

Independent Auditors' Report

To the Members of VST Industries Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of VST Industries Limited ("the Company"), which comprise the balance sheet as at 31st March 2021, and the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March 2021, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

DESCRIPTION OF KEY AUDIT MATTERS

Key audit matter	How the matter was addressed in our audit
Litigations related to taxation and other claims Refer Note 17 and Note 25 to financial statements and "significant & material orders passed by the regulators or courts or tribunals" section in the Reports of the Board of Directors & Management Discussion and Analysis. The Company is subjected to a large number of central and state tax litigations and other claims pending before various judicial forums, which could have a significant impact on the results depending upon the outcome of the matter. The amounts involved are significant, and the application of accounting standards to determine the amount, if any, to be provided as a liability or disclosed as a contingent liability, is inherently subjective. The Company regularly updates and assesses its legal positions with the use of internal and external legal experts. We considered the tax related litigations and other claims a key audit matter, given the size, complexity and number of cases pending and contingency related to other claims.	Our key audit procedures included: <ul style="list-style-type: none"> We understood the Company's process around the evaluation and continuous re-assessment of tax related liabilities, accounting policy thereof and other claims. Assessed the appropriateness of design and implementation of the Company's key controls over assessment of litigations and appropriateness of disclosures. Performed substantive procedures on the underlying calculations supporting the liabilities recorded. Assessed the management's conclusion through understanding relevant judicial precedents in similar cases and the applicable rules and regulations. Engaged subject matter specialists to gain an understanding of the current status of litigation and developments in the disputes, if any, through discussion with the management and by reading external advice received by the Company, where relevant, to validate management's conclusion. Assessed the adequacy of the Company's disclosures in the financial statements made in relation to tax litigations and other claims.

BASIS FOR OPINION

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the financial statements.

KEY AUDIT MATTERS

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

Key audit matter	How the matter was addressed in our audit
Revenue Recognition Refer to Note 1 - Significant Accounting Policies to the financial statements Regulatory restrictions and taxation changes may have an impact on the revenue growth of the Company and resultant impact on the price and volume of products sold. Revenue from sale of goods is recognized when effective control over goods is transferred to a customer as per the terms of the contract. This is usually evidenced by a transfer of all of the significant risks and rewards of ownership upon delivery of goods to the customer, which in terms of timing is not materially different to the date of shipping. Revenue is measured at contracted price after deduction of any trade discount, trade incentive and other similar discounts and any taxes or duties collected on behalf of the Government which are levied on sales such as Goods and Services Tax etc. Revenue is one of the key performance indicators of the Company and there could be a risk of Management override of controls to meet targets or expectations. This may result in revenue to be recognized before the control have been transferred to the customer.	<ul style="list-style-type: none"> Our audit procedures included considering the appropriateness of the Company's revenue recognition accounting policies including those pertaining to trade incentive schemes and assessed compliance with the policies in terms of the applicable accounting standards. We tested the design, implementation and operating effectiveness of the Company's key controls including IT controls over measurement and recognition of revenue in accordance with customer contracts. We performed tests of details, on a sample basis, to assess whether the revenue recorded is as per the contract terms. Assessed sales transactions taking place at either side of the balance sheet date as well as credit notes issued after the year end date to determine whether revenue was recognized in the correct period. Assessed the overall trade discounts/ trade incentive issued in the current year in comparison with previous year. Assessed the adequacy of accrual made as at year end toward trade incentive schemes. Other audit procedures specifically designed to address risk of Management override of controls including journal entry testing. Assessed the adequacy of the Company's disclosures in the financial statements.

OTHER INFORMATION

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

MANAGEMENT'S AND BOARD OF DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's Management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, profit/

loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Independent Auditors' Report (Contd.)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3) (i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the financial statements made by the Management and Board of Directors.
- Conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained

up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

(A) As required by Section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

- c) The balance sheet, the statement of profit and loss (including other comprehensive income), the statement of changes in equity and the statement of cash flows dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under section 133 of the Act;
- e) On the basis of the written representations received from the directors as on 31st March 2021 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2021 from being appointed as a director in terms of Section 164(2) of the Act; and
- f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

(B) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i. The Company has disclosed the impact of pending litigations as at 31st March 2021 on its financial position in its financial statements - Refer Note 17 and 25 to the financial statements;
- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company;
- iv. The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8th November 2016 to 30th December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31st March 2021.

(C) With respect to the matter to be included in the Auditors' Report under section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid by the Company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

for **B S R & Associates LLP**

Chartered Accountants

Firm's Registration Number: 116231W/ W-100024

Sriram Mahalingam

Partner

Place: Hyderabad

Date: 27th April 2021

Membership Number: 049642

UDIN: 21049642AAAABB6309

Annexure A to the Independent Auditors' report on the financial statements of VST Industries Limited for the year ended 31st March 2021

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

We report that:

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) The fixed assets 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 fixed assets 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 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. In our opinion and according to the information and explanations given to us, 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 of the Act. Accordingly, paragraph 3(iii) of the Order is not applicable to the Company.
- iv. According to the information and explanations given to us, 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 of the Act. Accordingly, paragraph 3(iv) of the Order is not applicable to the Company.
- v. According to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of the directives issued by the Reserve Bank of India, provisions of section 73 to 76 of the Act, any other relevant provisions of the Act and the relevant rules framed thereunder. Accordingly, paragraph 3(v) of the Order is not applicable to the Company.
- vi. To the best of our knowledge and as explained, 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 Services tax, duty of Customs, duty of Excise, Cess and other material statutory dues were in arrears as at 31st March 2021 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, duty of Customs, duty of Excise, Sales tax 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 Service tax and Goods and Services tax have not been deposited by the Company on account of disputes.

Name of statute	Nature of dues	Amount in lakhs (₹)*	Period to which the amount relates	Forum where the dispute is pending
The Central Excise Act, 1944	Service tax credit ineligibility under Cenvat Credit Rules, 2002	248.82	May 2008 to Sep 2011; Oct 2012 to Sep 2013; Aug 2015 to Mar 2016; Apr 2016 to Mar 2017	Customs, Excise & Service Tax Appellate Tribunal
Goods and Services Tax Act	Goods & Services Tax	96.67	Financial year 2019-20	Allahabad High Court
Service tax (Finance Act, 1994)	Service Tax	16.52	October 2014 to March 2015 to April to June 2017	Commissioner (Appeals), Hyderabad

*as per demand orders and net of amount deposited / paid under protest, if any.

- viii. According to the information and explanations given to us, 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. According to the information and explanations given to us, 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 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. 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 Sections 177 and 188 of the Act, where applicable and details of such related party transactions have been disclosed in the Note 27 to the financial Statements as required by the applicable Indian Accounting Standards.
- xiv. According to the information and explanations given to us, 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. According to the information and explanations given to us and based on our examination of the records of the Company, 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

Firm's Registration Number: 116231W/ W-100024

Sriram Mahalingam

Partner

Place: Hyderabad

Date: 27th April 2021

Membership Number: 049642

UDIN: 21049642AAAABB6309

Annexure B to the Independent Auditors' report on the financial statements of VST Industries Limited for the year ended 31st March 2021

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

(Referred to in paragraph (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

OPINION

We have audited the internal financial controls with reference to financial statements of VST Industries Limited ("the Company") as of 31st March 2021 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31st March 2021, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and whether such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

MEANING OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include those

policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

Because of the inherent limitations of internal financial controls with reference to financial statements, including the

