sum of ₹31.20 crore along with interest of ₹12.69 crore from the Company's former contract manufacturers consequent upon the judgement of the Hon'ble Supreme Court upholding the withdrawal of exemptions granted in the North Eastern states. Thereafter, a total sum of ₹39.06 crore was paid to the Department. A Division Bench of the Gauhati High Court confirmed the judgement of the single judge and held that interest was also payable for the period 1st August, 2003 to 7th February, 2006 on the principal amount already repaid. Appeals have been filed in the Supreme Court against the said judgements of the Gauhati High Court which were admitted but no stay of the said judgements was granted.

#### **c. Tobacco Refuse**

Your Company has been receiving periodical show cause notices demanding recovery of duty on cut tobacco used in the manufacture of tobacco refuse together with interest and penalty thereon from January 2005 to October 2013, amounting to ₹15.92 crore. All the pending appeals before CESTAT in this matter until October 2013 were allowed in favour of your Company. Against the said





## REPORT OF THE BOARD OF DIRECTORS

orders, the department preferred an appeal before the Hon'ble Supreme Court on which hearing is pending. Show cause notices for subsequent period have been received and same are pending before original authority.

### d. Service Tax

Your Company has received show cause notices from the Excise Department seeking to deny CENVAT credit availed on service tax paid by various service providers on the ground that the same are not in relation to the manufacture of final products. Upon adjudication, credit on most of the services were allowed in favour of your Company, however some of them are contested by the department before CESTAT. Cross appeal has been filed by your Company before CESTAT. One of the appeals filed by your Company for the period April 2008 was heard and allowed by CESTAT by way of remand to the original authority to be decided in light of earlier judicial pronouncements.

### 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 of 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 ban on sale of cigarettes and before High Court of Madhya Pradesh, Indore Bench seeking directions to mention tar and nicotine content on cigarette packs by the manufacturers and a PIL before the High Court of Mumbai seeking directions that the Insurance

Companies shall not invest in the cigarette companies.

### INTELLECTUAL PROPERTY

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

### 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





## REPORT OF THE BOARD OF DIRECTORS

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. A new set of pictorial warnings were notified to come into force with effect from 1st April, 2013. In October, 2014 the Government notified a new set of 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. Some Tobacco manufacturers have challenged various provisions of COTPA and Rules made thereunder in

different high courts across the country. The Union Government filed transfer petitions in the Hon'ble Supreme Court seeking to transfer 31 pending writ petitions from various high courts to the Hon'ble Supreme Court. All the transfer petitions were allowed and the writ petitions have thus been moved to the Hon'ble Supreme Court, for final adjudication.

iii. Your Company had also filed a writ petition before the then Hon'ble High Court of Andhra Pradesh challenging The Cigarettes and Other Tobacco Products (Packaging & Labelling) Rules, 2006 and the Amendment Rules 2008, on the grounds inter alia that they are ultra vires of COTPA and therefore the notifications issued there under (including those seeking implementation of graphic health warnings) should be quashed. The said writ petition has been admitted but no interim orders were passed by the Hon'ble Court.

iv. The Government of India, Ministry of Health and Family Welfare on 13th January, 2015 as part of pre-legislative consultation invited views and comments from the stakeholders and the public on the proposed Cigarettes and Other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Amendment Bill, 2015 which proposes further restrictions on the industry and more stringent penalty provisions. Your Company as a stakeholder has expressed objections to the said amendment bill.

v. 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 to come 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. The matter is scheduled for hearing shortly.

### **REAL ESTATE**

The Government of Andhra Pradesh had filed a land grabbing case against your Company in 1991 in relation to a piece and parcel of vacant land which has been under possession and occupation by your Company for over 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



## REPORT OF THE BOARD OF DIRECTORS

before 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 Telangana and 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 Government of Telangana filed an appeal before the Hon'ble High Court of Telangana and Andhra Pradesh seeking a direction from the court that the nature of the land should not be altered and no third party interest to be created. Your Company filed a counter and a vacate stay application. Order was pronounced on the vacate stay petition allowing your Company to continue to carry on construction activities, subject to the Writ Petition and not to create any third party rights.

### PARTICULARS OF EMPLOYEES

The information required pursuant to Section 197 of the Companies Act, 2013 read with Rule 5(1) of the

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

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

Your Directors take this opportunity to record their deep appreciation of the continuous support and contribution from all employees of your Company.

### EXTRACT OF 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 E"** and forms part of this report.

## AUDITORS

### Statutory Auditors

M/s. B S R & Associates LLP, Chartered Accountants, were recommended for appointment as the Statutory Auditors of the Company to hold office from the conclusion of the 85th AGM to the conclusion of the 90th AGM. In terms of the first proviso to Section 139 of the Companies Act, 2013, the Auditors' appointment has to be ratified at every AGM. Accordingly, the appointment of M/s. B S R & Associates LLP, Chartered Accountants, Firm's Registration Number:116231W/W-100024 as the statutory auditors of the Company, is placed for ratification by the Members. The Company has received a certificate from M/s. B S R & Associates, LLP to the effect that they are not disqualified from continuing to act as Auditors and would be in accordance with the provisions of Section 139 and 141 of the Companies Act, 2013 and Companies (Audit and Audit Rules), 2014. The Report given by the Auditors on the financial statements of the Company is part of the Annual Report. There has been no qualification, reservation or adverse remark or disclaimer in their Report. During the year under review, the Auditors had 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 Whole-time



## REPORT OF THE BOARD OF DIRECTORS

Practice, as Secretarial Auditor of the Company for the financial year 2017-18. The Secretarial Audit Report is annexed herewith as **"Annexure F"** and forms part of this Annual Report.

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

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

Information in accordance with clause (m) of sub-section (3) of Section 134 of the Companies Act, 2013 read with Rule 8 of Companies (Accounts) Rules, 2014 is given in the **"Annexure G"** forming part of this Report.

### **DEPOSITS**

Your Company has stopped accepting fresh deposits for several years now. As on 31st March, 2018, your Company does not have any deposits for the purpose of its business.

### **THE FUTURE**

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

### **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,

RAYMOND S. NORONHA  
Chairman  
DIN : 00012620

Dated this 12th day of April, 2018  
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, 2018.

### 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

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

### 2. BOARD OF DIRECTORS

#### (a) Composition and category of Directors

Name of the Director	Category	No. of outside directorships held *	No. of memberships/chairmanships of board committees of other Companies #
Mr. Raymond S. Noronha	Chairman - Non-Executive Director	Nil	Nil
Mr. N. Sai Sankar <sup>1</sup>	Managing Director	1	Nil
Mr. Devraj Lahiri <sup>2</sup>	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 <sup>3</sup>	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, 2018.

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

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

<sup>1</sup> Retired as Managing Director w.e.f. close of business hours on 27th November, 2017.

<sup>2</sup> Appointed as Managing Director w.e.f. 28th November, 2017.

<sup>3</sup> Representing equity interest of promoter group – British American Tobacco, U.K.

**(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 18, 2017	August 02, 2017	October 31, 2017	January 19, 2018	
Mr. Raymond S. Noronha	4	Yes	Yes	Yes	Yes	Yes
Mr. N. Sai Sankar <sup>1</sup>	4	Yes	Yes	Yes	---	Yes
Mr. Devraj Lahiri <sup>2</sup>	4	Yes	Yes	Yes	Yes	Yes
Mr. S. Thirumalai	4	Yes	Yes	Yes	Yes	Yes
Ms. Mubeen Rafat	4	Yes	Yes	Yes	Yes	Yes
Mr. Ramakrishna V. Addanki <sup>3</sup>	4	Leave of Absence	Yes	Yes	Yes	Yes

<sup>1</sup> Retired as Managing Director w.e.f. close of business hours on 27th November, 2017.

<sup>2</sup> Appointed as Managing Director w.e.f. 28th November, 2017.

<sup>3</sup> 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.

**(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.

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.

**Independent Directors' Meeting**

During the year, the Independent Directors met on 15th April, 2017 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) of the Companies Act, 2013. During the said Meeting, the Independent Directors reviewed the performance of Non-Executive Directors, 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)).

## **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;
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;



## REPORT ON CORPORATE GOVERNANCE

VST Industries Limited

13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
14. Discussion with internal auditors of any significant findings and follow up thereon;
15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud of irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
18. To review the functioning of the Whistle Blower mechanism;
19. Approval of appointment of CFO (i.e. the 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:
  - 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 15, 2017	August 01, 2017	October 30, 2017	January 18, 2018
Mr. S. Thirumalai	Independent Non-Executive Director [Chairman]	Yes	Yes	Yes	Yes
Mr. Raymond S. Noronha	Non-Executive Director	Yes	Yes	Yes	Yes
Ms. Mubeen Rafat	Independent Non-Executive Director	Yes	Yes	Yes	Yes

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



## 4. NOMINATION AND REMUNERATION COMMITTEE

### (a) Terms of Reference

Pursuant to Section 178 of Companies Act, 2013 read with Regulation 19 of the Listing Regulations, the terms of reference are as under:

- Identify persons who are qualified to become Directors in accordance with the criteria laid down;
- Lay down the criteria for appointment at senior management level;
- Recommend to the Board, appointment and removal of Directors;
- To vet and approve recommendations from the Executive Directors for the appointment and succession of senior managers;
- Formulate a criteria for evaluation of every Director's performance;
- Formulate criteria for determining qualifications, positive attributes and independence of a Director;
- Recommend to the Board a policy relating to remuneration for Directors, Key Managerial Personnel & other employees;
- Assess, approve or recommend the training and development requirements of Directors and senior management as recommended by the Executive Directors;
- 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 15, 2017	August 01, 2017	October 30, 2017	January 18, 2018
Mr. S. Thirumalai	Independent Non-Executive Director [Chairman]	Yes	Yes	Yes	Yes
Mr. Raymond S. Noronha	Non-Executive Director	Yes	Yes	Yes	Yes
Ms. Mubeen Rafat	Independent Non-Executive Director	Yes	Yes	Yes	Yes

The Company Secretary acts as Secretary to the Committee.

### (c) Remuneration Policy

#### Purpose

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

#### Scope

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

#### Compensation Philosophy

The Company's compensation philosophy is driven by:



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

For determining the market/industry positioning, FMCG, manufacturing and other sector companies form the basket of comparators with primary focus on FMCG sector. The list of the comparators and the positioning of the remuneration structure is reviewed periodically in tune with the requirement of the Company. Employee compensation positioning is determined by his/her performance as assessed on the basis of the applicable performance management system, as in vogue from time to time.

### Policy Definition

Remuneration policy of the Company has been designed to attract, retain and motivate the employees and Directors of the quality required to run the Company successfully. The remuneration is directly linked to the individual performance and is measurable on specified benchmarks as set by the Company.

The remuneration is an optimum mix of fixed and variable pay and comprises of the components as mentioned under:

- a. Fixed components: Comprising of (i) Basic salary; (ii) Fixed allowances & perquisites; (iii) Retiral benefits.
- b. Variable components: Comprising of performance linked bonus, paid annually. Individual compensation fixation is as under:

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

The variable component of the salary goes up to 35% of the total cost to the Company for senior management. The variable component for the executive directors is subject to statutory provisions and approval of the Members. The Company's performance management system differentiates the executives under four categories and they are accordingly rated based on the agreed key result areas. The reward is linked to the performance rating.

Exemplary performance during the performance period is recognised by a onetime award which can be in cash or kind. The review of the compensation structure in line with the market is done periodically as may be required but at least once in three years. All other perquisites and benefits is reviewed at least once in three years.

### Remuneration of Non-Executive Directors

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

### Criteria for selection and appointment of Directors

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

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

The qualification of the candidate is 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



## REPORT ON CORPORATE GOVERNANCE

VST Industries Limited

and the positive attributes such as leadership quality, level of maturity, management capabilities, strategic vision, past records of misconduct, 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.

### Criteria for performance evaluation

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

Performance of the Directors was evaluated on broad criteria such as contribution 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 based on their performance vis-à-vis Code for Independent Directors under Schedule IV of the Companies Act, 2013. A structured format for evaluation of the Directors on the above parameters has been prepared for the purpose. Director being evaluated does not participate in the evaluation process.

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

The overall outcome from the evaluation was that the Board and its individual 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, 2018

Name	Position	Salary ₹	Allowances, benefits and contributions to Provident/Pension and Other Funds ₹	Performance Linked Bonus ₹	Commission ₹	Sitting Fees ₹	Total ₹
Mr. R.S. Noronha	Chairman - Non-Executive Director	-	-	-	60,00,000	4,75,000	64,75,000
Mr. N. Sai Sankar <sup>1</sup>	Managing Director	91,06,401	1,12,95,153	1,36,59,602	-	-	3,40,61,156
Mr. Devraj Lahiri <sup>2</sup>	Managing Director	51,77,548	61,34,650	66,91,283	-	-	1,80,03,481
Mr. S. Thirumalai	Independent Non- Executive Director	-	-	-	30,00,000	4,75,000	34,75,000
Ms. Mubeen Rafat	Independent Non- Executive Director	-	-	-	25,00,000	4,75,000	29,75,000
Mr. Ramakrishna V. Addanki	Non-Executive Director	-	-	-	-	@	-





## REPORT ON CORPORATE GOVERNANCE

VST Industries Limited

@ Waived entitlement to sitting fees.

<sup>1</sup> Retired as Managing Director w.e.f. close of business hours on 27th November, 2017

<sup>2</sup> Appointed as Managing Director w.e.f. 28th November, 2017

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 :

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

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.

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

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

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

Members of the Company have approved payment of commission not exceeding one percent of the net profits to the Non-Executive Directors of the Company for each of the five financial years commencing from 1st April, 2013. Commission paid to Non-Executive Directors is determined based on their performance evaluation and on the basis of their Memberships in various committees of the Board.



## REPORT ON CORPORATE GOVERNANCE

VST Industries Limited

### 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 15, 2017	August 01, 2017	October 30, 2017	January 18, 2018
Ms. Mubeen Rafat	Independent Non-Executive Director (Chairperson)	Yes	Yes	Yes	Yes
Mr. S. Thirumalai	Independent Non-Executive Director	Yes	Yes	Yes	Yes
Mr. Raymond S. Noronha	Non-Executive Director	Yes	Yes	Yes	Yes
Mr. N. Sai Sankar <sup>1</sup>	Managing Director	Yes	Yes	Yes	-
Mr. Devraj Lahiri <sup>2</sup>	Managing Director	Yes	Yes	Yes	Yes

<sup>1</sup> Retired as Managing Director w.e.f. close of business hours on 27th November, 2017

<sup>2</sup> Appointed as Managing Director w.e.f. 28th November, 2017

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, 2018**

Nature of complaints / queries	Received	Attended	Pending
Non-receipt of annual reports	19	19	Nil
Non-receipt of dividend warrants	47	47	Nil
Non-receipt of share certificates	6	6	Nil
Letters from stock exchanges / SEBI	2	2	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;



## REPORT ON CORPORATE GOVERNANCE

VST Industries Limited

- To determine the location where CSR activities shall be undertaken;
- To monitor the progress of the projects/activities from time to time;
- To nominate employees who shall be responsible for implementation, execution and monitoring of CSR activities;
- To hire services of external service providers, Non-Governmental Organisations (NGOs), volunteers, professionals, consultants, 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 Meeting held on
		April 15, 2017
Ms. Mubeen Rafat	Independent Non-Executive Director [Chairperson]	Yes
Mr. S. Thirumalai	Independent Non-Executive Director	Yes
Mr. Raymond S. Noronha	Non-Executive Director	Yes
Mr. N. Sai Sankar <sup>1</sup>	Managing Director	Yes
Mr. Devraj Lahiri <sup>2</sup>	Managing Director	Yes

<sup>1</sup> Retired as Managing Director w.e.f. close of business hours on 27th November, 2017

<sup>2</sup> Appointed as Managing Director w.e.f. 28th November, 2017

The Company Secretary acts as the Secretary to the Committee.