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

for **B S R & Associates LLP**

Chartered Accountants

Firm's Registration Number: 116231W/ W-100024

Sriram Mahalingam

Partner

Place: Hyderabad

Date: 27th April 2021

Membership Number: 049642

UDIN: 21049642AAAABB6309

Balance Sheet

As at 31st March 2021

	Note	₹ in Lakhs	
		As at 31st March 2021	As at 31st March 2020
I ASSETS			
1 Non-Current Assets			
(a) Property, Plant and Equipment	2A	17272.80	18704.82
(b) Capital Work-in-Progress	2B	3324.78	1264.79
(c) Intangible Assets	2C	3.62	5.43
(d) Financial Assets			
(i) Investments	3	269.54	178.85
(ii) Loans	4	9.37	12.30
(iii) Other Financial Assets	5	1.77	1.77
(e) Deferred Tax Assets (Net)	6	2524.46	2640.32
(f) Other Non-Current Assets	7	99.62	520.17
2 Current Assets			
(a) Inventories	8	29717.64	29773.85
(b) Financial Assets			
(i) Investments	9	88442.85	75119.79
(ii) Trade Receivables	10	1521.28	1536.55
(iii) Cash and Cash Equivalents	11	936.73	2622.09
(iv) Other Bank Balances	12	1146.64	1123.35
(v) Loans	4	1.98	1.33
(vi) Other Financial Assets	5	78.89	0.38
(c) Other Current Assets	7	3227.00	6198.11
TOTAL		148578.97	139703.90
II EQUITY AND LIABILITIES			
1 Equity			
(a) Equity Share Capital	13	1544.19	1544.19
(b) Other Equity		92500.08	77164.44
2 Liabilities			
Non - Current Liabilities			
(a) Provisions	14	2207.88	1985.45
Current Liabilities			
(a) Financial Liabilities			
(i) Trade Payables	15	176.49	18.86
-Total outstanding dues of micro enterprises and small enterprises		12969.39	14264.63
(ii) Other Financial Liabilities	16	1655.05	2433.97
(b) Other Current Liabilities	17	35722.26	40316.60
(c) Current Tax Liabilities (Net)	6	1803.63	1975.76
TOTAL		148578.97	139703.90

The accompanying notes 1 to 31 form an integral part of the Financial Statements.

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

On behalf of the Board,

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

NARESH KUMAR SETHI
DIN : 08296486

Chairman

ADITYA DEB GOOPTU
DIN : 07849104

Managing Director

ANISH GUPTA

Chief Financial Officer

PHANI K. MANGIPUDI

Company Secretary

SRIRAM MAHALINGAM
Partner
Membership No. 049642
Hyderabad, 27th April 2021

Hyderabad, 27th April 2021

Statement of Profit and Loss

For the year ended 31st March 2021

	Note	₹ in Lakhs	
		For the year ended 31st March 2021	For the year ended 31st March 2020
I REVENUE FROM OPERATIONS	18	147288.87	137041.98
II OTHER INCOME	19	4178.60	4736.30
III TOTAL INCOME (I + II)		151467.47	141778.28
IV EXPENSES			
Cost of Materials Consumed	20	47715.44	60015.27
Changes in Inventories of Finished Goods and Work-in-Progress	21	174.55	(160.01)
Excise Duty		36190.55	13107.03
Employee Benefits Expense	22	11441.87	10242.38
Depreciation and Amortisation Expense		3507.46	4175.68
Other Expenses	23	10707.34	12372.76
Total Expenses		109737.21	99753.11
V PROFIT BEFORE TAX (III - IV)		41730.26	42025.17
VI TAX EXPENSE:			
1) Current tax	6	10586.32	11086.00
2) Deferred tax	6	64.51	529.96
		10650.83	11615.96
VII PROFIT FOR THE YEAR (V - VI)		31079.43	30409.21
Other Comprehensive Income			
A (i) Items that will not be reclassified to profit or loss:			
- Remeasurements of the defined benefit plans (net)		(54.45)	(314.01)
- Change in Fair Value of Equity instruments		90.68	(47.13)
(ii) Income tax relating to items that will not be reclassified to profit or loss	6	3.33	84.44
B (i) Items that will be reclassified to profit or loss:			
- Change in Fair Value of effective portion of Cash flow hedges		162.81	(205.09)
(ii) Income tax relating to items that will be reclassified to profit or loss	6	(40.98)	63.41
VIII OTHER COMPREHENSIVE INCOME [A+B]		161.39	(418.38)
IX TOTAL COMPREHENSIVE INCOME FOR THE YEAR (VII + VIII)		31240.82	29990.83
X EARNINGS PER EQUITY SHARE (FACE VALUE ₹ 10 EACH):			
1) Basic (in ₹)	24	201.27	196.93
2) Diluted (in ₹)	24	201.27	196.93

The accompanying notes 1 to 31 form an integral part of the Financial Statements.

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

On behalf of the Board,

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

NARESH KUMAR SETHI Chairman
DIN : 08296486

ADITYA DEB GOOPTU Managing Director
DIN : 07849104

SRIRAM MAHALINGAM
Partner
Membership No. 049642

ANISH GUPTA Chief Financial Officer

PHANI K. MANGIPUDI Company Secretary

Hyderabad, 27th April 2021Hyderabad, 27th April 2021

Statement of Changes in Equity

For the year ended 31st March 2021

A EQUITY SHARE CAPITAL

	₹ in Lakhs		
	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 31 st March 2020	1544.19	-	1544.19
For the year ended 31 st March 2021	1544.19	-	1544.19

B OTHER EQUITY

	Reserve and Surplus			Other Comprehensive Income (OCI)			Total
	Capital Redemption Reserve	General Reserve	Retained Earnings	Equity Instruments	Cash Flow Hedge	Remeasurement of defined benefit plans (net)	
Balance as at 31st March 2019	1000.25	25552.15	38365.11	85.37	78.49	(222.51)	64858.86
Profit for the year			30409.21				30409.21
Other Comprehensive Income (net of tax)				(41.72)	(141.68)	(234.98)	(418.38)
Dividend on Ordinary Shares - Final (₹ 95/- per share)			(14669.82)				(14669.82)
Dividend tax thereon			(3015.43)				(3015.43)
Transfer to General Reserve		3000.00	(3000.00)				-
Balance as at 31st March 2020	1000.25	28552.15	48089.07	43.65	(63.19)	(457.49)	77164.44
Profit for the year			31079.43				31079.43
Other Comprehensive Income (net of tax)			(40.75)	80.31	121.83		161.39
Dividend on Ordinary Shares - Final (₹ 103/- per share)			(15905.18)				(15905.18)
Transfer to Retained Earnings			(457.49)			457.49	-
Transfer to General Reserve		3000.00	(3000.00)				-
Balance as at 31st March 2021	1000.25	31552.15	59765.08	123.96	58.64	-	92500.08

An amount of ₹ 114/- per ordinary share (2020- ₹ 103/-) amounting to total of ₹ 17603.79 Lakhs (2020 - ₹ 15905.18 Lakhs) is recommended to be paid as dividend by the Board of Directors of the Company, subject to approval of the Shareholders at their Annual General Meeting and has not been recognised as a liability in these financial statements.

Nature and purpose of reserves

- Capital Redemption Reserve: The Company has recognised Capital Redemption Reserve on redemption of cumulative preference shares.
- General Reserve: The Company has transferred a portion of the net profit of the Company to General Reserve and the same can be utilised by the Company in accordance with the provisions of the Companies Act 2013.
- Retained Earnings: Retained earnings are the profits that the Company has earned till date, less any transfers to general reserve, dividends or other distributions paid to shareholders.
- Equity Instruments through Other Comprehensive Income: This Reserve represents the cumulative gains (net of losses) arising on revaluation of Equity Instruments measured at fair value through Other Comprehensive Income, net of amounts reclassified, if any, to Retained Earnings when those instruments are disposed off.
- Cash Flow Hedge: This Reserve represents the cumulative effective portion of change in fair value of derivatives that are designated as Cash Flow Hedge. It will be reclassified to statement of profit or loss in accordance with the Company's accounting policy.
- Remeasurement of Defined Benefit Plans: This represents net actuarial gain/loss arising on account of remeasurement of defined employee benefit plans.