In addition, the Company has also constituted a Committee of Directors comprising of Mr. Raymond S. Noronha, Mr. Devraj Lahiri, Ms. Mubeen Rafat, Mr. N. Sai Sankar (Retired w.e.f. close of business hours on 27th November, 2017) and Mr. S. Thirumalai to authorize for banking transactions.

## 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 is currently not required to constitute a separate Risk Management Committee in terms of SEBI Circular No. CIR/CFD/POLICY CELL/2/2014 dated 17th April, 2014 read with Regulation 21 of the Listing Regulations.

## 9. GENERAL BODY MEETINGS

(i)	Year	Venue	Date	Time
	2016-17	Hotel Taj Krishna, Banjara Hills, Hyderabad	02.8.2017	9.30 a.m.
	2015-16	Hotel Taj Krishna, Banjara Hills, Hyderabad	11.8.2016	10.30 a.m.
	2014-15	Hotel Taj Krishna, Banjara Hills, Hyderabad	12.8.2015	9.30 a.m.

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

### Annual General Meeting held on 2nd August, 2017

- No Special Resolutions were passed



## REPORT ON CORPORATE GOVERNANCE

VST Industries Limited

### Annual General Meeting held on 11th August, 2016

- No Special Resolutions were passed

### Annual General Meeting held on 12th August, 2015

- To maintain Register of Members, Index of Members, Annual Returns and other related books at the new office of the Registrar & Transfer Agent – M/s. Karvy Computershare Private Limited, due to change of their address.

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

## 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](http://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 September, 2018 at 09.30 a.m. at Grand Ball Room, Hotel Taj Krishna, Road No. 1, Banjara Hills, Hyderabad – 500 034, Telangana.

**Financial year :** 1st April, 2017 to 31st March, 2018

### Financial Calendar 2018-19 [Tentative]

First quarter results	August, 2018
Second quarter and half yearly results	November, 2018
Third quarter results	January, 2019
Annual results	April, 2019

**Dates of Book Closure :** 21st September, 2018 to 28th September, 2018 [both days inclusive]

**Dividend Payment Date :** Within 30 days from the date of the AGM

### Listing on Stock Exchanges with Stock Code:

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

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



## REPORT ON CORPORATE GOVERNANCE

VST Industries Limited

### Market Price Data: High/Low during each month in the last financial year (2017-18)

₹

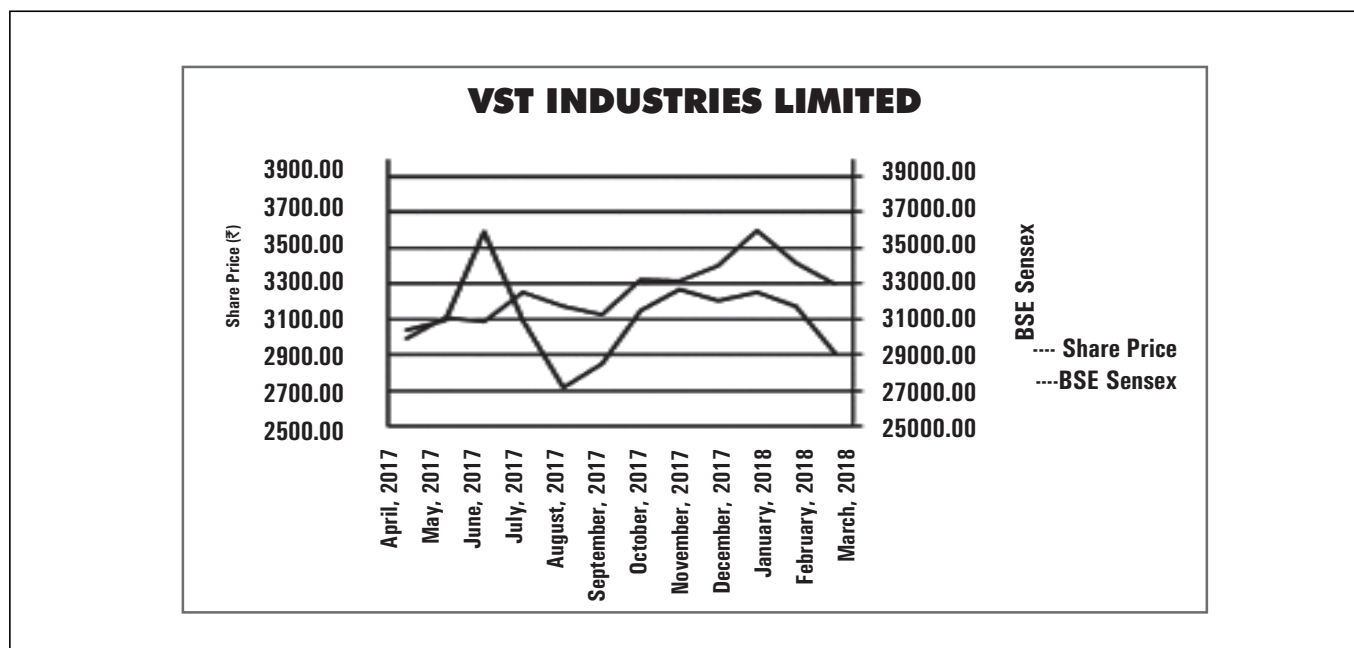
Period	<sup>1</sup> BSE		<sup>2</sup> NSE	
	High	Low	High	Low
April, 2017	3216.45	2838.00	3239.00	2810.25
May, 2017	3170.45	2950.00	3190.00	2950.20
June, 2017	3664.00	3067.50	3650.00	3070.75
July, 2017	3774.00	3081.65	3875.00	3081.75
August, 2017	3096.65	2610.00	3145.00	2591.00
September, 2017	2889.95	2641.00	2899.90	2655.00
October, 2017	3219.95	2795.00	3210.00	2800.45
November, 2017	3528.00	3235.65	3555.00	3238.00
December, 2017	3368.95	3100.00	3368.35	3080.00
January, 2018	3349.90	2981.05	3399.00	2975.30
February, 2018	3442.00	3122.00	3400.00	3116.05
March, 2018	3241.95	2711.00	3264.60	2751.05

<sup>1</sup> Source – [www.bseindia.com](http://www.bseindia.com)

<sup>2</sup> Source – [www.nseindia.com](http://www.nseindia.com)

### Performance in comparison with BSE Sensex

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

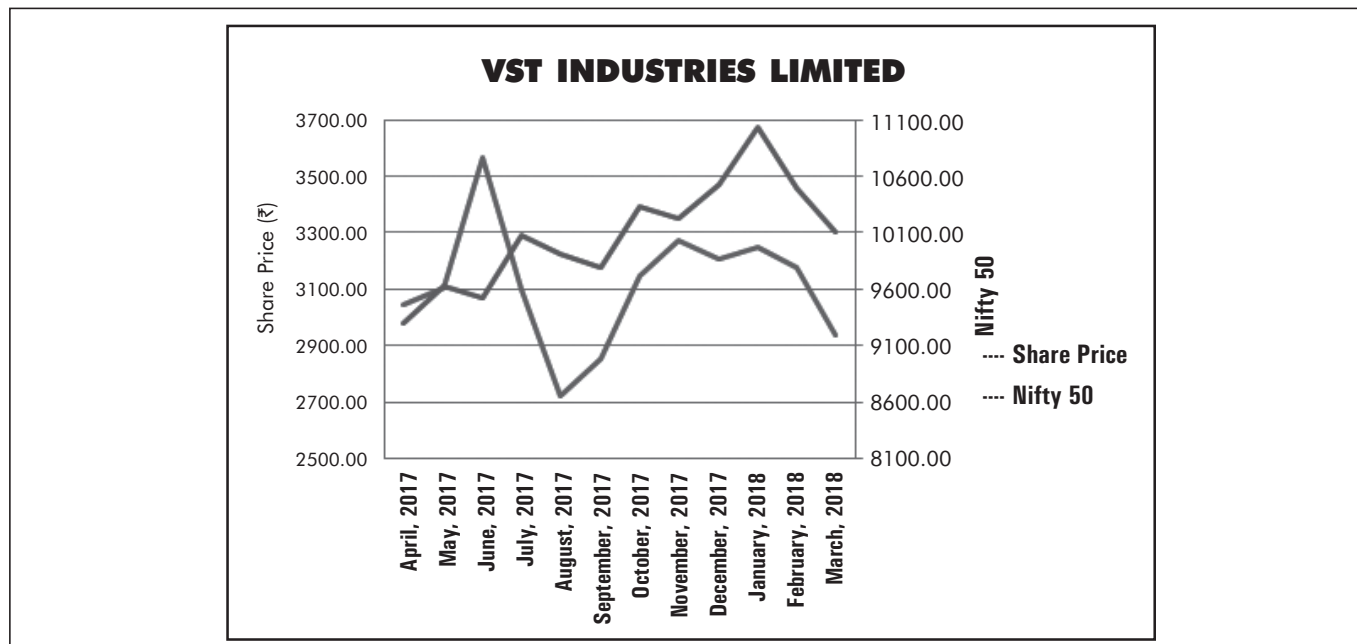






## Performance in comparison with Nifty 50

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



## Registrar and Transfer Agents

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

M/s. Karvy Computershare Private Limited  
Karvy Selenium Tower B, Plot No. 31 & 32,  
Financial District, Nanakramguda, Gachibowli,  
Hyderabad - 500 032  
Telangana

Telephone + 91 40 6716 1605 Fax: + 91 40 2342 0814

Email: einward.ris@karvy.com

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

Mr. Sandeep Sanghi – Dy. 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 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, 2018.



## REPORT ON CORPORATE GOVERNANCE

VST Industries Limited

### ***Distribution of shareholding as on 31st March, 2018***

Slab	No. of Shares	%	No. of Shareholders	%
1 - 500	8,85,788	5.74	12,958	94.25
501 - 1000	3,11,475	2.02	436	3.17
1001 - 2000	2,52,407	1.63	181	1.32
2001 - 3000	1,64,203	1.06	67	0.49
3001 - 4000	91,073	0.59	26	0.19
4001 - 5000	49,430	0.32	11	0.08
5001 -10000	1,82,252	1.18	26	0.19
10001 and above	1,35,05,292	87.46	43	0.31
<b>Total</b>	<b>1,54,41,920</b>	<b>100.00</b>	<b>13,748</b>	<b>100.00</b>
Physical Mode	5,66,825	3.67	2,674	19.45
Demat Mode	1,48,75,095	96.33	11,074	80.55

### **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, 2018, 1,48,75,095 equity shares of the Company constituting 96.33% 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 2018-2019 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, 2018***

Category	Number of Shares held	Percentage of Shareholding
Promoters and Associates	49,65,902	32.16
FII's / FPIs	14,67,346	9.50
Insurance Companies	3,13,842	2.03
Mutual Funds	19,86,698	12.87
Nationalised banks and other banks	13,544	0.09
NRI's and OCB's	86,757	0.56
Bodies Corporate	45,68,469	29.58
Indian Public and Others	20,39,362	13.21
<b>TOTAL</b>	<b>1,54,41,920</b>	<b>100.00</b>



### Reconciliation of Share Capital Audit

For each quarter of the financial year 2017-18, 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. 32 to the Financial Statements.

### 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

## 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 Accounting Standards [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](http://www.vsthyd.com/i/VST%20RPT%20Policy1.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, 2018. The details of related party transactions are disclosed in



## REPORT ON CORPORATE GOVERNANCE

VST Industries Limited

Note No. 30 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 Whistleblower Policy is formulated to encourage all employees & Directors of the Company to report any unethical behaviour, actual or suspected fraud or violation of the 'Code of Conduct and Ethics Policy' of the Company. The said policy also has provisions for providing a secure environment to such employees acting in good faith and safeguarding them from any adverse action by the management.

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

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

### 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, 2018.

For VST INDUSTRIES LIMITED

Hyderabad, 12th April, 2018

DEVRAJ LAHIRI  
MANAGING DIRECTOR

### 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

- (a) The Management Discussion and Analysis is part of Directors' Report to the Members and is provided elsewhere in the Annual Report.
- (b) Pursuant to Regulation 26(5) of the Listing Regulations, for the year ended 31st March, 2018 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 web-site. 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 Computershare Private Limited.

### viii) Prohibition of Insider Trading

In compliance with the provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015, the Company has adopted a Policy for prohibition of Insider Trading for Directors and specified employees. The Policy provides for periodic disclosures and pre-clearance for dealing in Company's shares and prohibits such transaction by the Directors and specified employees while in possession of unpublished price sensitive information in relation to the Company and during the period when the Trading Window is closed.

### ix) CEO and CFO Certification

The CEO (Managing Director) and CFO certification for the year ended 31st March, 2018 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.

### x) 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.
- b] The auditors have not qualified the financial statements of the Company.
- c] The Company is having separate post of Chairman and Managing Director. Mr. Raymond S. Noronha as the Chairman of the Company and Mr. Devraj Lahiri as the Managing Director of the Company.
- d] M/s. Deloitte Haskins and Sells LLP, the firm of Chartered Accountants have been the Internal Auditors for the financial year 2017-18, who report directly to the Audit Committee.

Other discretionary requirements are being reviewed for implementation.

## 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.





## REPORT ON CORPORATE GOVERNANCE

VST Industries Limited

### 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 2017-18, unclaimed dividend for the financial year 2009-10 viz., Dividend No.175th amounting to ₹ 55,07,070/- has been transferred to the Investor Education and Protection Fund (IEPF) on 6th September, 2017 and 68,386 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 2009-10 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](http://www.iepf.gov.in).

The dividends for the following years remaining unclaimed for seven 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	Total Amount of Dividend ₹	Unclaimed Dividend as on 31.03.2018 ₹	Due for transfer to IEPF on
2010-2011	176	14.07.2011	69,48,86,400.00	58,14,225.00	18.08.2018
2011-2012	177	12.07.2012	1,00,37,24,800.00	1,06,57,140.00	16.08.2019
2012-2013	178	30.07.2013	96,51,20,000.00	1,27,13,625.00	04.09.2020
2013-2014	179	12.08.2014	1,08,09,34,400.00	1,43,99,490.00	16.09.2021
2014-2015	180	12.08.2015	1,08,09,34,400.00	1,49,88,890.00	16.09.2022
2015-2016	181	11.08.2016	1,08,09,34,400.00	1,49,58,300.00	15.09.2023
2016-2017	182	02.08.2017	1,15,81,44,000.00	1,71,39,825.00	06.09.2024

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 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.



## REPORT ON CORPORATE GOVERNANCE

VST Industries Limited

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](http://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](mailto:info@nsdl.co.in)  
Website: [www.nsdl.co.in](http://www.nsdl.co.in)

#### Central Depository Services (India) Limited

Phiroze Jeejeebhoy Towers  
17th Floor, Dalal Street,  
MUMBAI – 400 001  
Telephone: + 91 22 2272 3333 / 2272 3224  
Fax: + 91 22 2272 3199 / 2272 2072  
e-mail: [investors@cdslindia.com](mailto:investors@cdslindia.com)  
Website: [www.cdslindia.com](http://www.cdslindia.com)

### INVESTOR GRIEVANCES

Your Company has created exclusive Email ID for redressal of investor grievances. The Members can send their queries to the Email ID: [investors@vstind.com](mailto: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 Computershare Private Limited at the address mentioned above or can be downloaded from the Company's website [www.vsthyd.com](http://www.vsthyd.com) under the section Investor Relations.

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

### DETAILS OF UNCLAIMED SHARES

The details of shares remaining in the unclaimed suspense account as required under Regulation 34(3) read with Schedule V[F] of the Listing Regulations are given below:

Particulars	No. of shareholders	No. of shares
Outstanding at the beginning of the year - 1st April, 2017	269	24,452
No. of Members who approached for transfer of shares	0	0
Members to whom shares were transferred - through rematerialisation	0	0
Transferred to IEPF	158	14,404
Outstanding shares lying at the end of the year - 31st March, 2018	111	10,048

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

The voting rights on the shares outstanding in the above suspense account as on March 31, 2018 shall remain frozen till the rightful owner of such shares claims the shares.



### **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 including the cash flow statement for the year ended 31st March, 2018 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, 12th April, 2018



### 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 20 March, 2018.
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, 2017 to 31 March, 2018.

#### 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, 2017 to 31st March, 2018. 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, 2017 to 31st March 2018.
5. We have examined the compliance of the conditions of Corporate Governance by the Company for the period 1 April, 2017 to 31 March, 2018 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 Ind AS 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 to 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

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, 2017 to 31 March, 2018 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

Place : Hyderabad

Date : 12 April, 2018

## 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 Swach 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

VST Industries Limited

### ANNUAL REPORT ON CSR ACTIVITIES

- The CSR Policy is given in Page No. 47-48 The web link to the CSR Policy is [www.vsthyd.com/i/CSRPolicy.pdf](http://www.vsthyd.com/i/CSRPolicy.pdf).
- The Composition of the CSR Committee : Ms.Mubeen Rafat (Chairperson), Mr.Raymond S. Noronha, Mr. S. Thirumalai and Mr.Devraj Lahiri.
- Average net profit of the company for last three financial years : ₹ 23,425 lakhs
- Prescribed CSR Expenditure : Two per cent of the amount mentioned in item 3 above : ₹ 468.50 lakhs
- Details of CSR spent during the financial year:
  - Total amount to be spent for the financial year: ₹ 468.50 lakhs
  - Amount unspent, if any: Nil
  - 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 Programmes (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 and Medak in the State of Telangana	415.05	415.05	415.05	Implementing agency
2	Solar Street Lighting	Environment Sustainability	In districts of Jogulamba – Gadwal, Medak and Adilabad in the State of Telangana	53.45	53.45	53.45	Implementing agency
	TOTAL			468.50	468.50	468.50	

### 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: 06776540

DEVRAJ LAHIRI  
Managing Director  
DIN: 03588071



## ANNEXURE C

### FORM No.AOC-2

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

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

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

On behalf of the Board

RAYMOND S. NORONHA  
Chairman  
DIN: 00012620



## ANNEXURE D

VST Industries Limited

### 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 2017-18	<table> <tr> <td>Mr. Raymond S. Noronha</td><td>9:1</td></tr> <tr> <td>Mr. N. Sai Sankar</td><td>45:1</td></tr> <tr> <td>Mr. S. Thirumalai</td><td>5:1</td></tr> <tr> <td>Ms. Mubeen Rafat</td><td>4:1</td></tr> <tr> <td>Mr. Devraj Lahiri</td><td>24:1</td></tr> <tr> <td>Mr. Ramakrishna V Addanki</td><td>NA</td></tr> </table>	Mr. Raymond S. Noronha	9:1	Mr. N. Sai Sankar	45:1	Mr. S. Thirumalai	5:1	Ms. Mubeen Rafat	4:1	Mr. Devraj Lahiri	24:1	Mr. Ramakrishna V Addanki	NA								
Mr. Raymond S. Noronha	9:1																				
Mr. N. Sai Sankar	45:1																				
Mr. S. Thirumalai	5:1																				
Ms. Mubeen Rafat	4:1																				
Mr. Devraj Lahiri	24:1																				
Mr. Ramakrishna V Addanki	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 2017-18	<table> <tr> <td colspan="2"><b>Directors</b></td></tr> <tr> <td>Mr. Raymond S. Noronha</td><td>19.9%</td></tr> <tr> <td>Mr. S. Thirumalai</td><td>15.3%</td></tr> <tr> <td>Ms. Mubeen Rafat</td><td>23.2%</td></tr> <tr> <td>Mr. Ramakrishna V Addanki</td><td>NA</td></tr> <tr> <td colspan="2"><b>Key Managerial Personnel</b></td></tr> <tr> <td>Mr. N. Sai Sankar #</td><td>NA</td></tr> <tr> <td>Mr. Devraj Lahiri</td><td>19.8%</td></tr> <tr> <td>Mr. Anish Gupta</td><td>13.4%</td></tr> <tr> <td>Mr. Phani K. Mangipudi \$</td><td>NA</td></tr> </table>	<b>Directors</b>		Mr. Raymond S. Noronha	19.9%	Mr. S. Thirumalai	15.3%	Ms. Mubeen Rafat	23.2%	Mr. Ramakrishna V Addanki	NA	<b>Key Managerial Personnel</b>		Mr. N. Sai Sankar #	NA	Mr. Devraj Lahiri	19.8%	Mr. Anish Gupta	13.4%	Mr. Phani K. Mangipudi \$	NA
<b>Directors</b>																					
Mr. Raymond S. Noronha	19.9%																				
Mr. S. Thirumalai	15.3%																				
Ms. Mubeen Rafat	23.2%																				
Mr. Ramakrishna V Addanki	NA																				
<b>Key Managerial Personnel</b>																					
Mr. N. Sai Sankar #	NA																				
Mr. Devraj Lahiri	19.8%																				
Mr. Anish Gupta	13.4%																				
Mr. Phani K. Mangipudi \$	NA																				
iii) The percentage increase in the median remuneration of employees in the financial year 2017-18	8.5%																				
iv) The number of permanent employees on the rolls of Company as on 31st March, 2018	786																				
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 2017-18 was 7.6% in comparison with 7.7% 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 2017-18 is as per the Remuneration Policy of the Company.																				

# Mr. N. Sai Sankar, Managing Director of the Company retired with effect from the closing of the business hours on 27th November, 2017. As the appointment was not for the full financial year, comparative details are not being provided.

\$ Mr. Phani K. Mangipudi, Company Secretary joined the Company on 7th February, 2017. As the appointment was not for the full previous financial year, comparative details are not being provided.



## ANNEXURE E

VST Industries Limited

**FORM NO. MGT-9**  
**EXTRACT OF ANNUAL RETURN**  
**as on the financial year ended on 31st March, 2018**

[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	M/s. Karvy Computershare Private Limited Karvy Selenium Tower B, Plot No.31&32, Financial District, Nanakramguda, Hyderabad – 500 032, Telangana, India Telephone : +91 40 6716 2222 Fax : +91 40 2342 0814 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	81.61%
2.	Unmanufactured Tobacco	46202	18.39%

### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

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



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

### (i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year [As at 1st April, 2017]				No. of Shares held at the end of the year [As at 31st March, 2018]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/HUF	-	-	-	-	-	-	-	-	-
b) Central Government	-	-	-	-	-	-	-	-	-
c) State Government(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corporate	-	-	-	-	-	-	-	-	-
e) Banks/FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
<b>Sub-total (A)(1)</b>	-	-	-	-	-	-	-	-	-
<b>(2) Foreign</b>									
(a) NRIs – Individuals	-	-	-	-	-	-	-	-	-
(b) Other – Individuals	-	-	-	-	-	-	-	-	-
(c) Bodies Corporate	49,65,902	-	49,65,902	32.16	49,65,902	-	49,65,902	32.16	-
(d) Banks/FI	-	-	-	-	-	-	-	-	-
(e) Any other	-	-	-	-	-	-	-	-	-
<b>Sub-total(A)(2)</b>	49,65,902	-	49,65,902	32.16	49,65,902	-	49,65,902	32.16	-
<b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	49,65,902	-	49,65,902	32.16	49,65,902	-	49,65,902	32.16	-
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	18,58,280	280	18,58,560	12.04	19,86,448	250	19,86,698	12.87	0.83
b) Banks/FI	11,643	4,594	16,237	0.11	9,749	4,394	14,143	0.09	-0.02
c) Central Government	-	-	-	-	-	-	-	-	-
d) State Government(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	3,33,669	9,750	3,43,419	2.22	3,04,092	9,750	3,13,842	2.03	-0.19
g) FIs	15,03,522	50	15,03,572	9.74	14,67,296	50	14,67,346	9.50	-0.24
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(1)</b>	37,07,114	14,674	37,21,788	24.10	37,67,585	14,444	37,82,029	24.49	0.39
<b>2. Non-Institutions</b>									
a) Bodies Corporate									
i) Indian	45,78,084	4,167	45,82,251	29.67	45,64,638	3,831	45,68,469	29.58	-0.09
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	12,74,058	4,64,946	17,39,004	11.26	12,81,217	3,85,597	16,66,814	10.79	-0.47
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	1,65,987	42,142	2,08,129	1.35	1,26,868	41,781	1,68,649	1.09	-0.26
c) Others	1,02,447	1,22,399	2,24,846	1.46	1,68,885	1,21,172	2,90,057	1.89	0.43
<b>Sub-Total(B)(2)</b>	61,20,576	6,33,654	67,54,230	43.74	61,41,608	5,52,381	66,93,989	43.35	-0.39
<b>Total Public Shareholding</b>									
<b>(B)=(B)(1)+ (B)(2)</b>	98,27,690	68,48,328	1,04,76,018	67.84	99,09,193	5,66,825	1,04,76,018	67.84	0.00
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	1,47,93,592	6,48,328	1,54,41,920	100.00	1,48,75,095	5,66,825	1,54,41,920	100.00	0.00





## ANNEXURE E

VST Industries Limited

### ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year (As at 1st April, 2017)			Shareholding at the end of the year (As at 31st March, 2018)			% change in share holding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	
1	The Raleigh Investment Company Limited	36,20,420	23.45	-	36,20,420	23.45	-	-
2	Tobacco Manufacturers (India) Limited	12,78,942	8.28	-	12,78,942	8.28	-	-
3	Rothmans International Enterprises Limited	66,540	0.43	-	66,540	0.43	-	-
	TOTAL	49,65,902	32.16	-	49,65,902	32.16	-	-

### iii) Change in Promoters' Shareholding

	Shareholding at the beginning of the year (As at 1st April, 2017)		Cumulative Shareholding during the year 1st April, 2017 to 31st March, 2018	
	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 share holding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/bonus/ sweat equity, etc)	No change			
At the end of the year	49,65,902	32.16	49,65,902	32.16



## ANNEXURE E

VST Industries Limited

### 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, 2017)		Date	Increase/ Decrease in shareholding	Reason	Cumulative Shareholding during the year 1st April, 2017 to 31st March, 2018	
		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	Mathews India Fund	11,85,704	7.68	01.12.2017	-18,529	Transfer	11,67,175	7.56
3	HDFC Trustee Company Limited-A/c HDFC MidCap Opportunites Fund	10,42,700	6.75	-	-	Nil Movement	10,42,700	6.75
4	ICICI Lombard General Insurance Company Limited	3,29,931	2.14	10.11.2017	2,564	Transfer	3,32,495	2.15
				24.11.2017	736	Transfer	3,33,231	2.16
				01.12.2017	8,267	Transfer	3,41,498	2.21
				08.12.2017	-3,000	Transfer	3,38,498	2.19
				15.12.2017	-6,977	Transfer	3,31,521	2.15
				22.12.2017	-6,378	Transfer	3,25,143	2.11
				19.01.2018	-22,108	Transfer	3,03,035	1.96
				26.01.2018	-935	Transfer	3,02,100	1.96
5	HDFC Trustee Company Limited -A/c HDFC Balanced Fund	2,73,706	1.77	-	-	Nil movement	2,73,706	1.77
6	The New India Assurance Company Limited	2,64,702	1.71	28.04.2017	-4,272	Transfer	2,60,430	1.69
				05.05.2017	-500	Transfer	2,59,930	1.68
				19.05.2017	-209	Transfer	2,59,721	1.68
				26.05.2017	-10,000	Transfer	2,49,721	1.62
				09.06.2017	-6,009	Transfer	2,43,712	1.58
				16.06.2017	-991	Transfer	2,42,721	1.57
				23.06.2017	-192	Transfer	2,42,529	1.57
				30.06.2017	-1,689	Transfer	2,40,840	1.56
				07.07.2017	-5,119	Transfer	2,35,721	1.53
7	DSP Blackrock Micro CAP Fund	1,07,438	0.70	28.04.2017	8,302	Transfer	1,15,740	0.75
				05.05.2017	1,891	Transfer	1,17,631	0.76
				12.05.2017	15,778	Transfer	1,33,409	0.86
				26.05.2017	9,967	Transfer	1,43,376	0.93
				02.06.2017	1,010	Transfer	1,44,386	0.94
				09.06.2017	4,604	Transfer	1,48,990	0.96
				16.06.2017	2,670	Transfer	1,51,660	0.98
				23.06.2017	80	Transfer	1,51,740	0.98
				01.09.2017	352	Transfer	1,52,092	0.98
				08.09.2017	1,522	Transfer	1,53,614	0.99
				15.09.2017	5,780	Transfer	1,59,394	1.03
				22.09.2017	619	Transfer	1,60,013	1.04
				29.09.2017	156	Transfer	1,60,169	1.04
				03.11.2017	2,804	Transfer	1,62,973	1.06
				10.11.2017	290	Transfer	1,63,263	1.06
				17.11.2017	5,000	Transfer	1,68,263	1.09
				26.01.2018	2,016	Transfer	1,70,279	1.10
				02.02.2018	8,585	Transfer	1,78,864	1.16
				09.02.2018	2,726	Transfer	1,81,590	1.18



## ANNEXURE E

VST Industries Limited

### 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, 2017)		Date	Increase/ Decrease in shareholding	Reason	Cumulative Shareholding during the year 1st April, 2017 to 31st March, 2018	
		No. of shares	% of total shares of the Company				No. of shares	% of total shares of the Company
8	IDBI Mutual Fund – Equity Advantage Fund – Operative A/C.#	96,448	0.62	14.04.2017 05.05.2017 14.07.2017 25.08.2017 08.09.2017 15.09.2017 29.09.2017 24.11.2017	959 389 -125 416 -70,000 70,000 -1,400 -96,687	Transfer Transfer Transfer Transfer Transfer Transfer Transfer Transfer	97,407 97,796 97,671 98,087 28,087 98,087 96,687 -	0.63 0.63 0.63 0.64 0.18 0.64 0.63 -
9	IDBI Equity Advantage Fund	0	0	24.11.2017 08.12.2017 22.12.2017 29.12.2017 19.01.2018 26.01.2018 09.02.2018 23.02.2018 02.03.2018	96,687 -632 -248 -382 -763 -254 -377 -1,172 -71	Transfer Transfer Transfer Transfer Transfer Transfer Transfer Transfer Transfer	96,687 96,055 95,807 95,425 94,662 94,408 94,031 92,859 92,788	0.63 0.62 0.62 0.62 0.61 0.61 0.61 0.60 0.60
10	TATA Investment Corporation Limited	85,276	0.55	-	-	Nil Movement	85,276	0.55
11	Matthews Asia Funds India Fund	77,773	0.50	05.05.2017 31.10.2017	-5,490 -12,380	Transfer Transfer	72,283 59,903	0.47 0.39

# Ceased to be in the list of Top 10 shareholders as on 31st March, 2018. The same is reflected above since the shareholder was one of the Top 10 shareholders as on 1st April, 2017.