The accompanying notes 1 to 31 form an integral part of the Financial Statements.

This is the Statement of Changes in Equity referred to in our report of even date. On behalf of the Board,

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

SRIRAM MAHALINGAM
Partner
Membership No. 049642
Hyderabad, 27th April 2021

NARESH KUMAR SETHI
DIN : 08296486
Chairman

ADITYA DEB GOOPTU
DIN : 07849104
Managing Director

ANISH GUPTA
Chief Financial Officer

PHANI K. MANGIPUDI
Company Secretary

Hyderabad, 27th April 2021

Statement of Cash Flows

For the year ended 31st March 2021

	₹ in Lakhs	
	For the year ended 31st March 2021	For the year ended 31st March 2020
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Tax	41730.26	42025.17
Adjustments:		
Depreciation and Amortisation Expense	3507.46	4175.68
Gain on sale of Property, Plant and Equipment (Net)	(1.33)	(23.97)
Provision no Longer Required Written Back	(529.50)	-
Unrealised (Gain) / Loss on Exchange (Net)	23.14	(46.58)
Interest on Loans and Deposits, etc.	(4.35)	(12.57)
Dividend Income	(3.76)	(4.39)
Net gain arising on Investments measured at FVTPL	(3551.27)	(4484.82)
Operating Profit before Working Capital Changes	41170.65	41628.52
Movement in Working Capital:		
Inventories	56.21	(1588.89)
Trade Receivables	(16.63)	(51.55)
Advances and Other Assets	2953.94	(1262.27)
Trade Payables	(1136.53)	5981.40
Other Liabilities and Provisions	(3665.46)	(1021.13)
Cash generated from Operations	39362.18	43686.08
Income Taxes Paid (Net)	(10744.76)	(10541.29)
Net cash from Operating Activities	28617.42	33144.79
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment, Intangibles, etc	(4637.38)	(2192.16)
Sale of Property, Plant and Equipment	1.33	26.85
Purchase of Current Investments	(250250.08)	(344964.00)
Sale/ Redemption of Current Investments	240478.29	331634.91
Dividend Income from Non-Current Investments	3.76	4.39
Interest on Loans and Deposits, etc.	4.21	12.75
Loans realised	2.27	1.21
Net cash used in Investing Activities	(14397.60)	(15476.05)
C CASH FLOW FROM FINANCING ACTIVITIES		
Dividends (including tax thereon) paid on equity shares	(15905.18)	(17685.25)
Net cash used in Financing Activities	(15905.18)	(17685.25)
Net change in cash and cash equivalents	(1685.36)	(16.51)
Opening cash and cash equivalents	2622.09	2638.60
Closing cash and cash equivalents	936.73	2622.09

The accompanying notes 1 to 31 form an integral part of the Financial Statements.

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

On behalf of the Board,

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

SRIRAM MAHALINGAM
Partner
Membership No. 049642

Hyderabad, 27th April 2021

NARESH KUMAR SETHI
DIN : 08296486
Chairman

ADITYA DEB GOOPTU
DIN : 07849104
Managing Director

ANISH GUPTA
Chief Financial Officer

PHANI K. MANGIPUDI
Company Secretary

Hyderabad, 27th April 2021

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

Company Information

VST Industries Limited (the 'Company') is a public limited Company domiciled in India with its registered office located at 1-7-1063/1065, Azamabad, Hyderabad - 500020. The Company is listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE).

The Company is engaged inter-alia in manufacture and trading of Cigarettes, Tobacco and Tobacco products.

Statement of Compliance

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act 2013 read with the Companies (Indian Accounting Standards) Rules 2015 and relevant amendment Rules issued thereafter.

The financial statements have also been prepared in accordance with the relevant presentation requirements of the Companies Act 2013.

The financial statements were authorised for issue by the Company's Board of Directors on 27th April 2021.

Basis of Preparation of Financial Statements

The financial statements have been prepared on accrual and going concern basis. The Accounting Policies are applied consistently to all the periods presented in the financial statements. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria as set out in the Division II of Schedule III to the Companies Act 2013. Based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

The statement of cash flows has been prepared under indirect method.

Basis of Measurement

These financial statements are prepared in accordance with Indian Accounting Standards (Ind AS) under the historical cost convention on accrual basis, except for certain items that are measured at fair value, as explained in the accounting policies. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between

market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability, if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and / or disclosure purposes in these financial statements is determined on such a basis, except leasing transactions that are within the scope of Ind AS 116 - Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in Ind AS 2 - Inventories or value in use in Ind AS 36 - Impairment of Assets.

Key Accounting Estimates and Judgements

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses for the year. The estimates and underlying assumptions are reviewed on an ongoing basis. Actual results could differ from those estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; they are recognised in the period of the revision and future periods if the revision affects both current and future periods.

Information about critical judgements in applying accounting policies, as well as estimates and assumptions that have the most significant effect to the carrying amounts of assets and liabilities within the next financial year, are included in the following notes:

- Useful lives of property, plant and equipment and intangible assets - Note 2
- Measurement of defined benefit obligations - Note 30
- Measurement and likelihood of occurrence of provisions and contingencies - Notes 25
- Recognition of deferred tax assets - Note 6
- Fair value measurements and valuation processes - Note 29

Notes to the Financial Statements

Property, Plant and Equipment

Property, plant and equipment are stated at acquisition or construction cost, net of accumulated depreciation and accumulated impairment losses, if any. Upon adoption of Ind AS, the Company had elected to measure all its property, plant and equipment at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1st April 2016.

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

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

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any 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.

Based on technical evaluation, the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence, the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013.

The residual values, useful lives and method of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Intangible Assets

Intangible assets are stated at cost less any accumulated amortisation and accumulated impairment losses, if any.

Computer Software (including licence fee and cost of implementation / system integration services) is capitalised where ever it is expected to provide future enduring economic benefits. Cost of upgradation/ enhancements is charged off as revenue expenditure unless they bring similar significant benefits.

The useful lives of intangible assets are assessed as either finite or infinite. Finite-life intangible assets are amortised on a straight-line basis over the period of their expected useful lives. Estimated useful lives by major class of finite-life intangible assets are as follows:

Computer software	- 4 years
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The amortisation period and the amortisation method for finite-life intangible assets is reviewed at each financial year end and adjusted prospectively, where appropriate.

The assessment of infinite life is reviewed annually to determine whether the infinite life continues, if not, it is impaired or changed prospectively basis revised estimates.

Impairment of Non Financial Assets

Assessment for impairment is done at each Balance Sheet date as to whether there is any indication that a non-financial asset may be impaired. Impairment loss, if any, is provided to the extent, the carrying amount of non- financial assets or cash generating units exceed their recoverable amount.

Recoverable amount is higher of an asset's or cash generating unit's fair value less cost of disposal and its value in use. Value in use is the net present value of estimated future cash flows expected to arise from the continuing use of an asset or cash generating unit and from its disposal at the end of its useful life.

Assessment is also done at each Balance Sheet date as to whether there is any indication that an impairment

Notes to the Financial Statements

loss recognised for an asset in prior accounting periods may no longer exist or may have decreased, basis the assessment a reversal of an impairment loss of an asset is recognised in the Statement of Profit and Loss.

Derivatives and Hedge Accounting

Derivatives are initially recognised at fair value and are subsequently re-measured to their fair value at the end of each reporting period.

The resulting gain / loss is recognised in the Statement of Profit and Loss immediately unless the derivative is designated as an effective hedging instrument, in which event the timing of recognition in profit or loss / inclusion in the initial cost of non-financial asset depends on the nature of the hedging relationship and the nature of the hedged item.