### 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, 2017)		Cumulative Shareholding during the Year 1st April, 2017 to 31st March, 2018	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
DIRECTORS					
1	Mr. Raymond S. Noronha	-	-	-	-
2	Mr. S. Thirumalai	25	0.00	25	0.00
3	Ms. Mubeen Rafat	-	-	-	-
4.	Mr. Ramakrishna V. Addanki	-	-	-	-
KEY MANAGERIAL PERSONNEL					
1	Mr. N. Sai Sankar [Managing Director]	-	-	-	-
2	Mr. Devraj Lahiri [Whole time Director]	-	-	-	-
3	Mr. Anish Gupta [Chief Financial Officer]	-	-	-	-
4	Mr. Phani K. Mangipudi [Company Secretary]	-	-	1	0.00



## ANNEXURE E

VST Industries Limited

### V. INDEBTEDNESS

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

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

### VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Sl No.	Particulars of Remuneration	N.Sai Sankar *	Devraj Lahiri *	Total Amount
		Managing Director	Managing Director	
		₹	₹	
1	Gross salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	3,06,42,731	1,58,99,332	4,65,42,063
	(b) Value of perquisites under Section 17(2) Income Tax Act, 1961	2,31,187	3,80,341	6,11,528
	(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)	31,87,238	17,23,808	49,11,046
	TOTAL (A)	3,40,61,156	1,80,03,481	5,20,64,637
	Ceiling as per the Act (@ 10% of profits calculated under Section 198 of the Companies Act, 2013)			27,67,96,409



## ANNEXURE E

VST Industries Limited

### B. Remuneration to other Directors

Sl No.	Particulars of Remuneration	Name of Directors		Total Amount
		Mr. S. Thirumalai	Ms. Mubeen Rafat	
1.	Independent Directors	₹	₹	₹
	Fee for attending Board/ Committee Meetings	4,75,000	4,75,000	9,50,000
	Commission	30,00,000	25,00,000	55,00,000
	Others	-	-	-
	TOTAL [1]	34,75,000	29,75,000	64,50,000
2.	Others Non-Executive Directors	Mr. Raymond S. Noronha	Mr. Ramakrishna V. Addanki	
		₹	₹	
	Fee for attending Board/Committee Meetings	4,75,000	-	4,75,000
	Commission	60,00,000	-	60,00,000
	Others	-	-	-
	TOTAL [2]	64,75,000	-	64,75,000
	TOTAL [B] = [1+2]	99,50,000	29,75,000	1,29,25,000
	Total managerial remuneration [A+B]			6,49,89,637
	Overall ceiling as per the Act (@ 11% of profits calculated under Section 198 of the Companies Act, 2013)			30,44,76,050

### 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	66,08,116	39,22,332	1,05,30,448
	(b) Value of perquisites under Section 17(2) Income Tax Act, 1961	43,789	21,605	65,394
	(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)	4,72,583	2,11,882	6,84,465
	TOTAL	71,24,488	41,55,819	1,12,80,307



## ANNEXURE E

VST Industries Limited

### 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 F

### SECRETARIAL AUDIT REPORT

For the Financial Year Ended 31 March, 2018

[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 31st March, 2018 ('Audit Period') complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2018 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 (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 (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) Tobacco Board Act, 1975 and Rules made thereunder; and
- b) Cigarette and Other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003 and Rules made thereunder.

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 and standards.

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

Pune, 12 April, 2018



## ANNEXURE G

VST Industries Limited

Information under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 and forming part of the Directors' Report for the year ended 31st March, 2018.

### A. CONSERVATION OF ENERGY

1. 25% energy saved in primary processing plant by using closed loop DRF's, Scrubbers, Compressors, Super Energy efficient motors and with complete plant integration, power line losses reduced from 2.7% to 1.1% by proper design of the power distribution network.
2. 6% overall plant energy consumption reduced in the financial year 2017-18 compared to financial year 2016-17 by continuous tracking of day to day consumption and analysis.
3. Conducted energy conservation awareness program for 328 employees.
4. Reduced the secondary plant power consumption this year by 5% compared to financial year 2016-17 by analyzing the machine wise day to day consumption.

### B. TECHNOLOGY ABSORPTION

- (i) Efforts made towards technology absorption
  - a. New case packer for high speed packer
    - i. Benefit – Improved quality and productivity
  - b. One more packer converted to Bevel Edge Pack format
    - i. Benefit – Contemporary pack in market
  - c. Carton box filler equipment at PMD for cut tobacco blend
    - i. Benefit - Reduction in tobacco degradation
- (ii) In case of imported technology (imported during the last three years reckoned from the beginning of the financial year) :

Year	Details of technology imported	Whether absorbed
2015-16 / 2016-17	Contemporary cigarette making machine; New CRS drier & silos for PMD at Toopran	Yes

(iii) Expenditure incurred on Research and Development	₹ Lakhs
- On capital account	74.26
- On revenue account	536.58
	<u>610.84</u>
as a % of Gross Turnover	0.45

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

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

	₹ Lakhs
Total foreign exchange used	
Raw Materials	5757.67
Spare Parts	33.46
Capital Goods	762.15
Travel, Advertisement, etc	56.90
Dividends Paid	3724.43
	<u>10334.61</u>
Total foreign exchange earned	
Tobacco	14286.54
	<u>14286.54</u>



# BUSINESS RESPONSIBILITY REPORT

VST Industries Limited

[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	1st April, 2017 to 31st March, 2018
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	₹ 1,38,244 lakhs
3. Total Profit after taxes	₹ 18,189 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

VST Industries Limited

## SECTION D : BR INFORMATION

<p>1. Details of Directors responsible for BR</p>	<p>The Corporate Social Responsibility Committee comprises of Ms. Mubeen Rafat as the Chairperson, Mr. Raymond S Noronha, Mr. S. Thirumalai and Mr. Devraj Lahiri.</p> <p>The role of Corporate Social Responsibility Committee is as follows:</p> <ul style="list-style-type: none"> <li>● Identify the areas for carrying out the activities and formulate policy to undertake the same;</li> <li>● 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;</li> <li>● To determine the location where CSR activities shall be undertaken;</li> <li>● To monitor the progress of the projects/activities from time to time;</li> <li>● To nominate employees who shall be responsible for implementation, execution and monitoring of CSR activities;</li> <li>● To hire wherever required services of external service providers, Non-Governmental Organisations (NGOs), volunteers, professionals, consultants, specialised agencies, etc. if required, to undertake and audit such activities.</li> </ul>
<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

VST Industries Limited

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, <a href="http://www.vsthyd.com">www.vsthyd.com</a> .								
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 <a href="http://www.vsthyd.com">www.vsthyd.com</a> . 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 74 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 wellbeing of all employees

1. Please indicate the Total number of employees : 786
2. Please indicate the Total number of employees hired on temporary/contractual/casual basis : 160
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? 57%
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	-	-
2	Sexual harassment	-	-
3	Discriminatory employment	-	-

8. What percentage of your under mentioned employees were given safety & skill upgradation training in the last year?
  - (a) Permanent Employees : 60%
  - (b) Permanent Women Employees: Nil
  - (c) Casual/Temporary/Contractual Employees: 33%
  - (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 are two consumer cases pending as at the end of the financial year which are 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 Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of VST Industries Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (herein after referred to as the 'Ind AS financial statements').

### Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these Ind AS financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed 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 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 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 is responsible for assessing the Company's ability to continue as 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.

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

### Auditor's Responsibility

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

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the Audit Report under the provisions of the Act and the Rules made thereunder, to the extent applicable.

We conducted our audit of the Ind AS financial statements in accordance with the standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.

Our responsibility also include to 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

### Opinion

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 Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs (financial position) of the Company as at 31 March 2018,



## INDEPENDENT AUDITORS' REPORT

and its profit (financial performance including other comprehensive income), its cash flows and changes in equity for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2016 ('the Order'), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the said Order.

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 purpose 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 Cash Flow Statement and the Statement of Changes in Equity 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.
- e) on the basis of the written representations received from the directors as on 31 March 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2018, 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 over financial reporting 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 Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i) The Company has disclosed the impact of pending litigations as at 31 March 2018 on its financial position in Note 6 and 32 to the Ind AS financial statements;
  - ii) The Company has long-term contracts including derivative contracts comprising of forward contracts as at 31 March 2018 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 during the year ended 31 March 2018.

For B S R & ASSOCIATES LLP  
Chartered Accountants

ICAI Firm Registration Number : 116231W/W-100024

SRIRAM MAHALINGAM  
Partner

Membership Number : 049642

Place : Hyderabad

Date : 12 April 2018



## ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT

The Annexure-A referred to in the Independent Auditors' Report of even date, on the Ind AS Financial Statements, to the Members of VST Industries Limited ('the Company') for the year ended 31 March 2018. 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, Sales tax, Service tax, Duty of customs, Duty of excise, Value added tax, 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, Sales tax, Service tax, Duty of customs, Duty of excise, Value added tax, and other material statutory dues were in arrears as at 31 March 2018 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 and Service tax have not been deposited by the Company on account of disputes.



## ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT

VST Industries Limited

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	127.87	October 2012 to September 2013 August 2015 to March 2016	Customs, Excise & Service Tax Appellate Tribunal
The Central Sales Tax	Central Sales Tax	68.83	Financial year 2010-2011	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 30 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 : 12 April 2018





## ANNEXURE B TO THE INDEPENDENT AUDITORS' REPORT

### **Report on the Internal Financial Controls under Clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')**

We have audited the internal financial controls over financial reporting of VST Industries Limited ('the Company') as of 31 March 2018 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

### **Management's Responsibility for Internal Financial Controls.**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting 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 ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the 'Guidance Note') and the Standards on Auditing, deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. 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 over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 system over financial reporting.

### **Meaning of Internal Financial Controls Over Financial Reporting**

A Company's internal financial control over financial reporting 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 control over financial reporting includes 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

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

- 3) Provide reasonable assurance regarding prevention or timely detection of unauthorized 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 Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatement due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial

reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, based on the internal control over financial reporting criteria established by the Company considering the essential component of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

For B S R & ASSOCIATES LLP

Chartered Accountants

ICAI Firm Registration Number : 116231W/W-100024

SRIRAM MAHALINGAM

Partner

Membership Number : 049642

Place : Hyderabad

Date : 12 April 2018



# BALANCE SHEET AS AT 31ST MARCH, 2018

VST Industries Limited

₹ in Lakhs

	Note	As at 31st March, 2018	As at 31st March, 2017	As at 1st April, 2016
<b>I ASSETS</b>				
<b>1 Non-Current Assets</b>				
(a) Property, Plant and Equipment	2A	19506.23	21996.92	17393.90
(b) Capital Work-in-Progress	2B	3422.11	81.90	4067.54
(c) Intangible Assets	2C	1.22	4.12	7.03
(d) Financial Assets				
(i) Investments	3	202.61	176.52	139.99
(ii) Loans	4	14.85	16.49	24.17
(iii) Other Financial Assets	5	1.77	1.77	1.30
(e) Deferred Tax Assets (Net)	6	219.23	194.78	165.46
(f) Other Non-Current Assets	7	2481.65	2300.42	2062.58
		297.80	398.34	490.36
<b>2 Current Assets</b>				
(a) Inventories	8	25287.48	32931.02	37703.65
(b) Financial Assets				
(i) Investments	9	41409.57	17181.93	17925.43
(ii) Trade Receivables	10	2733.09	1204.13	1237.54
(iii) Cash and Cash Equivalents	11	2852.11	1192.09	1409.56
(iv) Other Bank Balances	12	906.71	802.07	713.84
(v) Loans	4	1.69	3.11	3.32
(vi) Other Financial Assets	5	0.12	14.58	72.09
(c) Current Tax Assets (Net)	13	47903.29	20397.91	21361.78
(d) Other Current Assets	7	261.72	115.68	(7.68)
		7032.60	1343.70	1285.10
<b>TOTAL</b>		<b>106413.33</b>	<b>79764.79</b>	<b>84529.72</b>
<b>II EQUITY AND LIABILITIES</b>				
<b>1 Equity</b>				
(a) Equity Share Capital	14	1544.19	1544.19	1544.19
(b) Other Equity		56664.88	52352.92	50339.15
<b>2 Liabilities</b>				
<b>Non-Current Liabilities</b>				
(a) Provisions	15	1415.15	1091.05	927.56
<b>Current Liabilities</b>				
(a) Financial Liabilities				
(i) Trade Payables	16			
- Total outstanding dues of micro enterprises and small enterprises		32.28	5.36	164.82
- Total outstanding dues of creditors other than micro enterprises and small enterprises		5776.67	5593.65	6290.70
(ii) Other Financial Liabilities	17	1308.70	1004.37	1177.30
(b) Other Current Liabilities	18	7117.65	6603.38	7632.82
		39671.46	18173.25	24086.00
<b>TOTAL</b>		<b>106413.33</b>	<b>79764.79</b>	<b>84529.72</b>

The accompanying notes 1 to 36 form an integral part of the Financial Statements.

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

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

SRIRAM MAHALINGAM  
Partner  
Membership No. 049642

Hyderabad, 12th April, 2018.

On behalf of the Board,

R. S. NORONHA  
DIN : 00012620

DEVRAJ LAHIRI  
DIN : 03588071

ANISH GUPTA

PHANI K. MANGIPUDI

Hyderabad, 12th April, 2018.

Chairman

Managing Director

Chief Financial Officer

Company Secretary



# STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2018

VST Industries Limited

₹ in Lakhs

	Note	For the year ended 31st March, 2018	For the year ended 31st March, 2017
<b>I Revenue from operations</b>	19	135863.55	226129.66
<b>II Other Income</b>	20	2380.51	2007.54
<b>III Total Income (I+II)</b>		<u>138244.06</u>	<u>228137.20</u>
<b>IV Expenses</b>			
Cost of Materials Consumed	21	46324.43	46846.97
Changes in Inventories of Finished Goods and Work-in-Progress	22	705.19	(11.20)
Excise Duty (Refer Note 34)		41106.43	133891.37
Employee Benefits Expense	23	8919.52	8969.56
Depreciation and Amortisation Expense		3916.41	3691.79
Other Expenses	24	9326.69	11659.06
Total Expenses		<u>110298.67</u>	<u>205047.55</u>
<b>V Profit before tax (III-IV)</b>		27945.39	23089.65
<b>VI Tax expense:</b>			
Current tax	25	9956.20	8125.11
Deferred tax	25	(200.12)	(188.12)
		<u>9756.08</u>	<u>7936.99</u>
<b>VII Profit for the year (V-VI)</b>		18189.31	15152.66
Other Comprehensive Income			
A (i) Items that will not be reclassified to profit or loss:			
- Remeasurements of the defined benefit plans		75.89	(158.27)
- Change in Fair Value of Equity instruments		26.09	36.53
(ii) Income tax relating to items that will not be reclassified to profit or loss		(26.26)	54.77
B (i) Items that will be reclassified to profit or loss:			
- Change in Fair Value of effective portion of Cash flow hedges		(21.29)	(57.00)
(ii) Income tax relating to items that will be reclassified to profit or loss		7.37	(5.05)
<b>VIII Other Comprehensive Income (A+B)</b>		<u>61.80</u>	<u>(129.02)</u>
<b>IX Total Comprehensive Income for the year (VII+VIII)</b>		<u>18251.11</u>	<u>15023.64</u>
<b>X Earnings per equity share (Face Value ₹10 each):</b>			
Basic (in ₹)	26	117.79	98.13
Diluted (in ₹)	26	117.79	98.13

The accompanying notes 1 to 36 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, 12th April, 2018.

On behalf of the Board,

R. S. NORONHA  
DIN : 00012620

DEVRAJ LAHIRI  
DIN : 03588071

ANISH GUPTA

PHANI K. MANGIPUDI

Hyderabad, 12th April, 2018.

Chairman

Managing Director

Chief Financial Officer

Company Secretary



# STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2018

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, 2017	1544.19		-		1544.19		
For the year ended 31st March, 2018	1544.19		-		1544.19		

B OTHER EQUITY	Reserve and Surplus			Other Comprehensive Income (OCI)			Total
	Capital Redemption Reserve	General Reserve	Retained Earnings	Equity Instruments	Effective portion of Cash Flow Hedges	Remeasurement of defined benefit plans (net)	
Balance as at 1st April, 2016	1000.25	21567.15	27700.17	-	71.58	-	50339.15
Profit for the year			15152.66				15152.66
Other Comprehensive Income (net of tax)				36.53	(62.05)	(103.50)	(129.02)
Dividend on							
Ordinary Shares-Final (₹70/- per share)			(10809.34)				(10809.34)
Dividend tax thereon			(2200.53)				(2200.53)
Transfer to General Reserve		835.00	(835.00)				-
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

An amount of ₹77.5/- per ordinary share (2017 - ₹75/-; 2016 - ₹70/-) 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 ₹11967.49 Lakhs (2017 - ₹11581.44 Lakhs; 2016 - ₹10809.34 Lakhs) and income tax thereon is ₹2459.95 Lakhs(2017 - ₹2357.71 Lakhs; 2016 - ₹2200.53 Lakhs).