The Company complies with the principles of hedge accounting where derivative contracts are designated as hedge instruments. At the inception of the hedge relationship, the Company documents the relationship between the hedge instrument and the hedged item along with the risk management objectives and its strategy for undertaking hedge transaction, which can be a fair value hedge or a cash flow hedge.

(i) Fair value hedges

Changes in fair value of the designated portion of derivatives that qualify as fair value hedges are recognised in Statement of Profit and Loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the designated portion of hedging instrument and the change in fair value of the hedged item attributable to the hedged risk are recognised in the statement of profit and loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

(ii) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the other comprehensive income and accumulated as 'Cash Flow Hedge' in Equity. The gains / losses

relating to the ineffective portion is recognised in the statement of profit and loss. Amounts previously recognised and accumulated in other comprehensive income are reclassified to profit or loss when the hedged item affects the Statement of Profit and Loss. However, when the hedged item results in the recognition of a non-financial asset, such gains / losses are transferred from equity (but not as reclassification adjustment) and included in the initial measurement cost of the non-financial asset.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gains/losses recognised in other comprehensive income and accumulated in equity at that time remains in equity and is reclassified to statement of profit and loss when the underlying transaction is ultimately recognised. When an underlying transaction is no longer expected to occur, the gains / losses accumulated in equity is recognised immediately in the Statement of Profit and Loss.

Foreign Currencies

The financial statements are presented in INR, the functional currency of the Company. Items included in the financial statements of the Company are recorded using the currency of the primary economic environment in which the Company operates (the 'functional currency').

Foreign currency transactions are translated into the functional currency using exchange rates on the date of the transaction. Foreign exchange gains and losses from settlement of these transactions and from translation of monetary assets and liabilities at the exchange rate prevailing on reporting date are recognised in the Statement of Profit and Loss.

Financial Instruments

I. Financial Assets

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, a financial asset is recognised at fair value. In case of financial assets which are recognised at fair value through profit and loss, its transaction cost are recognised in the Statement of Profit and Loss. In other cases, the transaction cost are attributed to the acquisition value of the financial asset. Financial assets are subsequently classified as measured at

- amortised cost
- fair value through profit and loss ('FVTPL')
- fair value through other comprehensive income ('FVOCI').

Financial assets are not reclassified subsequent to their recognition, except if and in the period the Company changes its business model for managing financial assets.

Trade Receivables and Loans

Trade receivables are initially recognised at fair value. Subsequently, these assets are held at amortised cost, using the effective interest rate ('EIR') method net of any expected credit losses. The EIR is the rate that discounts estimated future cash income through the expected life of financial instrument.

Debt Instruments

Debt instruments are initially measured at amortised cost, or FVTPL or FVOCI till derecognition, on the basis of (i) the entity's business model for managing the financial assets and (ii) the contractual cash flow characteristics of the financial asset.

- Measured at amortised cost: Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payment of principal and interest, are subsequently measured at amortised cost using the EIR method less impairment, if any. The amortisation of EIR and loss arising from impairment, if any is recognised in the Statement of Profit and Loss.
- Measured at fair value through other comprehensive income: Financial assets that are held within a business model whose objective is achieved by both, selling financial assets and collecting contractual cash flows that are solely payments of principal and interest, are subsequently measured at fair value through other comprehensive income. Fair value movements are recognised in the other comprehensive income (OCI). Interest income measured using the EIR method and impairment losses, if any are recognised in the Statement of Profit and Loss. On derecognition, cumulative gain or loss previously recognised in OCI is reclassified

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

- 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 recognised for all financial assets subsequent to initial recognition other than financial assets in FVTPL category.

For financial assets other than trade receivables, as per Ind AS 109, the Company recognises 12 month expected credit losses for all originated or acquired financial assets if at the reporting date the credit risk of the financial asset has not increased significantly since its initial recognition. The expected credit losses are measured as lifetime expected credit losses if the credit risk on financial asset increases significantly since its initial recognition. The Company's trade receivables

Notes to the Financial Statements

do not contain significant financing component and loss allowance on trade receivables is measured at an amount equal to life time expected losses i.e. expected cash shortfall.

The impairment losses and reversals are recognised in the Statement of Profit and Loss.

II. Financial Liabilities

Initial recognition and measurement

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at the amortised cost unless at initial recognition, they are classified as fair value through profit and loss.

In case of trade payables, they are initially recognised at fair value and subsequently, these liabilities are held at amortised cost, using the EIR method.

Subsequent measurement

Financial liabilities are subsequently measured at amortised cost using the EIR method. Financial liabilities carried at fair value through profit or loss are measured at fair value with all changes in fair value recognised in the Statement of Profit and Loss.

Derecognition

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Offsetting Financial Instrument

Financial assets and liabilities are offset and the net amount is included in the Balance Sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liability simultaneously.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is computed on a weighted average basis. Cost includes all costs of purchases net of input tax credit availed, conversion costs and other attributable expenses incurred in bringing the inventories to their present location and condition and includes, where applicable, appropriate overhead cost based on normal level of activity. The net realisable value is the estimated selling price in the ordinary course

of business less the estimated costs of completion and estimated costs necessary to make the sale.

Obsolete, slow moving and defective inventories are identified from time to time and, where necessary, a provision is made for such inventories.

Assets Held for Sale

Non-current assets or disposal groups comprising of assets and liabilities are classified as 'held for sale' when all of the following criteria's are met: (i) decision has been made to sell (ii) the assets are available for immediate sale in its present condition (iii) the assets are being actively marketed and (iv) sale has been agreed or is expected to be concluded within 12 months of the Balance Sheet date.

Subsequently, such non-current assets and disposal groups classified as held for sale are measured at the lower of its carrying value and fair value less costs to sell. Non-current assets held for sale are not depreciated or amortised.

Cash and Cash Equivalents

Cash and cash equivalents are cash, balances with bank and short-term (three months or less from the date of acquisition), highly liquid investments that are readily convertible into cash and which are subject to an insignificant risk of changes in value.

Provisions and Contingent Liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance Sheet date.

If the effect of the time value of money is material, provisions are discounted to reflect 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

Notes to the Financial Statements

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 effective control over goods is transferred to a customer as per the terms of the contract.

This is usually evidenced by a transfer of all the significant risks and rewards of ownership upon delivery of goods to the customer, which in terms of timing is not materially different to the date of shipping. Revenue is measured at the contracted price received or receivable after deduction of any trade discount, incentive and other similar discounts and any taxes or duties collected on behalf of the Government which are levied on sales such as goods and service tax, etc.

Income from export incentives such as duty drawback is recognised on accrual basis.

Interest income is recognised using the effective interest rate (EIR) method.

Dividend income on investments is recognised when the right to receive dividend is established.

Expenditure

Expenses are accounted on accrual basis.

Employee Benefits

Defined Contribution Plans

Contributions to defined contribution schemes such as employees' state insurance, labour welfare fund, superannuation scheme, employee pension scheme etc. are charged as an expense based on the amount of contribution required to be made as and when services are rendered by the employees. Provident fund contribution in respect of certain employees, who are members of constituted and approved trusts, the Company recognises contribution payable to such trusts as an expense including any shortfall in interest between the amount of interest realised 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 recognised as an expense, when an employee renders the related service.

Defined Benefit Plans

The Company also makes contribution to defined benefit pension and gratuity plan. The cost of providing benefits under the defined benefit obligation is calculated by independent actuary using the projected unit credit method. Service costs and net interest expense or income is reflected in the Statement of Profit and Loss. Gain or loss on account of remeasurements are recognised immediately through other comprehensive income in the period in which they occur.

Other Long Term Employee Benefits

The employees of the Company are entitled to compensated leave for which the Company records the liability based on actuarial valuation computed using projected unit credit method. These benefits are funded.