**Nature and purpose of reserves**

a) Capital Redemption Reserve: The Company has recognised Capital Redemption Reserve on redemption of cumulative preference shares.

b) 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.

c) 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.

d) Equity Instruments through Other Comprehensive Income: This Reserve represents the cumulative gains (net of losses) arising on the 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.

e) Effective portion of Cash Flow Hedges: This Reserve represents the cumulative effective portion of change in fair value of derivatives that are designated as Cash Flow Hedges. It will be reclassified to profit or loss in accordance with the Company's accounting policy.

f) Remeasurement of Defined Benefit Plans: This represents net actuarial gain/loss arising on account of remeasurement of defined benefit plans.

The accompanying notes 1 to 36 form an integral part of the Financial Statements.

This is the Statement of Changes in Equity referred to in our report of even date.	On behalf of the Board,
For B S R & Associates LLP	R. S. NORONHA
Firm Registration No. 116231W/ W - 100024	DIN : 00012620
Chartered Accountants	DEVRAJ LAHIRI
	DIN : 03588071
SRIRAM MAHALINGAM	ANISH GUPTA
Partner	PHANI K. MANGIPUDI
Membership No. 049642	
Hyderabad, 12th April, 2018.	

	Chairman
	Managing Director
	Chief Financial Officer
	Company Secretary

Hyderabad, 12th April, 2018.
------------------------------



# STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2018

VST Industries Limited

₹ in Lakhs

	For the year ended 31st March, 2018	For the year ended 31st March, 2017
<b>A Cash Flow from Operating Activities</b>		
Profit Before Tax Expense	27945.39	23089.65
Adjustments:		
Depreciation and Amortisation Expense	3916.41	3691.79
Profit on sale of Property, Plant and Equipment (Net)	(165.16)	(2.16)
Unrealised (Gain)/Loss on Exchange (Net)	(55.27)	8.75
Interest on Loans and Deposits, etc.	(8.13)	(5.84)
Dividend Income from Non-Current Investments	(4.47)	(3.77)
Profit on sale of Current Investments (Net)	(1205.52)	(1733.11)
Net gain arising on investments measured at fair value through profit or loss (net)	(915.64)	(181.93)
Operating Profit before Working Capital Changes	29507.61	24863.38
Adjustments for Movement in Working Capital:		
Trade Receivables, Advances and Other Assets	(7145.12)	(54.00)
Inventories	7643.55	4772.63
Trade Payables, Other Liabilities and Provisions	22108.49	(7176.41)
Cash generated from Operations	52114.53	22405.60
Income Taxes Paid (Net)	(10102.23)	(7836.85)
Net cash from Operating Activities	42012.30	14568.75
<b>B Cash Flow from Investing Activities</b>		
Purchase of Property, Plant and Equipment	(4541.32)	(4471.98)
Sale of Property, Plant and Equipment	219.14	19.54
Purchase of Current Investments	(511446.00)	(234840.00)
Sale/Redemption of Current Investments	489339.52	237498.54
Dividend Income from Non-Current Investments	4.47	3.77
Interest on Loans and Deposits, etc.	8.01	6.35
Investment in non current deposits with banks	-	(0.47)
Loans realised	3.05	7.90
Net cash from Investing Activities	(26413.13)	(1776.35)
<b>C Cash Flow from Financing Activities</b>		
Dividends (including tax thereon) paid on equity shares	(13939.15)	(13009.87)
Net cash from Financing Activities	(13939.15)	(13009.87)
Net Increase/(Decrease) in cash and cash equivalents	1660.02	(217.47)
Opening cash and cash equivalents	1192.09	1409.56
Closing cash and cash equivalents	2852.11	1192.09
<p>This is the Statement of Cash Flows referred to in our report of even date.</p> <p>For B S R &amp; Associates LLP Firm Registration No. 116231W/ W - 100024 Chartered Accountants</p> <p>SRIRAM MAHALINGAM Partner Membership No. 049642 Hyderabad, 12th April, 2018.</p> <p>On behalf of the Board,</p> <p>R. S. NORONHA DIN : 00012620</p> <p>DEVRAJ LAHIRI DIN : 03588071</p> <p>ANISH GUPTA PHANI K. MANGIPUDI</p> <p>Hyderabad, 12th April, 2018.</p> <p>Chairman</p> <p>Managing Director</p> <p>Chief Financial Officer Company Secretary</p>		





# 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 Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendments Rules, 2016.

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. Up to the year ended 31st March, 2017, the Company prepared its financial statements in accordance with the requirements of previous Generally Accepted Accounting Principles (GAAP), which includes Standards notified under the Companies (Accounting Standards) Rules, 2006. These are the Company's first Ind AS financial statements. The date of transition to Ind AS is 1st April, 2016. Details of the exceptions and optional exemptions availed by the Company and principal adjustments along with related reconciliations are detailed in Note 35 (First-time Adoption).

The financial statements were authorised for issue by the Company's Board of Directors on 12th April, 2018.

### 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, including the preparation of the opening Ind AS Balance Sheet as at 1st April, 2016 being the date of transition to Ind AS. 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 Ministry of Corporate Affairs has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018. Accordingly, Ind AS 115 - "Revenue from contracts with customers" shall apply for accounting period commencing on or after 1st April, 2018. Based on preliminary evaluation considering known and estimable information, 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.

### 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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

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.

### 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 cenvat credit availed, conversion costs and other attributable expenses incurred in bringing the inventories to their present location and condition and includes, where applicable, appropriate overheads 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.

### 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.

Cost is inclusive of freight, installation costs, duties and taxes, interest on specific borrowings utilised for financing the assets and other incidental expenses.

All upgradations/enhancements are charged off as revenue expenditure unless they bring similar significant 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".

### 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 is reviewed at each financial

year end and adjusted prospectively, if appropriate.

Upon adoption of Ind AS, the Company has 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.

### 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 indefinite. 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:

Rights on Time Shares	- 20 years
Computer software	- 4 years

The amortisation period and the amortisation method for finite-life intangible assets is reviewed at each financial year end and adjusted prospectively, if appropriate.

The assessment of indefinite 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 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 for 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 gains/losses 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



## NOTES TO THE FINANCIAL STATEMENTS

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 profit or 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.

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 Hedging Reserve'. 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 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 (FVTPL), 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 fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL) 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 effective interest rate (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



## NOTES TO THE FINANCIAL STATEMENTS

in OCI is reclassified from the equity to 'other income' in the Statement of Profit and Loss.

(c) Measured at fair value through profit or loss: A financial asset not classified as either 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 effective interest rate (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.

## 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 recognised when all the significant risks and rewards of ownership in the goods are transferred to the buyer as per the terms of the contract and there is no continuing managerial involvement with the goods and the amount of revenue can be measured reliably. The Company retains no effective control of the goods transferred to a degree usually associated with ownership and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of goods. Revenue is measured at fair value of the consideration received or receivable after deduction of any trade discounts, rebates and any taxes or duties collected on behalf of the government which are levied on sales such as





## NOTES TO THE FINANCIAL STATEMENTS

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 cost 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.

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 cost 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.



## NOTES TO THE FINANCIAL STATEMENTS

### **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.



# NOTES TO THE FINANCIAL STATEMENTS



VST Industries Limited

₹ in Lakhs

	Gross Block						Accumulated Depreciation & Amortisation						Net Block		
	Balance as at 01.04.2016	Additions	Disposals	Balance as at 31.03.2017	Balance as at 31.03.2018	Balance as at 01.04.2016	For the year	Adjustment on Disposals	Balance as at 31.03.2017	Balance as at 31.03.2018	Adjustment on Disposals	Balance as at 31.03.2018	Balance as at 31.03.2017	Balance as at 31.03.2018	Balance as at 01.04.2016
<b>2A. PROPERTY PLANT AND EQUIPMENT</b>															
Land	1312.46	412.34	-	1724.80	-	-	-	-	-	-	-	-	1724.80	1312.46	
Buildings on Freehold Land	530.48	2010.38	1.17	2539.69	40.52	-	108.94	1.17	107.77	250.47	-	2329.74	2431.92	530.48	
Buildings on Leasehold Land	34.41	-	-	34.41	8.40	-	4.08	-	4.08	7.67	-	35.14	30.33	34.41	
Plant & Equipment	15062.61	4951.69	-	20014.30	1342.86	-	3387.18	-	3387.18	6914.20	16.95	14425.88	16627.12	15062.61	
Electrical Installation & Equipment	-	779.98	-	779.98	-	-	42.29	-	42.29	120.23	-	659.75	737.69	-	
Furniture & Fixtures	101.00	28.67	0.05	129.62	77.21	-	18.68	0.05	18.63	36.70	-	170.13	110.99	101.00	
Motor Vehicles	240.00	32.49	30.66	241.83	7.81	-	82.29	13.28	69.01	60.22	74.99	60.58	172.82	240.00	
Office Equipment	112.94	93.73	-	206.67	-	-	45.42	-	45.42	106.46	-	100.21	161.25	112.94	
<b>Total Property, Plant and Equipment</b>	<b>17393.90</b>	<b>8309.28</b>	<b>31.88</b>	<b>25671.30</b>	<b>1476.80</b>	<b>-</b>	<b>3688.88</b>	<b>14.50</b>	<b>3674.38</b>	<b>7495.95</b>	<b>91.94</b>	<b>19506.23</b>	<b>21996.92</b>	<b>17393.90</b>	
<b>2B. CAPITAL WORK-IN-PROGRESS</b>															
<b>2C. INTANGIBLE ASSETS</b>															
Computer Software	7.03	-	-	7.03	-	-	2.91	-	2.91	5.81	-	1.22	4.12	7.03	
Trademarks, etc.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total Intangible assets</b>	<b>7.03</b>	<b>-</b>	<b>-</b>	<b>7.03</b>	<b>-</b>	<b>-</b>	<b>2.91</b>	<b>-</b>	<b>2.91</b>	<b>5.81</b>	<b>-</b>	<b>1.22</b>	<b>4.12</b>	<b>7.03</b>	

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

VST Industries Limited

₹ in Lakhs

	As at 31st March, 2018	As at 31st March, 2017	As at 1st April, 2016
<b>3. NON-CURRENT INVESTMENTS</b>			
<b>Investment in Government/Trust Securities (at amortised cost)</b>			
National Savings Certificate cost ₹500 (Previous Year - ₹500) Lodged with Government Authority			
<b>Investment in Mutual Funds (at fair value through other comprehensive income)</b>			
HDFC - Top 200 Fund			
50,000 units of ₹10 each fully paid up	23.72	25.00	21.03
	<u>23.72</u>	<u>25.00</u>	<u>21.03</u>
<b>Investment in Equity instruments Other than Trade (at fair value through other comprehensive income)</b>			
<b>QUOTED</b>			
Duncan Industries Limited			
184 Equity Shares of ₹10 each fully paid up	0.02	0.02	0.00
Godfrey Phillips India Limited			
1000 Equity Shares of ₹2 each fully paid up	8.21	11.33	11.88
Golden Tobacco Limited			
50 Equity Shares of ₹10 each fully paid up	0.03	0.04	0.02
Housing Development Finance Corporation Limited			
6,000 Equity Shares of ₹2 each fully paid up	109.54	90.13	66.34
HDFC Bank Limited			
2,500 Equity Shares of ₹2 each fully paid up	47.15	36.06	26.78
	<u>164.95</u>	<u>137.58</u>	<u>105.02</u>
<b>UNQUOTED</b>			
Andhra Pradesh Gas Power Corporation Limited			
1,39,360 Shares of ₹10 each fully paid up	13.94	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	13.94	13.94	13.94
	<u>13.94</u>	<u>13.94</u>	<u>13.94</u>
<b>Total of Non-Current Investments</b>	<u>202.61</u>	<u>176.52</u>	<u>139.99</u>
Aggregate amount of Quoted Investments - Market Value	188.67	162.58	126.05
Aggregate amount of Other Investments	13.94	13.94	13.94



## NOTES TO THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

	As at 31st March, 2018		As at 31st March, 2017		As at 1st April, 2016	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
<b>4. LOANS</b>						
<b>Loans to Employees</b>						
Secured, considered good	1.51	14.85	2.93	16.49	3.14	24.17
Unsecured, considered good	0.18	-	0.18	-	0.18	-
<b>TOTAL</b>	<u>1.69</u>	<u>14.85</u>	<u>3.11</u>	<u>16.49</u>	<u>3.32</u>	<u>24.17</u>
<b>5. OTHER FINANCIAL ASSETS</b>						
<b>Balances with Banks:</b>						
- On Term Deposits with original maturity of more than 12 months Lodged with Government Authorities	-	1.77	-	1.77	-	1.30
<b>Other financial assets</b>						
Interest accrued on Loans, Deposits, Investments, etc.	0.12	-	-	-	0.51	-
Other receivables						
- On account of Foreign Currency Forward Contracts	-	-	14.58	-	71.58	-
<b>TOTAL</b>	<u>0.12</u>	<u>1.77</u>	<u>14.58</u>	<u>1.77</u>	<u>72.09</u>	<u>1.30</u>
	As at 31st March, 2018		As at 31st March, 2017		As at 1st April, 2016	
<b>6. DEFERRED TAX ASSETS (NET)</b>						
Deferred tax assets	3940.14		3858.39		3313.38	
Less: Deferred tax liabilities	1458.49		1557.97		1250.80	
<b>TOTAL</b>	<u>2481.65</u>		<u>2300.42</u>		<u>2062.58</u>	
<b>Movement in deferred tax assets/liabilities balances</b>						
<b>2017-18</b>			Opening Balance	Recognised in profit or loss	Recognised in OCI	Closing Balance
<b>Deferred tax assets/liabilities in relation to:</b>						
- On employees' seperation and retirement			629.46	65.03	(26.26)	668.23
- On State and Central Taxes, etc.,			3063.05	36.56	-	3099.61
- On other temporary differences			165.88	6.42	-	172.30
<b>Total deferred tax assets</b>			<u>3858.39</u>	<u>108.01</u>	<u>(26.26)</u>	<u>3940.14</u>
- On fiscal allowances on Property, Plant and Equipment, etc.			1489.96	(409.00)	-	1080.96
- On cash flow hedges			5.05	-	(7.37)	(2.32)
- On other temporary differences			62.96	316.89	-	379.85
<b>Total deferred tax liabilities</b>			<u>1557.97</u>	<u>(92.11)</u>	<u>(7.37)</u>	<u>1458.49</u>
<b>Deferred tax assets (Net)</b>			<u>2300.42</u>	<u>200.12</u>	<u>(18.89)</u>	<u>2481.65</u>
<b>2016-17</b>						
<b>Deferred tax assets/liabilities in relation to:</b>						
- On employees' seperation and retirement			266.56	308.13	54.77	629.46
- On State and Central Taxes, etc.,			2895.28	167.77	-	3063.05
- On other temporary differences			151.54	14.34	-	165.88
<b>Total deferred tax assets</b>			<u>3313.38</u>	<u>490.24</u>	<u>54.77</u>	<u>3858.39</u>
- On fiscal allowances on Property, Plant and Equipment, etc.			1126.41	363.55	-	1489.96
- On cash flow hedges			-	-	5.05	5.05
- On other temporary differences			124.39	(61.43)	-	62.96
<b>Total deferred tax liabilities</b>			<u>1250.80</u>	<u>302.12</u>	<u>5.05</u>	<u>1557.97</u>
<b>Deferred tax assets (Net)</b>			<u>2062.58</u>	<u>188.12</u>	<u>49.72</u>	<u>2300.42</u>



## NOTES TO THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

	As at 31st March, 2018		As at 31st March, 2017		As at 1st April, 2016	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
<b>7. OTHER ASSETS</b>						
<b>Capital Advances</b>	-	236.92	-	320.22	-	432.46
Advances other than capital advances						
Security Deposits						
- With Statutory Authorities	-	0.55	-	0.55	-	0.55
- Others	-	60.33	-	50.57	-	42.79
Advances recoverable in cash or in kind or for value to be received	203.77	-	210.02	27.00	447.94	14.56
<b>Other Advances</b>						
- Prepaid Expenses	245.27	-	193.91	-	210.22	-
- Balance with Statutory / Government Authorities	6583.36	-	922.99	-	626.94	-
Other Receivables *	0.20	-	16.78	-	-	-
<b>TOTAL</b>	<b>7032.60</b>	<b>297.80</b>	<b>1343.70</b>	<b>398.34</b>	<b>1285.10</b>	<b>490.36</b>
* Includes receivables on account of export incentives						
	As at 31st March, 2018		As at 31st March, 2017		As at 1st April, 2016	
<b>8. INVENTORIES</b>						
(At lower of cost and net realisable value)						
Raw Materials including packing materials	22767.59		21338.53		23726.69	
Work-in-Progress	666.84		1061.56		432.63	
Finished Goods	1742.51		10426.56		13466.34	
Stores and Spares	110.54		104.37		77.99	
<b>TOTAL</b>	<b>25287.48</b>		<b>32931.02</b>		<b>37703.65</b>	
The above includes goods in transit	-		46.01		664.02	
The cost of inventories recognised as an expense in respect of write-down of inventory to net realisable value.	95.61		33.49			



## NOTES TO THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

	As at 31st March, 2018	As at 31st March, 2017	As at 1st April, 2016
<b>9. CURRENT INVESTMENTS</b>			
<b>Other than Trade and Quoted - (at fair value through profit or loss)</b>			
<b>Investment in Mutual Funds</b>			
Aditya Birla Sun Life Savings Fund - Direct Plan - Growth 7,89,632 (2017 - 7,89,632; 2016 - 4,28,672) units of ₹100 each fully paid up	2715.74	2527.70	1259.51
Aditya Birla Sun Life Cash Plus - Direct Plan - Growth 16,60,025 (2017 - 3,25,412; 2016 - 4,42,523) units of ₹100 each fully paid up	4636.70	850.34	1076.72
Aditya Birla Sun Life Treasury Optimizer Plan - Direct Plan - Growth Nil (2017 - Nil; 2016 - 5,77,688) units of ₹100 each fully paid up	-	-	1097.69
DSP BlackRock Liquidity Fund - Direct Plan - Growth 2,33,207 (2017 - 43,016; 2016 - 23,094) units of ₹1000 each fully paid up	5795.95	1000.46	500.47
HDFC Liquid Fund - Direct Plan - Growth 1,43,460 (2017 - 42,089; 2016 - 1,01,777) units of ₹1000 each fully paid up	4911.90	1350.59	3043.34
HDFC Floating Rate Income Fund - STP - Direct Plan - Wholesale Growth Option 72,28,970 (2017 - 72,28,970; 2016 - Nil) units of ₹10 each fully paid up	2196.33	2050.10	-
ICICI Prudential Flexible Income - Direct Plan - Growth 8,14,584 (2017 - 8,14,584; 2016 - 6,41,718) units of ₹100 each fully paid up	2727.99	2546.18	1841.70
ICICI Prudential Liquid Fund - Direct Plan - Growth 18,16,689 (2017 - 3,53,258; 2016 - 4,49,180) units of ₹100 each fully paid up	4671.37	850.35	1007.45
ICICI Prudential Flexible Income - Regular Plan - Growth Nil (2017 - Nil; 2016 - 2,91,998) units of ₹100 each fully paid up	-	-	835.76
IDFC Cash Fund - Direct Plan - Growth Nil (2017 - 50,637; 2016 - Nil) units of ₹1000 each fully paid up	-	1000.44	-
Reliance Money Manager Fund - Direct Plan - Growth 1,12,224 (2017 - 1,12,224; 2016 - 77,075) units of ₹1000 each fully paid up	2736.78	2554.79	1618.35
Reliance Money Manager Fund - Growth Nil (2017 - Nil; 2016 - 52,301) units of ₹1000 each fully paid up	-	-	1085.17
Reliance Liquid Fund - Treasury Plan - Direct Plan - Growth 1,21,177 (2017 - 21,434; 2016 - 19,275) units of ₹1000 each fully paid up	5137.85	850.35	712.23
Reliance Liquid Fund - Cash Fund - Direct Plan - Growth Nil (2017 - Nil; 2016 - 14,332) units of ₹1000 each fully paid up	-	-	350.49
SBI Premier Liquid Fund - Direct Plan - Growth 2,15,790 (2017 - 62,713; 2016 - 1,19,287) units of ₹1000 each fully paid up	5878.96	1600.63	2840.18
UTI Treasury Advantage Fund - Institutional Plan - Direct Plan - Growth Nil (2017 - Nil; 2016 - 31,649) units of ₹1000 each fully paid up	-	-	656.37
<b>Total of Current Investments</b>	<u>41409.57</u>	<u>17181.93</u>	<u>17925.43</u>
Aggregate amount of quoted Investments - Market Value	41409.57	17181.93	17925.43
<b>10. TRADE RECEIVABLES</b>			
Unsecured, considered good (Refer Note 32)	2733.09	1204.13	1237.54
<b>TOTAL</b>	<u>2733.09</u>	<u>1204.13</u>	<u>1237.54</u>



## NOTES TO THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

	As at 31st March, 2018	As at 31st March, 2017	As at 1st April, 2016
<b>11. CASH AND CASH EQUIVALENTS</b>			
Balances with Banks			
- On Current Accounts	2851.47	1191.35	1408.53
Cash including cheques on hand	0.64	0.74	1.03
<b>TOTAL</b>	<b>2852.11</b>	<b>1192.09</b>	<b>1409.56</b>
<b>12. OTHER BANK BALANCES</b>			
Earmarked Balances			
- On Unclaimed Ordinary Dividend Account	906.71	801.89	713.66
- On Preference Share Redemption Account	-	0.18	0.18
<b>TOTAL</b>	<b>906.71</b>	<b>802.07</b>	<b>713.84</b>
<b>13. CURRENT TAX ASSETS (NET)</b>			
Current taxation (net of tax provision)	261.72	115.68	(7.68)
<b>TOTAL</b>	<b>261.72</b>	<b>115.68</b>	<b>(7.68)</b>
	As at 31st March, 2018 No. of Shares ₹ in Lakhs	As at 31st March, 2017 No. of Shares ₹ in Lakhs	As at 1st April, 2016 No. of Shares ₹ in Lakhs
<b>14. EQUITY SHARE CAPITAL</b>			
<b>AUTHORISED</b>			
Ordinary Shares of ₹10 each	5,00,00,000 5000.00	5,00,00,000 5000.00	5,00,00,000 5000.00
Cummulative Redeemable Preference Shares of ₹100 each	50,00,000 5000.00	50,00,000 5000.00	50,00,000 5000.00
	<b>10000.00</b>	<b>10000.00</b>	<b>10000.00</b>
<b>ISSUED AND SUBSCRIBED</b>			
Ordinary Shares of ₹10 each fully paid up	1,54,41,920 1544.19	1,54,41,920 1544.19	1,54,41,920 1544.19
There is no movement in number of Ordinary Shares during the year.			
Details of shareholders holding more than 5% of Ordinary Shares:			
<b>Name of the Shareholders</b>	<b>No. Lakhs % holding</b>	<b>No. Lakhs % holding</b>	<b>No. Lakhs % holding</b>
Bright Star Investments Private Limited	40.07 25.95	40.07 25.95	40.07 25.95
The Raleigh Investment Company Limited	36.20 23.45	36.20 23.45	36.20 23.45
Tobacco Manufacturers (India) Limited	12.79 8.28	12.79 8.28	12.79 8.28
Mathews India Fund	11.67 7.56	11.86 7.68	12.16 7.87
HDFC Trustee Company Limited			
A/c HDFC Midcap Opportunities Fund	10.43 6.75	10.43 6.75	10.27 6.65
<b>RIGHTS, PREFERENCES AND RESTRICTIONS ATTACHED TO ORDINARY SHARES</b>			
The Company has only one class of Ordinary Shares outstanding, having a par value of ₹10 each, that rank pari passu in all respects including voting rights and entitlement to dividend.			
<b>15. PROVISIONS</b>			
Non-Current			
Provision for Employee Benefits			
Retirement benefits (Refer Note 33)	1415.15	1091.05	927.56
<b>TOTAL</b>	<b>1415.15</b>	<b>1091.05</b>	<b>927.56</b>





## NOTES TO THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

	As at 31st March, 2018	As at 31st March, 2017	As at 1st April, 2016
<b>16. TRADE PAYABLES</b>			
Payables for Goods and Services			
Total outstanding dues of micro enterprises and small enterprises	32.28	5.36	164.82
Total outstanding dues of creditors other than micro enterprises and small enterprises	5776.67	5593.65	6290.70
<b>TOTAL</b>	<b>5808.95</b>	<b>5599.01</b>	<b>6455.52</b>
<b>DUE TO MICRO AND SMALL ENTERPRISES</b>			
The Company has certain dues to suppliers registered under Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act').			
The disclosures pursuant to the said MSMED Act are as under:			
a) Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end	32.28	5.36	164.82
b) Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end	-	-	-
c) Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-	-
d) Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-	-
e) Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-	-
f) Interest due and payable towards suppliers registered under MSMED Act, for payments already made	-	-	-
g) Further interest remaining due and payable for earlier years	-	-	-
This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.			
<b>17. OTHER FINANCIAL LIABILITIES</b>			
Current			
Unpaid/Unclaimed Dividends	906.71	801.89	713.66
Preference Share Redemption Account	-	0.18	0.18
Security Deposits	3.10	3.10	3.10
Other Liabilities			
- On account of Foreign Currency Forward Contracts	6.71	-	-
- Others (including payable for property, plant and equipment, etc.)	392.18	199.20	460.36
<b>TOTAL</b>	<b>1308.70</b>	<b>1004.37</b>	<b>1177.30</b>
There is no amount due and outstanding to be credited to Investor Education and Protection Fund as at the year end.			
<b>18. OTHER CURRENT LIABILITIES</b>			
Advances from Customers	3030.41	1743.95	8915.31
Statutory Liabilities	36641.05	16429.30	15170.69
<b>TOTAL</b>	<b>39671.46</b>	<b>18173.25</b>	<b>24086.00</b>
Statutory Liabilities includes an amount of ₹14031.06 Lakhs (2017 - ₹13927.52 Lakhs; 2016 - ₹13033.22 Lakhs) relating to tax matters under State and Central Acts pending before various judicial forums in respect of which the date of expected settlement is not ascertainable.			



## NOTES TO THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

	For the year ended 31st March, 2018	For the year ended 31st March, 2017
<b>19. REVENUE FROM OPERATIONS</b>		
Particulars in respect of sales (Gross)		
Cigarettes (Refer Note 34)	110787.67	198325.24
Unmanufactured Tobacco	24960.02	27398.29
	<u>135747.69</u>	<u>225723.53</u>
Other Operating Income		
Scrap Sales	81.62	118.75
Other receipts	34.24	287.38
<b>TOTAL</b>	<u><u>135863.55</u></u>	<u><u>226129.66</u></u>
<b>20. OTHER INCOME</b>		
Interest on Loans and Deposits, etc.	8.13	5.84
Dividend Income from:		
Equity Instruments measured at FVOCI held at the end of reporting period	4.47	3.77
Other gains and losses from:		
Net gain recognised on sale of property, plant and equipments, etc.	165.16	2.16
Net gain arising on financial assets mandatorily measured at FVTPL*	2121.16	1915.04
Other non-operating Income	81.59	80.73
<b>TOTAL</b>	<u><u>2380.51</u></u>	<u><u>2007.54</u></u>
* Includes ₹1205.52 Lakhs (2017 - ₹1733.11 Lakhs) being net gain arising on sale of Investments		
<b>21. COST OF MATERIALS CONSUMED</b>		
Raw Materials Consumed *		
Opening Stock	21338.53	23726.69
Purchases	47753.49	44458.81
	<u>69092.02</u>	<u>68185.50</u>
Less: Closing Stock	22767.59	21338.53
<b>TOTAL</b>	<u><u>46324.43</u></u>	<u><u>46846.97</u></u>
The above includes cost of unmanufactured tobacco sold - Value ₹21987.18 Lakhs (2017 - ₹23696.78 Lakhs).		
* Includes Packing Material		
<b>22. CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS</b>		
(a) (Increase)/Decrease in Finished Goods		
Opening Stock	10426.56	13466.34
Closing Stock	1742.51	10426.56
	<u>8684.05</u>	<u>3039.78</u>
(b) Increase/(Decrease) in Excise Duties on Finished goods	(8373.58)	(2422.05)
(c) (Increase)/Decrease in Work-in-Progress		
Opening Stock	1061.56	432.63
Closing Stock	666.84	1061.56
	<u>394.72</u>	<u>(628.93)</u>
<b>TOTAL</b>	<u><u>705.19</u></u>	<u><u>(11.20)</u></u>
<b>23. EMPLOYEE BENEFITS EXPENSES</b>		
Salaries and wages*	7546.58	7962.76
Contribution to Provident and Other Funds	902.59	601.85
Staff welfare expenses	470.35	404.95
<b>TOTAL</b>	<u><u>8919.52</u></u>	<u><u>8969.56</u></u>
* Includes ₹ Nil (2017 - ₹793.50 Lakhs) incurred under employee separation scheme		



## NOTES TO THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

	For the year ended 31st March, 2018	For the year ended 31st March, 2017
<b>24. OTHER EXPENSES</b>		
Insurance	122.57	161.28
Consumption of Stores and Spares	535.05	444.23
Power and Fuel	729.45	714.01
Rent	329.52	338.26
Repairs		
Buildings	25.96	10.20
Machinery	87.40	78.74
Others	40.76	34.45
Rates and Taxes	711.44	2429.22
Outward Freight	1441.57	1345.01
Sales Promotion Expenses	669.25	1016.49
Distribution Expenses	659.79	1216.64
(Gain)/Loss on Exchange (Net)	(81.89)	29.81
Miscellaneous	3408.97	3239.22
Payment to Auditors (see note (a) below)	49.10	39.51
Corporate Social Responsibility (see note (b) below)	468.50	453.69
Directors' Sitting Fees & Commission	129.25	108.30
<b>TOTAL</b>	<b>9326.69</b>	<b>11659.06</b>
<b>(a) Payment to Auditors</b>		
Audit fees	27.00	27.00
Tax Audit fees	2.00	2.00
Limited Reviews	6.00	6.00
Fees for certification	2.25	2.25
Fees for audit related services	8.00	-
Reimbursement of expenses	3.85	2.26
	<b>49.10</b>	<b>39.51</b>
<b>(b) Corporate Social Responsibility (CSR)</b>		
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 ₹468.50 Lakhs (2017 - ₹453.69 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)	468.50	453.69
	<b>468.50</b>	<b>453.69</b>
The Company does not carry any provisions in respect of expenditure under CSR for the current year and previous year.		