Termination Benefits

Termination benefits, in the nature of voluntary retirement benefits or termination benefits arising from restructuring, are recognised in the Statement of Profit and Loss. The Company recognises termination benefits at the earlier of the following dates:

- when the Company can no longer withdraw the offer of those benefits; or
- when the Company recognises costs for a restructuring that is within the scope of Ind AS 37 and involves the payment of termination benefits.

Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Code on Social Security 2020 - update

The Indian parliament has passed and approved the Code on Social Security 2020, however, the effective date of the code and complete clarity on the rules/interpretations are still awaited. The Company will evaluate the subject rules once they are notified and recognise the consequent impact, if any, in its financial statements in the period in which, the Code becomes effective.

Share-based Payments

Employees of the Company receive remuneration in the form of share based payments in consideration of the services rendered. Under the equity-settled share based payment, fair value of the equity instruments at the grant date determined by independent valuer using

Black Scholes Model and this recognised in the Statement of Profit and Loss as 'Employee benefit

Notes to the Financial Statements

expense' on a systematic basis over the vesting period of the option, based on the company's estimate of equity instruments that will eventually vest with corresponding increase in other equity.

In case of forfeiture/lapse of stock options, which is not vested, amortised portion is reversed by credit to employee compensation expense.

Treasury Shares

The Company has created an Employee Benefit Trust (EBT) for providing share based payment to its employees. The Company uses EBT as a vehicle for distributing shares to employees under the Employee Stock Option Scheme. The EBT purchases shares from the market, for giving shares to employees. The Company treats EBT as its extension and the shares held by EBT are treated as treasury shares.

Own equity instruments that are re-acquired (treasury shares) are recognised at cost and deducted from other equity. No gain or loss is recognised in Statement of Profit and Loss on purchase, sale, issue or cancellation of the company's own equity instruments. Any difference between carrying amount and the consideration, if reissued or sold, is recognised in capital reserve. Share options exercised during the reporting period are settled with treasury shares.

Income Taxes

Income tax expense for the year comprises of current tax and deferred tax. It is recognised in the Statement of Profit and Loss except to the extent it relates to a business combination or to an item which is recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable/receivable on the taxable income/ loss for the year using applicable tax rates at the Balance Sheet date, and any adjustment to taxes in respect of previous years. Interest income/ expenses and penalties, if any, related to income tax are included in current tax expense.

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes.

A deferred tax liability is recognised based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted, or substantively enacted, by the end of the reporting period. Deferred tax assets are recognised

only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable the related tax benefit will be realised.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

Earnings Per Share

Basic earnings per share is computed by dividing the net profit for the period attributable to the equity shareholders of the Company by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity Shares.

Dividend Distribution

Dividend paid (including income tax thereon, if any) is recognised 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 which are short term that have a lease term of 12 months and low value leases in which a substantial portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments and receipts under such leases are recognised to the Statement of Profit and Loss on a straight-line basis over the term of the lease unless the lease payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases, in which case the same are recognised as an expense in line with the contractual term.

Notes to the Financial Statements

	Gross Block		Accumulated Depreciation & Amortisation				Net Block	
	Balance as at 31st March 2019	Additions	Disposals	Balance as at 31st March 2020	For the year on Disposals	Adjustment on Disposals	Balance as at 31st March 2021	Balance as at 31st March 2020
Land	2281.22	-	-	2281.22	-	-	-	2281.22
Buildings on Freehold Land (including roads)	5628.79	50.25	-	5679.04	2.31	-	1334.31	4347.04
Buildings on Leasehold Land	51.54	1.77	-	53.31	28.48	-	21.51	60.28
Plant & Equipment	23238.03	1189.92	1.26	24426.69	1862.13	63.50	16858.31	9367.01
Electrical Installation & Equipment	1110.59	140.97	-	1251.56	46.45	-	458.85	839.16
Furniture & Fixtures	270.01	17.85	1.05	286.81	24.09	0.78	136.78	173.34
Motor Vehicles	117.27	91.68	66.92	142.03	-	66.40	84.70	57.33
Office Equipment	254.67	55.40	3.91	306.16	110.17	6.59	262.32	147.42
Total Property, Plant and Equipment	37952.12	1547.84	73.14	34426.82	2073.63	70.87	19156.78	17772.80
				36429.58	4173.87	70.26	15722.00	18704.82
2B. CAPITAL WORK-IN-PROGRESS								
2C. INTANGIBLE ASSETS								
Computer Software, etc.	14.28	-	-	14.28	7.04	1.81	10.66	3.62
Total Intangible assets	14.28	-	-	14.28	7.04	1.81	10.66	3.62
								5.43

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

3. NON - CURRENT INVESTMENTS

	₹ in Lakhs	
	As at 31st March 2021	As at 31st March 2020
Investment in Government / Trust Securities (at amortised cost)		
National Savings Certificate cost ₹ 500 (2020 - ₹ 500) Lodged with Government Authority		
Investment in Mutual Funds (at fair value through other comprehensive income)		
HDFC - Top 100 Fund - Regular Plan- Dividend Option 50,000 units of ₹10 each	21.84	14.55
	21.84	14.55
Investment in Equity instruments Other than Trade (at fair value through other comprehensive income)		
QUOTED		
Duncan Industries Limited 184 Equity Shares of ₹ 10 each fully paid up	0.02	0.02
Godfrey Phillips India Limited 1000 Equity Shares of ₹ 2 each fully paid up	9.13	9.42
Golden Tobacco Limited 50 Equity Shares of ₹10 each fully paid up	0.02	0.01
Housing Development Finance Corporation Limited 6,000 Equity Shares of ₹ 2 each fully paid up	149.92	97.81
HDFC Bank Limited 5,000 Equity Shares of ₹ 1 each fully paid up	74.67	43.10
	233.76	150.36
UNQUOTED		
Andhra Pradesh Gas Power Corporation Limited 1,39,360 shares of ₹ 10 each fully paid up	13.94	13.94
Twin Towers Premises Co-operative Society Limited * 10 Shares of ₹ 50 each fully paid up (Cost ₹ 500, 2020 - ₹ 500) Tobacco Institute of India - (Limited by Guarantee Maximum * Contribution ₹ 10.00 Lakhs) CREF Finance Limited * 50,00,000 Equity Shares of ₹ 10 each fully paid up ITC Agrotech Finance and Investments Limited * 23,82,500 Equity Shares of ₹ 10 each fully paid up		
	13.94	13.94
Total of Non - Current Investments	269.54	178.85
Aggregate amount of Quoted Investments - Market Value	255.60	164.91
Aggregate amount of Unquoted Investments	13.94	13.94

* Fair value of these investments is negligible

Notes to the Financial Statements

4. LOANS

	As at 31st March 2021		As at 31st March 2020	
	Current	Non-Current	Current	Non-Current
Loans to Employees				
Secured, considered good	1.80	9.37	1.15	12.30
Unsecured, considered good	0.18	-	0.18	-
TOTAL	1.98	9.37	1.33	12.30

5. OTHER FINANCIAL ASSETS

	As at 31st March 2021		As at 31st March 2020	
	Current	Non-Current	Current	Non-Current
Balances with Banks:				
- On Term Deposits with remaining maturity of more than 12 months Lodged with Government Authorities	-	1.77	-	1.77
Other financial assets				
Interest accrued on Loans, Deposits, Investments, etc.	0.52	-	0.38	-
Other receivables				
- On account of Foreign Currency Forward Contracts	78.37	-	-	-
TOTAL	78.89	1.77	0.38	1.77

6. INCOME TAXES

A. Income tax expense recognised in Statement of Profit and Loss

	As at 31st March 2021	As at 31st March 2020
Current tax		
Current tax for the year	10614.50	11086.00
Adjustments/(credits) related to previous years - Net	(28.18)	-
Total Current tax expense (a)	10586.32	11086.00
Deferred tax		
Origination and reversal of temporary differences	64.51	529.96
Total Deferred tax expense (b)	64.51	529.96
TOTAL (a + b)	10650.83	11615.96

Notes to the Financial Statements

B. Income tax expense recognised in Other Comprehensive Income

	₹ in Lakhs	
	As at 31st March 2021	As at 31st March 2020
Current tax		
On item that will be not reclassified to statement of profit and loss		
- Related to remeasurement losses on defined benefit plans	(13.70)	(79.03)
Total Current tax expense (a)	(13.70)	(79.03)
Deferred tax		
On item that will not be reclassified to Statement of Profit and Loss		
- Related to change in fair value of equity instruments	10.37	(5.41)
On item that will be reclassified to Statement of Profit and Loss		
- Related to effective portion of hedging instruments in cash flow hedges	40.98	(63.41)
Total Deferred tax expense (b)	51.35	(68.82)
TOTAL (a + b)	37.65	(147.85)

Reconciliation of estimated income tax expense at statutory income tax rate to income tax expense reported in Statement of Profit and Loss is as follows:

	₹ in Lakhs	
	As at 31st March 2021	As at 31st March 2020
Profit before tax	41730.26	42025.17
Statutory income tax rate	25.17%	25.17%
Expected income tax expense	10502.67	10576.89
Adjustment :		
Effect of expenses not deductible for tax purposes	171.28	144.17
Impact of remeasurement of Deferred Tax Assets (net) (refer note below)	-	881.56
Others *	(23.12)	13.34
Income tax expense recognised in Statement of Profit and Loss	10650.83	11615.96
* Others include adjustments related to previous years		
C. Current Tax Liabilities (net of advance tax) *	1803.63	1975.76

*includes ₹ 2093.52 Lakhs (2020: ₹ 2093.52 Lakhs) relating to disallowed expenditure, tax treatment of certain expenses claimed as deductions, and computation of, or eligibility of certain tax incentives or allowances

Notes to the Financial Statements

D. Significant components of Deferred Tax Assets / (Liabilities)

	₹ in Lakhs			
2020-21	Opening balance	Recognised in profit or loss	Recognised in/ reclassified from OCI	Closing Balance
Deferred tax assets in relation to:				
- Employees' separation and retirement	530.06	19.00	-	549.06
- State and Central Taxes, etc.,	2846.51	(257.04)	-	2589.47
- Cash flow hedges	21.25	-	(21.25)	-
- Unrealised loss on Equity instruments carried at FVOCI	4.79	-	(4.79)	-
- Other temporary differences	198.76	27.13	-	225.89
Total deferred tax assets	3601.37	(210.91)	(26.04)	3364.42
Deferred tax liabilities in relation to:				
- Fiscal allowances on Property, Plant and Equipment, etc.	172.59	(292.05)	-	(119.46)
- Cash flow hedges	-	-	19.73	19.73
- Unrealised gain on Equity instruments carried at FVOCI	-	-	5.58	5.58
- Unrealised gain on financial assets measured at FVTPL	788.46	145.65	-	934.11
Total deferred tax liabilities	961.05	(146.40)	25.31	839.96
Deferred Tax Assets - net	2640.32	(64.51)	(51.35)	2524.46

	₹ in Lakhs			
2019-20	Opening balance	Recognised in profit or loss	Recognised in/ reclassified from OCI	Closing Balance
Deferred tax assets in relation to:				
- Employees' separation and retirement	747.38	(217.32)	-	530.06
- State and Central Taxes, etc.,	3656.13	(809.62)	-	2846.51
- Cash flow hedges	-	-	21.25	21.25
- Unrealised loss on Equity instruments carried at FVOCI	-	-	4.79	4.79
- Other temporary differences	197.31	1.45	-	198.76
Total deferred tax assets	4600.82	(1025.49)	26.04	3601.37
Deferred tax liabilities in relation to:				
- Fiscal allowances on Property, Plant and Equipment, etc.	776.61	(604.02)	-	172.59
- Cash flow hedges	42.16	-	(42.16)	-
- Unrealised gain on Equity instruments carried at FVOCI	0.62	-	(0.62)	-
- Unrealised gain on financial assets measured at FVTPL	679.97	108.49	-	788.46
Total deferred tax liabilities	1499.36	(495.53)	(42.78)	961.05
Deferred Tax Assets - net	3101.46	(529.96)	68.82	2640.32

Notes to the Financial Statements

7. OTHER ASSETS

	As at 31st March 2021		As at 31st March 2020	
	Current	Non-Current	Current	Non-Current
Capital Advances	-	21.46	-	459.18
Advances other than capital advances				
Security Deposits				
- With Statutory Authorities	-	0.55	-	0.55
- Others	-	65.74	-	60.44
Advances recoverable in cash or in kind or for value to be received	204.89	11.87	202.96	-
Other Advances				
- Prepaid Expenses	465.26	-	416.89	-
- Balance with Statutory / Government Authorities	2556.21	-	5577.29	-
Other Receivables *	0.64	-	0.97	-
TOTAL	3227.00	99.62	6198.11	520.17

* Includes receivables on account of export incentives

8. INVENTORIES

(At lower of cost and net realisable value)

	As at 31st March 2021	As at 31st March 2020
Raw Materials including packing materials	23925.33	24536.14
Work-in-Progress	910.63	1064.84
Finished Goods	4210.18	4020.19
Stores and Spares	671.50	152.68
TOTAL	29717.64	29773.85
The above includes goods in transit	-	370.36
The cost of inventories recognised as an expense (net) in respect of write-down of inventory to net realisable value.	159.54	680.13

9. CURRENT INVESTMENTS

	As at 31st March 2021	As at 31st March 2020
Other than Trade and quoted - (at fair value through profit or loss)		
Investment in Mutual Funds		
Aditya Birla Sun Life Liquid Fund - Growth - Direct Plan 18,84,672 (2020- 31,67,239) units of ₹ 100 each	6248.31	10121.21
Aditya Birla Sun Life Money Manager Fund - Growth - Direct Plan 12,91,756 (2020- 4,57,589) units of ₹ 100 each	3709.55	1239.71
Aditya Birla Sun Life Savings Fund - Growth - Direct Plan 7,89,632 (2020- 7,89,632) units of ₹ 100 each	3370.44	3165.08
Aditya Birla Sun Life Low Duration Fund - Growth - Direct Plan 1,87,339 (2020- Nil) units of ₹ 100 each	1034.24	-