## NOTES TO THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

	For the year ended 31st March, 2018	For the year ended 31st March, 2017
<b>25. INCOME TAX EXPENSES</b>		
<b>A. Amount recognised in profit or loss</b>		
Current tax		
Current tax for the year	10201.84	7905.44
Adjustments/(credits) related to previous years - Net	(245.64)	219.67
Total Current tax (a)	9956.20	8125.11
Deferred tax		
Origination and reversal of temporary differences	(200.12)	(188.12)
Total Deferred tax (b)	(200.12)	(188.12)
TOTAL (a+b)	9756.08	7936.99
<b>B. Amount recognised in other comprehensive income</b>		
Deferred tax		
On item that will not be reclassified to statement of profit and loss		
- Related to remeasurement gains/(losses) on defined benefit plans	(26.26)	54.77
On item that will be reclassified to statement of profit and loss		
- Related to designated portion of hedging instruments in cash flow hedges	7.37	(5.05)
TOTAL	(18.89)	49.72
<b>C. Reconciliation of effective tax rate</b>		
The income tax expense for the year can be reconciled to the accounting profit as follows:		
Profit before tax	27945.39	23089.65
Income tax expense using Company's domestic tax rate @ 34.608% (2017 - 34.608%)	9671.34	7990.87
Effect of different tax rate on certain items	-	33.45
Effect of expenses not deductible for tax purposes	162.14	157.12
Income tax incentives	-	(544.38)
Others *	(77.40)	299.93
<b>Income tax recognised in profit or loss</b>	9756.08	7936.99
* Others include adjustments related to previous years		
<b>26. EARNINGS PER SHARE</b>		
Earnings per Share is computed as under:		
(a) Profit for the year (₹ in Lakhs)	18189.31	15152.66
(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) ₹	117.79	98.13
(d) Diluted Earnings Per Share (Face Value per Share - ₹10) ₹	117.79	98.13
<b>27. EXPENDITURE ON RESEARCH &amp; DEVELOPMENT</b>		
On Capital account	74.26	2.25
On Revenue account	536.58	396.47
TOTAL	610.84	398.72



## NOTES TO THE FINANCIAL STATEMENTS

VST Industries Limited

### 28. CONTINGENT LIABILITIES AND COMMITMENTS

#### (a) Contingent Liabilities

(i) Claims against the Company not acknowledged as debts ₹336.92 Lakhs (2017 - ₹498.38 Lakhs; 2016 - ₹234.22 Lakhs)

These Comprise -

Excise duty, service tax and customs duty matters ₹332.67 Lakhs (2017 - ₹494.13 Lakhs; 2016 - ₹229.97 Lakhs)

Other matters related to employees/ex-employees, etc. ₹4.25 Lakhs (2017 - ₹4.25 Lakhs; 2016 - ₹4.25 Lakhs)

(ii) The Company's pending litigations comprise of claims against the Company by employees and pertaining to proceedings pending with Income tax, Excise, Custom, Sales/VAT tax and other authorities. The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable, in its financial statements.

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) - ₹2015.33 Lakhs (2017 - ₹5198.96 Lakhs; 2016 - ₹3248.41 Lakhs)

### 29. 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

### 30. RELATED PARTY TRANSACTIONS DURING THE YEAR

	For the year ended 31st March, 2018	For the year ended 31st March, 2017
--	--	--

#### (a) Company having significant influence

British American Tobacco Group

- Dividends paid, to

• The Raleigh Investment Company Limited	2715.31	2534.29
• Tobacco Manufacturers (India) Limited	959.21	895.26
• Rothmans International Enterprises Limited	49.91	46.58

#### (b) Remuneration to Key Managerial Personnel

##### (i) Executive Directors

Mr. N. Sai Sankar (upto 27th November, 2017)

Mr. Devraj Lahiri

Remuneration\*:

- Short-term benefits	415.37	420.69
- other remuneration	105.28	129.21

\* includes ₹23.34 Lakhs (2017 - ₹Nil) subject to shareholders approval

##### (ii) Non-Executive Directors

Mr. Raymond S Noronha

Mr. S Thirumalai

Ms. Mubeen Rafat

Mr. Ramakrishna V Addanki

Dividend Paid	0.02	0.02
Sitting fees and Commission	129.25	108.30



## NOTES TO THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

### 31. SEGMENT REPORTING

The chief operating decision-maker (CODM) evaluates the Company's performance and allocates resources at an overall level considering the business and industry it operates in. Accordingly, the Company's business activity primarily falls within a single operating segment viz. Tobacco and related products. Therefore, the disclosures as per Ind AS 108 - 'Operating Segments' is not applicable.

Geographical segments considered for disclosure mainly consists of sales within India and sales outside India, information in respect thereof is as under:

	For the year ended 31st March, 2018	For the year ended 31st March, 2017
(a) Sales within India	121461.15	213141.24
(b) Sales outside India	14286.54	12582.29
	<u>135747.69</u>	<u>225723.53</u>

The entire activity pertaining to sales outside India is carried out from India, hence all segment assets are considered entirely to be in India.

### 32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

#### A CAPITAL MANAGEMENT

The Company's financial strategy aims to provide adequate capital to its business for growth on a going concern thereby creating sustainable stakeholder value. The Company funds its operations mainly through internal accruals.

#### B CATEGORIES OF FINANCIAL INSTRUMENTS - FAIR VALUE MEASUREMENT AND FAIR VALUE HIERARCHY

The fair values of the financial assets and liabilities are 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 values are consistent with those used for the earlier periods.

Financial assets and liabilities are measured at fair value as at Balance Sheet date as under:

- The fair values of investment in government securities, quoted investment in equity shares is based on the current bid price of respective investment as at the Balance Sheet date.
- The fair values 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 the published statements as at Balance Sheet date. NAV represents the price at which the issuer will issue further units of mutual fund and the price at which issuers will redeem such units from the investors.
- The fair values of the derivative financial instruments has been determined using valuation techniques with market observable inputs such as foreign exchange spot rates and forward rates at end of reporting period, yield curves, volatility, etc., as applicable.
- Cash and cash equivalents (except for investments in mutual funds), 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.

Fair value of the financial instruments have been classified into various fair value hierarchies based on the following three levels:

Level 1 - Quoted prices for identical assets or liabilities in an active market.

Level 2 - Directly or indirectly observable market inputs, other than Level 1 inputs; and

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

If one or more of the significant inputs is not based on observable market data, the fair value is determined using generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparty.

The following table shows the carrying amounts and fair value of financial assets and liabilities, including their levels in the fair value hierarchy:





## NOTES TO THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

Particulars	Note	Fair Value Hierarchy (Level)	As at 31st March, 2018		As at 31st March, 2017		As at 1st April, 2016	
			Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>FINANCIAL ASSETS</b>								
Measured at Fair value through OCI								
i) Equity Instruments	3	Level 1	188.67	188.67	162.58	162.58	126.05	126.05
ii) Equity Instruments	3	Level 3	13.94	13.94	13.94	13.94	13.94	13.94
Sub-total			202.61	202.61	176.52	176.52	139.99	139.99
Measured at Fair value through Profit or Loss								
i) Investment in Mutual Funds	9	Level 1	41409.57	41409.57	17181.93	17181.93	17925.43	17925.43
Sub-total			41409.57	41409.57	17181.93	17181.93	17925.43	17925.43
Derivatives measured at fair value								
i) Foreign exchange forward contracts	5	Level 2	-	-	14.58	14.58	71.58	71.58
Sub-total			-	-	14.58	14.58	71.58	71.58
Measured at amortised cost								
i) Investments in Government Securities	3	-						
ii) Loans	4	-	16.54	16.54	19.60	19.60	27.49	27.49
iii) Other Financial Assets	5	-	1.89	1.89	1.77	1.77	1.81	1.81
iv) Trade receivables	10	-	2733.09	2733.09	1204.13	1204.13	1237.54	1237.54
v) Cash and cash equivalents	11	-	2852.11	2852.11	1192.09	1192.09	1409.56	1409.56
vi) Other bank balances	12	-	906.71	906.71	802.07	802.07	713.84	713.84
Sub-total			6510.34	6510.34	3219.66	3219.66	3390.24	3390.24
Total financial assets			48122.52	48122.52	20592.69	20592.69	21527.24	21527.24
<b>FINANCIAL LIABILITIES</b>								
Derivatives measured at fair value								
i) Foreign exchange forward contracts	17	Level 2	6.71	6.71	-	-	-	-
Sub-total			6.71	6.71	-	-	-	-
Measured at amortised cost								
i) Trade Payables	16	-	5808.95	5808.95	5599.01	5599.01	6455.52	6455.52
ii) Other financial liabilities	17	-	1301.99	1301.99	1004.37	1004.37	1177.30	1177.30
Sub-total			7110.94	7110.94	6603.38	6603.38	7632.82	7632.82
Total financial liabilities			7117.65	7117.65	6603.38	6603.38	7632.82	7632.82

There were no significant changes in the classification and no significant movements between the fair value hierarchy classifications of assets and liabilities during FY 2017-18.

**C. FINANCIAL RISK MANAGEMENT OBJECTIVES**

The Company's risk management framework anchored in its policies and procedures and internal financial controls aims 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, 2018 and 31st March, 2017.

The Company's Current assets aggregate to ₹80485.09 Lakhs (2017 - ₹54788.31 Lakhs; 2016 - ₹60342.85 Lakhs) including Current investments, Cash and cash equivalents and Other bank balances of ₹3758.82 Lakhs (2017 - ₹1994.16 Lakhs; 2016 - ₹2123.40 Lakhs) against an aggregate Current liability of ₹46789.11 Lakhs (2017 - ₹24776.63 Lakhs; 2016 - ₹31718.82 Lakhs); Non-current liabilities amounting to ₹1415.15 Lakhs (2017 - ₹1091.05 Lakhs; 2016 - ₹927.56 Lakhs) on the reporting date. Further, the Company's total equity stood at ₹58209.07 Lakhs (2017 - ₹53897.11 Lakhs; 2016 - ₹51883.34 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, 2018 is ₹202.61 Lakhs (2017 - ₹176.52 Lakhs; 2016 - ₹139.99 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 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, 2018 is ₹2733.09 Lakhs (2017 - ₹1204.13 Lakhs; 2016 - ₹1237.54 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, 2018, 2017 and 1st April, 2016 is the carrying value of each class of financial assets.



## NOTES TO THE FINANCIAL STATEMENTS

VST Industries Limited

### 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 highly rated 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, 2018		As at 31st March, 2017		As at 1st April, 2016	
Currency Pair	Currency	Buy	Sell	Buy	Sell	Buy	Sell
USD/INR	INR	-	2976.06	-	177.30	-	2444.66

The aforesaid hedges have a maturity of less than 1 year from the year end.

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

		As at 31st March, 2018		As at 31st March, 2017		As at 1st April, 2016	
Currency Pair	Currency	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
USD/INR	INR	2375.09	55.82	744.45	17.60	723.48	2243.25
EUR/INR	INR	-	9.19	-	4.81	-	5.76
GBP/INR	INR	-	-	-	22.91	-	-

### 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 Reserve Account' to the extent considered highly effective and are reclassified into the Statement of Profit & Loss upon occurrence of the hedged transactions. Gain or loss on derivative instruments that are either not designated as cash flow hedges or designated as cash flow hedges to the extent considered ineffective is recognised in the Statement of Profit and Loss.

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

₹ in Lakhs

Particulars	2018	2017
<b>At the beginning of the year</b>	9.53	71.58
Add: Changes in the fair value of effective portion of matured cash flow hedges during the year	82.12	93.07
Add: Changes in the fair value of effective portion of outstanding cash flow hedges during the year	(6.71)	14.58
Less: Amounts transferred to the statement of profit and loss on occurrence of transaction during the year	91.64	164.65
(Less)/Add: Deferred tax	2.32	(5.05)
<b>At the end of the year</b>	<u>(4.38)</u>	<u>9.53</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, 2018 to be lower by ₹23.10 Lakhs (2017 - ₹6.99 Lakhs) and pre-tax total equity as at 31st March, 2018 would change by ₹23.10 Lakhs [2017 - ₹6.99 Lakhs; 2016 - ₹(15.26) Lakhs]. A 1% weakening of the INR against these currencies would have led to an equal but opposite effect.



## 33. 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 ₹252.24 Lakhs (2017 - ₹262.83 Lakhs).

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

		2018	2017	2016
Central Government Securities	[%]	24.1	32.9	39.0
State Government Securities	[%]	39.4	35.9	31.7
High Quality Corporate Bonds	[%]	33.0	29.2	27.9
Equity Instruments	[%]	3.1	1.9	1.1
Cash and cash equivalent	[%]	0.4	0.1	0.3

#### (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 by actuarial valuation and charged to revenue in the period determined - ₹435.17 Lakhs; (2017 - ₹427.84 Lakhs). Consequently, liability recognised in the Balance Sheet as at 31st March, 2018 ₹1372.97 Lakhs; (2017 - ₹1026.58 Lakhs; 2016 - ₹770.22 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 by actuarial valuation and are charged to revenue in the period determined. The Gratuity Plan is a funded Plan administered by Company's own Trust which has subscribed to "Group Gratuity Scheme" of Life Insurance Corporation of India.

#### (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 - ₹93.93 Lakhs (2017 - ₹117.74 Lakhs).

In addition to the above, the Company has a funded defined benefit pension scheme for its employees in the workmen category. Liability with regard to such defined benefit plan are determined by actuarial valuation and are charged to revenue in the period determined. 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 accrual for unutilised leave is determined for the entire available leave balance standing to the credit of the employees at period-end. The value of such leave balance eligible for carry forward, is determined by actuarial valuation and charged to revenue in the period determined. The scheme is fully funded by way of subscription to the "Leave Encashment Scheme" of Life Insurance Corporation of India.



## NOTES TO THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

Particulars	As at 31st March, 2018			As at 31st March, 2017		
	Gratuity	Pension	Leave Encashment	Gratuity	Pension	Leave Encashment
<b>A Components of Employer Expense</b>						
Recognised in Profit or Loss						
i) Current Service Cost	168.19	6.03	60.81	233.42	6.46	50.96
ii) Past Service Cost	398.58	-	-	-	-	-
iii) Net Interest Cost	(17.84)	(2.79)	(6.63)	(16.24)	(3.01)	(4.71)
iv) Total expense recognised in the Statement of Profit and Loss	548.93	3.24	54.18	217.18	3.45	46.25
Remeasurements recognised in Other Comprehensive Income						
v) Return on plan assets (excluding amounts included in Net interest cost)	41.77	(1.15)	(2.54)	(45.53)	(0.29)	0.85
vi) Effect of changes in demographic assumptions	-	-	-	-	-	-
vii) Effect of changes in financial assumptions	(192.40)	(2.81)	(52.07)	72.60	3.81	59.75
viii) Changes in asset ceiling (excluding interest income)	-	-	-	-	-	-
ix) Effect of experience adjustments	(42.05)	0.35	175.01	40.08	(6.79)	33.79
x) Total remeasurements included in Other Comprehensive Income	(192.68)	(3.61)	120.40	67.15	(3.27)	94.39
xi) Total defined benefit cost recognised in Profit and Loss and Other Comprehensive Income (iv+x)	356.25	(0.37)	174.58	284.33	0.18	140.64
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" and Leave Encashment in "Salaries and wages" under Note 23. The remeasurements of the net defined benefit liability are included in Other Comprehensive Income.						
<b>B Net Asset/(Liability) recognised in Balance Sheet</b>						
i) Present value of Defined Benefit Obligation	3751.20	95.53	918.63	3619.18	99.26	801.56
ii) Fair Value of Plan Assets	3719.95	130.58	907.70	3589.85	133.94	766.42
iii) Status [Surplus/(Deficit)]	(31.25)	35.05	(10.93)	(29.33)	34.68	(35.14)
<b>C Changes in Defined Benefit Obligation (DBO)</b>						
i) Present value of DBO at the beginning of the year	3619.18	99.26	801.56	3412.29	107.36	676.82
ii) Current Service Cost	168.19	6.03	60.81	233.42	6.46	50.96
iii) Past Service Cost	398.58	-	-	-	-	-
iv) Interest Cost	238.00	6.47	51.96	241.64	7.34	48.21
v) Remeasurement gains/(losses):						
Effect of changes in demographic assumptions	-	-	-	-	-	-
Effect of changes in financial assumptions	(192.40)	(2.81)	(52.07)	72.60	3.81	59.75
Changes in asset ceiling (excluding interest income)	-	-	-	-	-	-
Effect of experience adjustments	(42.05)	0.35	175.01	40.08	(6.79)	33.79
vi) Curtailment Cost/(Credits)	-	-	-	-	-	-
vii) Settlement Cost/(Credits)	-	-	-	-	-	-
viii) Benefits paid	(438.30)	(13.77)	(118.64)	(380.85)	(18.92)	(67.97)
ix) Present value of DBO at the end of the year	3751.20	95.53	918.63	3619.18	99.26	801.56
<b>D Change in Fair Value of Assets</b>						
i) Plan Assets at the beginning of the year	3589.85	133.94	766.42	3287.10	142.22	644.67
ii) Interest Income	255.84	9.26	58.59	257.88	10.35	52.92
iii) Remeasurement gains/(losses) on plan assets	(41.77)	1.15	2.54	45.53	0.29	(0.85)
iv) Actual Company Contributions	354.33	-	80.15	380.19	-	132.15
v) Benefits paid	(438.30)	(13.77)	-	(380.85)	(18.92)	(62.47)
vi) Plan Assets at the end of the year	3719.95	130.58	907.70	3589.85	133.94	766.42



## NOTES TO THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

	As at 31st March, 2018	As at 31st March, 2017	As at 1st April, 2016
<b>E Estimate of Employers' Expected Contribution for the next year</b>			
i) Gratuity	395.80	518.43	523.30
ii) Pension	3.91	10.84	15.28
iii) Leave Encashment	100.73	113.65	60.69
<b>F Acturial Assumptions</b>			
	Discount Rate (%)	Expected Return on Plan Assets (%)	Discount Rate (%)
			Expected Return on Plan Assets (%)
i) Gratuity	7.50	7.50	7.50
ii) Pension	7.50	7.50	7.50
iii) Leave Encashment	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 optimise returns within acceptable risk parameters, the plan assets are well diversified.