Notes to the Financial Statements

	As at 31st March 2021	As at 31st March 2020
HDFC Liquid Fund - Direct Plan - Growth Option 1,35,659 (2020- 2,85,467) units of ₹ 1000 each	5488.12	11152.10
HDFC Money Market Fund - Direct Plan - Growth Option 69,319 (2020- 12,262) units of ₹ 1000 each	3101.27	517.44
HDFC Ultra Short Term Fund - Direct Growth 1,29,25,898 (2020- Nil) units of ₹ 10 each	1543.27	-
HDFC Low Duration Fund-Direct Plan-Growth 21,75,018 (2020- Nil) units of ₹ 10 each	1034.76	-
HDFC Floating Rate Debt Fund - Direct Plan - Growth Option 72,28,970 (2020- 72,28,970) units of ₹ 10 each	2768.03	2557.79
ICICI Prudential Liquid Fund - Direct Plan - Growth 22,37,601 (2020- 31,05,624) units of ₹ 100 each	6818.78	9123.75
ICICI Prudential Money Market Fund - Direct Plan - Growth 12,34,265 (2020- 7,21,454) units of ₹ 100 each	3644.52	2014.77
ICICI Prudential Savings Fund - Direct Plan - Growth 8,14,584 (2020- 8,14,584) units of ₹ 100 each	3418.72	3179.89
IDFC Cash Fund - Direct Plan - Growth 3,05,467 (2020- 2,21,820) units of ₹ 1000 each	7593.87	5327.75
IDFC Ultra Short Term Fund - Direct Plan - Growth 42,77,305 (2020- Nil) units of ₹ 10 each	512.04	-
IDFC Banking & PSU Debt Fund-Direct Plan- Growth 26,39,254 (2020- Nil) units of ₹ 10 each	515.72	-
Kotak Liquid Fund - Growth - Direct Plan 1,99,786 (2020- 2,75,230) units of ₹ 1000 each	8309.18	11050.11
Kotak Money Market Fund - Direct Plan Growth 1,03,458 (2020- 21,875) units of ₹ 1000 each	3604.28	724.73
Kotak Savings Fund - Growth - Direct 14,79,588 (2020- Nil) units of ₹ 10 each	513.16	-
Nippon India Liquid Fund - Direct Plan Growth Plan - Growth Option 1,40,073 (2020- Nil) units of ₹ 1000 each	7049.28	-
Nippon India Money Market Fund - Direct Growth Plan - Growth Option 95,287 (2020- Nil) units of ₹ 1000 each	3068.97	-
Nippon India Low Duration Fund - Direct Growth Plan - Growth Option 50,548 (2020- 1,12,224) units of ₹ 1000 each	1526.67	3167.92
Nippon India Floating Rate Fund - Direct Growth Plan - Growth Option 28,80,184 (2020- Nil) units of ₹ 10 each	1036.52	-
SBI Liquid Fund - Direct Growth 2,60,724 (2020- 3,55,473) units of ₹ 1000 each	8399.53	11051.73
SBI Savings Fund - Direct Plan- Growth 1,05,89,485 (2020- 22,42,477) units of ₹ 10 each	3621.16	725.81
SBI Magnum Ultra Short Duration Fund - Direct Growth 10,859 (2020- Nil) units of ₹ 1000 each	512.46	-
Total of Current Investments	88442.85	75119.79
Aggregate amount of quoted Investments - Market Value	88442.85	75119.79

Notes to the Financial Statements

10. TRADE RECEIVABLES

	₹ in Lakhs	
	As at 31st March 2021	As at 31st March 2020
Unsecured, considered good (Refer Note 29)	1521.28	1536.55
TOTAL	1521.28	1536.55

11. CASH AND CASH EQUIVALENTS

	₹ in Lakhs	
	As at 31st March 2021	As at 31st March 2020
Balances with Banks		
- On Current Accounts	935.55	2621.32
Cash including cheques on hand	1.18	0.77
TOTAL	936.73	2622.09

12. OTHER BANK BALANCES

	₹ in Lakhs	
	As at 31st March 2021	As at 31st March 2020
Earmarked Balances		
- On Unclaimed Ordinary Dividend Account	1146.64	1123.35
TOTAL	1146.64	1123.35

13. EQUITY SHARE CAPITAL

	As at 31st March 2021		As at 31st March 2020	
	No. of Shares	₹ in Lakhs	No. of Shares	₹ in Lakhs
Authorised				
Ordinary Shares of ₹ 10 each	5,00,00,000	5000.00	5,00,00,000	5000.00
Cumulative Redeemable Preference Shares of ₹ 100 each	50,00,000	5000.00	50,00,000	5000.00
		10000.00		10000.00
Issued and Subscribed				
Ordinary Shares of ₹ 10 each fully paid up	1,54,41,920	1544.19	1,54,41,920	1544.19

There is no movement in number of Ordinary Shares during the year.

Details of shareholders holding more than 5% of Ordinary Shares:

Name of the Shareholders	As at 31st March 2021		As at 31st March 2020	
	No. Lakhs	% holding	No. Lakhs	% holding
Bright Star Investments Private Limited	40.07	25.95	40.07	25.95
The Raleigh Investment Company Limited	36.20	23.45	36.20	23.45
Tobacco Manufacturers (India) Limited	12.79	8.28	12.79	8.28
HDFC Trustee Company Limited				
A/c HDFC Midcap Opportunities Fund	10.53	6.82	10.43	6.76

Rights, Preferences and Restrictions Attached to Ordinary Shares

The Company has only one class of Ordinary Shares outstanding, having a par value of ₹ 10 each, that rank pari passu in all respects including voting rights and entitlement to dividend.

Notes to the Financial Statements

14. PROVISIONS

	₹ in Lakhs	
	As at 31st March 2021	As at 31st March 2020
Non-Current		
Provision for Employee Benefits		
Retirement and Other benefits (Refer Note 30)	2207.88	1985.45
TOTAL	2207.88	1985.45

15. TRADE PAYABLES

	₹ in Lakhs	
	As at 31st March 2021	As at 31st March 2020
Payables for Goods and Services		
Total outstanding dues of micro enterprises and small enterprises	176.49	18.86
Total outstanding dues of creditors other than micro enterprises and small enterprises	12969.39	14264.63
TOTAL	13145.88	14283.49
Due to Micro and Small Enterprises		
a) Principal amount remaining unpaid	176.49	18.86
b) Interest due remaining unpaid	-	-
c) Interest paid, in terms of Section 16 of Micro, Small and Medium Enterprises Development Act 2006 along with the amount of the payment made beyond the appointed day during the year	-	-
d) Interest due and payable for the period of delay in making payment	-	-
e) Interest accrued and remaining unpaid	-	-
f) Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises	-	-

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management.

16. OTHER FINANCIAL LIABILITIES

	₹ in Lakhs	
	As at 31st March 2021	As at 31st March 2020
Current		
Unpaid / Unclaimed Dividends	1146.64	1123.35
Security Deposits	2.50	3.00
Other Liabilities		
- On account of Foreign Currency Forward Contracts	-	84.44
- Others (including payable for property, plant and equipment, etc.)	505.91	1223.18
TOTAL	1655.05	2433.97

There is no amount due and outstanding to be credited to Investor Education and Protection Fund as at the year end.

Notes to the Financial Statements

17. OTHER CURRENT LIABILITIES

	₹ in Lakhs	
	As at 31st March 2021	As at 31st March 2020
Advances from Customers	2713.49	8529.86
Statutory Liabilities	33008.77	31786.74
TOTAL	35722.26	40316.60

The Company has ongoing disputes relating to tax matters under various Central and State Acts pending before various judicial forums.

The Company has reviewed all its pending litigations and proceedings and believes that it has valid bases for appeals and intends to defend all such pending disputes vigorously. However, pending disposal of disputes, as a matter of prudence, it has adequately recognised the disputed amount in the books wherever required and is reflected above under 'Statutory Liabilities' - ₹ 13720.21 Lakhs (2020: ₹ 14748.72 Lakhs) Contingent liabilities where applicable are disclosed in the financial statements (Refer note 25).

18. REVENUE FROM OPERATIONS

	₹ in Lakhs	
	For the year ended 31st March 2021	For the year ended 31st March 2020
Particulars in respect of sales		
Cigarettes*	127173.20	113034.13
Unmanufactured Tobacco	19996.93	23877.96
	147170.13	136912.09
Other Operating Income		
Scrap Sales	106.41	113.01
Other receipts	12.33	16.88
TOTAL	147288.87	137041.98

* net of trade promotions - ₹ 761.52 Lakhs (2020 - ₹ 4169.83 Lakhs)

19. OTHER INCOME

	₹ in Lakhs	
	For the year ended 31st March 2021	For the year ended 31st March 2020
Interest on Loans and Deposits, etc.	4.35	12.57
Dividend Income from:		
Equity Instruments measured at FVOCI held at the end of reporting period	3.76	4.39
Other gains and losses from:		
Net gain recognised on sale of property, plant and equipment, etc.	1.33	23.97
Net gain arising on financial assets mandatorily measured at FVTPL*	3551.27	4484.82
Gain on foreign exchange (Net)	(33.65)	109.36
Provision no longer required written back	529.50	-
Other non-operating Income	122.04	101.19
TOTAL	4178.60	4736.30

* Includes ₹ 2972.57 Lakhs (2020 - ₹ 3297.91 Lakhs) being net gain arising on sale of Investments

Notes to the Financial Statements

20. COST OF MATERIALS CONSUMED

	₹ in Lakhs	
	For the year ended 31st March 2021	For the year ended 31st March 2020
Raw Materials Consumed *		
Opening Stock	24536.14	24549.36
Purchases	47104.63	60002.05
	71640.77	84551.41
Less: Closing Stock	23925.33	24536.14
TOTAL	47715.44	60015.27

The above includes cost of unmanufactured tobacco sold - Value ₹ 17162.08 Lakhs (2020 - ₹ 20745.05 Lakhs).