### I Net Asset/(Liability) recognised in Balance Sheet

	As at 31st March, 2018			As at 31st March, 2017			As at 1st April, 2016		
	Gratuity	Pension	Leave Encashment	Gratuity	Pension	Leave Encashment	Gratuity	Pension	Leave Encashment
i) Present value of Defined benefit obligations	3751.20	95.53	918.63	3619.18	99.26	801.56	3412.29	107.36	676.82
ii) Fair Value of Plan Assets	3719.95	130.58	907.70	3589.85	133.94	766.42	3287.10	142.22	644.67
iii) Status [Surplus/(Deficit)]	(31.25)	35.05	(10.93)	(29.33)	34.68	(35.14)	(125.19)	34.86	(32.15)

### J 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.





## NOTES TO THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

	DBO as at 31st March, 2018	DBO as at 31st March, 2017
1. Discount Rate + 100 basis points	4505.17	4280.87
2. Discount Rate - 100 basis points	5054.17	4783.32
3. Salary Increase Rate + 1%	5016.16	4623.13
4. Salary Increase Rate - 1%	4530.89	4417.91
<b>Maturity Analysis of the Benefit Payments</b>		
1. Year 1	622.28	661.22
2. Year 2	652.81	592.95
3. Year 3	571.37	615.59
4. Year 4	526.56	530.63
5. Year 5	607.12	460.21
6. Next 5 Years	2024.36	1932.03
<p><b>34.</b> With implementation of Goods &amp; 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, 2018 are not comparable with the previous period.</p>		
<p><b>35. FIRST TIME ADOPTION OF Ind AS</b></p> <p>i The Company has adopted Indian Accounting Standards (Ind AS) with effect from 1st April, 2017, with a transition date of 1st April, 2016. These financial statements for the year ended 31st March, 2018 are the first financial statements, the Company has prepared under Ind AS. For all periods upto and including the year ended 31st March, 2017, the Company prepared its financial statements in accordance with the accounting standards notified under the section 133 of the Companies Act, 2013, read together with the Companies (Accounts) Rules, 2014 ('Previous GAAP').</p> <p>Ind AS 101 (First-time Adoption of Indian Accounting Standards) requires that all Ind AS standards and interpretations that are issued and effective for the first Ind AS financial statements be applied retrospectively and consistently for all financial years presented. Accordingly, the Company has prepared financial statements which comply with Ind AS for year ended 31st March, 2018, together with the comparative information as at and for the year ended 31st March, 2017 and the opening Ind AS Balance Sheet as at 1st April, 2016.</p> <p>ii Ind AS 101 permits first-time adopters certain exemptions from retrospective application of certain requirements under Ind AS. The Company has elected to apply the following exemptions/adjustments from retrospective application :</p> <p>(a) Property, plant and equipment and intangible assets were carried in the Balance Sheet prepared in accordance with previous GAAP as at 31st March, 2016. Under Ind AS, the Company has elected to regard such carrying values as deemed cost on the date of transition. Further, the Company had revalued certain freehold land and buildings based on professional valuation as at 31st March, 1989 and had a balance of ₹265 Lakhs in revaluation reserve on the date of transition. On transition, such revaluation reserve has been adjusted in retained earnings.</p> <p>(b) Classification and measurement of financial assets: The classification of financial assets to be measured at amortised cost or fair value through other comprehensive income (FVOCI) is made on the basis of the facts and circumstances that existed on the date of transition to Ind AS.</p> <p>(c) Under previous GAAP, non-current investments were stated at cost. Where applicable, provision was made to recognise a decline, other than temporary, in valuation of such investments. Under Ind AS, equity instruments have been classified as FVOCI through an irrevocable election on the date of transition.</p> <p>(d) Under previous GAAP, current investments like investments in mutual fund schemes were stated at lower of cost and fair value. Under Ind AS, these financial assets have been classified as Fair Value through Profit or Loss (FVTPL) on the date of transition and fair value changes after the date of transition has been recognised in profit or loss.</p> <p>(e) Under the previous GAAP, actuarial gains and losses related to the defined benefit schemes for gratuity and pension plans and liabilities towards employee leave encashment were recognised in profit or loss. Under Ind AS, the actuarial gains and losses form part of remeasurement of the net defined benefit liability/asset which is recognised in Other Comprehensive Income (OCI). Consequently, the tax effect of the same has also been recognised in OCI instead of profit or loss.</p> <p>(f) Under previous GAAP, dividend payable on equity shares (including tax thereon) was recognised as a liability in the period to which it relates. Under Ind AS, dividends (including the tax thereon) to shareholders are recognised when declared by the members in a general meeting.</p>		



## NOTES TO THE FINANCIAL STATEMENTS

VST Industries Limited

- (g) Estimates: On assessment of the estimates made under the previous GAAP financial statements, the Company has concluded that there is no necessity to revise the estimates under Ind AS, as there is no objective evidence of an error in those estimates. However, estimates that were required under Ind AS but not required under previous GAAP are made by the Company for the relevant reporting dates reflecting conditions existing as at that date.
- iii The following reconciliations provide the explanations and quantification of the differences arising from the transition from previous GAAP to Ind AS in accordance with Ind AS 101:

**A. Reconciliation of total comprehensive income for the year ended 31st March, 2017 is summarised as follows:**

₹ in Lakhs

Particulars	Notes	For the year ended 31st March, 2017
Profit After Tax as reported under previous GAAP		16720.89
Impact of measuring investments at Fair Value Through Profit or Loss	ii (d)	(1747.50)
Reclassification of actuarial gains/(losses), arising in respect of employee benefit schemes, to Other Comprehensive Income	ii (e)	158.27
Tax Adjustments		21.00
Profit After Tax as reported under Ind AS		15152.66
Other Comprehensive Income (net of tax)	ii (c) & (e)	(129.02)
Total Comprehensive Income as reported under Ind AS		15023.64

**B. Reconciliation of equity as reported under previous GAAP is summarised as follows:**

₹ in Lakhs

Particulars	Notes	As at 1st April, 2016 (Date of Transition)	As at 31st March, 2017 (end of last period presented under previous GAAP)
<b>Equity as reported under previous GAAP</b>		37043.37	53707.26
Dividends not recognised as liability until declared (incl tax thereon)	ii (f)	13009.87	-
Impact of measuring derivative financial instruments, being cash flow hedges, at fair value (net of tax)		-	(5.05)
Impact of recognising deferred tax on Freehold Land		110.64	124.98
Impact of measuring investments at Fair Value through Profit or Loss or Fair Value through Other Comprehensive Income (net of tax)	ii (c) & (d)	1719.46	69.92
<b>Equity as reported under Ind AS</b>		51883.34	53897.11

**C. There was no significant reconciliation items between cash flow prepared under previous GAAP and those prepared under Ind AS.**

### 36. 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.	On behalf of the Board,	
For B S R & Associates LLP	R. S. NORONHA	Chairman
Firm Registration No. 116231W/ W - 100024	DIN : 00012620	
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, 12th April, 2018.	Hyderabad, 12th April, 2018.	



₹ in Lakhs

**Operating Results 2009-2018**

	2009	2010	2011	2012	2013	2014	2015	2016	2017 <sup>#</sup>	2018 <sup>#</sup>
<b>REVENUE FROM OPERATION (GROSS)</b>	101735	112542	139964	160276	162607	163121	172308	206299	226130	135864
EXCISE DUTY	62366	65325	81811	91833	95739	84203	88692	117984	133891	41106
<b>OPERATING PROFIT</b>	9535	7018	14257	20977	18031	21811	24257	23740	24774	29481
OTHER INCOME (NET)	681	3323	1711	2572	2625	3244	1809	2020	2008	2381
DEPRECIATION & AMORTISATION	1582	1787	2442	2483	2250	2657	3190	3102	3692	3916
PROFIT BEFORE TAX & EXTRAORDINARY ITEM	8634	8554	13526	21066	18406	22398	22876	22658	23090	27946
<b>PROFIT AFTER TAX &amp; EXTRAORDINARY ITEM</b>	6182	6205	9501	14251	12625	15015	15221	15311	15153	18189
OTHER COMPHRENSIVE INCOME AFTER TAX	--	--	--	--	--	--	--	--	(129)	62
<b>TOTAL COMPHRENSIVE INCOME</b>	6182	6205	9501	14251	12625	15015	15221	15311	15024	18251

**Equity, Liabilities and Assets 2009-2018**

	2009	2010	2011	2012	2013	2014	2015	2016	2017 <sup>#</sup>	2018 <sup>#</sup>
SHARE CAPITAL	1544	1544	1544	1544	1544	1544	1544	1544	1544	1544
OTHER EQUITY	22401	23194	24900	27475	28867	31280	33124	35499	52353	56665
<b>SHAREHOLDER'S FUNDS</b>	23945	24738	26444	29019	30411	32824	34668	37043	53897	58209
PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND CAPITAL WORK-IN-PROGRESS (NET)	13086	13940	15249	16353	17523	20913	19778	21468	22083	22930
OTHER ASSETS (NET OF LIABILITIES*)	10859	10798	11195	12666	12888	11911	14890	15575	31814	35279
<b>NET ASSETS EMPLOYED</b>	23945	24738	26444	29019	30411	32824	34668	37043	53897	58209

**Performance 2009-2018**

	2009	2010	2011	2012	2013	2014	2015	2016	2017 <sup>#</sup>	2018 <sup>#</sup>
EARNINGS PER SHARE (₹)	40.0	40.2	61.5	92.3	81.8	97.2	98.6	99.2	98.1	117.8
DIVIDEND PER SHARE (₹)	30.0	30.0	45.0	65.0	62.5	70.0	70.0	70.0	75.0	77.5
DIVIDEND ^	5420	5402	8076	11666	11291	12646	13010	13010	13939	14427
RETURN ON CAPITAL EMPLOYED (%)	25.8	25.1	35.9	49.1	41.5	45.7	43.9	41.3	28.1	31.2
EARNINGS IN FOREIGN EXCHANGE (FOB VALUE)	10842	15499	15040	15575	12129	15551	19276	18624	12555	14261

^ Includes Income Tax on Dividends.

\* Borrowings - Nil

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



## 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

CIN: L29150TG1930PLC000576

Registered Office: Azamabad, Hyderabad – 500 020

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

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

VST Industries Limited

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

I/We, being a Member/Members of above named Company, hereby appoint :

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

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 87th Annual General Meeting of the Company, to be held on Friday, 28th September, 2018 at 09.30 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*
	<b>Ordinary Business</b>		
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.	Re-appointment of Mr. Ramakrishna V. Addanki (DIN:07147591) who retires by rotation and being eligible, offers himself for re-appointment		
4.	Ratify the appointment of Messrs. B S R & Associates LLP, Chartered Accountants as Statutory Auditors		
	<b>Special Business</b>		
5.	Appointment of Mr. Pradeep V. Bhide (DIN: 03304262) as a Non-Executive Director		
6.	Appointment of Mr. Devraj Lahiri (DIN: 03588071) as Managing Director		
7.	Payment of remuneration by way of Commission to Non-Executive Directors		

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2018

Signature of Member \_\_\_\_\_

Affix a  
15 paise  
Revenue  
Stamp

Signature of Proxy \_\_\_\_\_

#### Note :

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









## Notes



VST Industries Limited

## 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, 2018

Name	Age	Qualifications	Designation & Nature of Duties	Date of Commencement of Employment	Exp. in years	Remuneration received / receivable	Last employment
Names of top ten employees in terms of remuneration drawn and name of every employee who was employed throughout the Financial Year and in receipt of remuneration which, in the aggregate, was not less than 102 lakhs rupees per annum							
1 Devraj Lahiri	45	B.Com., MBA	Managing Director	3/12/2001	20	18,003,481	NFO Singapore
2 Lakshmi Narasaiah T	52	M.Sc. Ag., Ph.D.	Vice President - Leaf	01/02/1994	24	7,570,343	---
3 Rohit Sahni	56	B.Sc.	Vice President - Marketing	3/1/2006	29	7,489,703	Dabur India Limited
4 Gopi A	55	B.E., MBA	Vice President - Technical	8/1/1994	31	7,402,998	BMF Beltings Limited
5 Kalyan Basu	48	B.Com.	Vice President - Marketing	9/15/2006	24	7,320,665	Coca Cola India
6 Anish Gupta	46	B.Com., FCA	Chief Financial Officer	8/7/2000	21	7,124,488	ITW Signode
7 Sriram S	51	B.E.	Vice President - H R	3/2/1993	29	6,333,884	Shriram Refrigeration
8 Biju Joseph	51	B.Tech	General Manager-Technical	3/15/1993	29	4,532,699	Siemens Limited
9 Magesh L	48	MBA	Sr Regional Manager	6/1/2006	28	4,509,910	Alembic Limited
10 Phani Kumar Mangipudi	38	CS, LLB	Company Secretary & Head-Legal & Secretarial	2/7/2017	16	4,155,819	Agro Tech Foods Limited

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

1 Sai Sankar N	60	B.Com.(Hons.), FCA, FCMA, FCS	Managing Director	3/17/1995	37	34,061,156	Palmtech India Limited
2 Subhash Reddy M	58	B.Sc.(Ag.), P G Diploma PMIR	General Manager-Leaf	2/1/1983	36	4,645,059	Union Carbide India Limited

- NOTES :
1. All appointments are / were contractual.
  2. No Director is related to any other Director or employee of the Company listed above.
  3. 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.
  4. 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.

Dated this 12th of April, 2018  
Hyderabad

On behalf of the Board,  
Sd/-  
Raymond S Noronha  
DIN No : 00012620



**VST Industries Limited**