* Includes Packing Material

21. CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS

	₹ in Lakhs	
	For the year ended 31st March 2021	For the year ended 31st March 2020
(a) (Increase) / Decrease in Finished Goods		
Opening Stock	4020.19	2641.62
Closing Stock	4210.18	4020.19
	(189.99)	(1378.57)
(b) Increase / (Decrease) in Excise Duties on Finished Goods	210.33	1442.17
(c) (Increase) / Decrease in Work-in-Progress		
Opening Stock	1064.84	841.23
Closing Stock	910.63	1064.84
	154.21	(223.61)
TOTAL	174.55	(160.01)

22. EMPLOYEE BENEFITS EXPENSES

	₹ in Lakhs	
	For the year ended 31st March 2021	For the year ended 31st March 2020
Salaries and wages	10366.64	9269.77
Contribution to Provident and other funds	512.23	445.10
Staff welfare expenses	563.00	527.51
TOTAL	11441.87	10242.38

23. OTHER EXPENSES

	₹ in Lakhs	
	For the year ended 31st March 2021	For the year ended 31st March 2020
Insurance	345.03	220.76
Consumption of Stores and Spares	981.25	678.81
Power and Fuel	761.42	900.79
Rent	362.77	334.35
Repairs		
Buildings	176.53	67.08
Machinery	112.40	118.89
Others	54.32	61.97

Notes to the Financial Statements

	₹ in Lakhs	
	For the year ended 31st March 2021	For the year ended 31st March 2020
Rates and Taxes	193.88	935.46
Outward Freight	1680.86	1857.91
Sales Promotion Expenses	803.69	961.89
Distribution Expenses	354.63	532.10
Miscellaneous	3639.84	4666.46
Payment to Auditors (see note (a) below)	53.57	50.54
Corporate Social Responsibility (see note (b) below)	680.55	572.85
Directors' Sitting Fees & Commission	506.60	412.90
TOTAL	10707.34	12372.76

	₹ in Lakhs	
	For the year ended 31st March 2021	For the year ended 31st March 2020
(a) Payment to Auditors		
Audit fees	35.00	30.00
Fees for audit related services, Limited Reviews, etc.	8.00	14.00
Fees for certification	8.50	3.25
Reimbursement of expenses	2.07	3.29
	53.57	50.54
(b) Corporate Social Responsibility (CSR)		

As per Section 135 of the Companies Act 2013, the Company is required to spend at least 2% of its average net profit for the immediately preceding three years on CSR activities. The Company has identified, Health & Sanitation, Environment Sustainability, Education, Covid-19 & Disaster Relief as potential areas to undertake its CSR activities. The funds were primarily allocated to a corpus and utilised through the year on these activities which are specified in Schedule VII of the Companies Act 2013:

(i) Gross amount required to be spent by the Company during the year	680.55	572.85
(ii) Amount spent during the year on :		
(1) On Construction / Acquisition of any asset	-	-
(2) For purposes other than (1) above (Revenue account) *	680.55	572.85
	680.55	572.85

* Includes ₹ 229.96 Lakhs (2020 - Nil) towards unspent CSR account as this pertains to ongoing projects.

24. EARNINGS PER SHARE

	₹ in Lakhs	
	For the year ended 31st March 2021	For the year ended 31st March 2020
Earnings per Share is computed as under:		
(a) Profit for the year (₹ in Lakhs)	31079.43	30409.21
(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)	201.27	196.93
(d) Diluted Earnings Per Share (Face Value per Share - ₹ 10)	201.27	196.93

Notes to the Financial Statements

25. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Contingent Liabilities

- (i) Claims against the Company not acknowledged as debts ₹ 674.84 Lakhs (2020 - ₹ 101.17 Lakhs). These Comprise -
Excise duty, service tax and customs duty matters ₹ 170.59 Lakhs (2020 - ₹ 96.92 Lakhs). Other matters including employees / ex-employees, etc. ₹ 504.25 Lakhs (2020 - ₹ 4.25 Lakhs)
- (ii) In addition to the above, the Company is subject to certain other litigations, in the ordinary course of business and the industry in which it operates in, which are pending.
- (iii) It is not practicable for the Company to estimate the closure of these issues and the consequential timings of cash outflows and estimate of financial effect, if any, in respect of the above as its determinable only on occurrence of uncertain future events/ receipt of judgements pending at various forums.

(b) Commitments

Estimated amount of contracts remaining to be executed on Capital Account (not provided for) - ₹ 534.29 Lakhs (2020 - ₹ 3779.44 Lakhs)

26. FUTURE LEASE OBLIGATIONS

The Company has entered into various short term and low value operating lease agreements and the amounts paid under such agreements have been charged to revenue as Rent under Note 23. All these agreements are cancellable in nature.

27. RELATED PARTY TRANSACTIONS DURING THE YEAR

	₹ in Lakhs	
	For the year ended 31st March 2021	For the year ended 31st March 2020
(a) Company having significant influence		
British American Tobacco Group		
- Dividends paid, to		
• The Raleigh Investment Company Limited	3729.03	3439.40
• Tobacco Manufacturers (India) Limited	1317.31	1215.00
• Rothmans International Enterprises Limited	68.54	63.21
(b) Remuneration to Key Managerial Personnel		
(i) Non - Executive Directors		
Mr. Naresh Kumar Sethi		
Mr. S Thirumalai		
Mr. Sudip Bandyopadhyay (w.e.f. 1 st June 2019)		
Ms. Rama Bijapurkar (w.e.f. 1 st April 2019)		
Mr. Rajiv Gulati (w.e.f. 26 th July 2019)		
Mr. Pradeep V. Bhide (upto 1 st July 2019)		
Ms. Mubeen Rafat (upto 11 th August 2019)		
Dividend Paid	0.03	0.02
Remuneration	150.00	100.00
Sitting fees and Commission	356.60	312.90
(ii) Executive Directors		
Mr. Aditya Deb Gooptu (w.e.f 1 st December 2020) *		
Mr. Devraj Lahiri (upto 9 th December 2020)		

Notes to the Financial Statements

	₹ in Lakhs	
	For the year ended 31st March 2021	For the year ended 31st March 2020
Remuneration:		
- Short - term benefits	361.96	341.87
- other remuneration	70.62	31.77
* subject to shareholders' approval - ₹ 190.36 Lakhs (2020 - ₹ Nil)		
(iii) Other Key Managerial Personnel		
Mr. Anish Gupta, Chief Financial Officer		
Mr. Phani K Mangipudi, Company Secretary		
Remuneration:		
- Short - term benefits	202.02	185.10
- other remuneration	10.32	9.38
Dividend Paid #		

amount is negligible

28. 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:

	₹ in Lakhs	
	For the year ended 31st March 2021	For the year ended 31st March 2020
a) Sales within India	138493.32	125103.66
b) Sales outside India	8676.81	11808.43
	147170.13	136912.09

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

29. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

A Capital Management

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

B Categories of Financial Instruments - Fair Value Measurement and Fair Value Hierarchy

The fair value of the financial assets and liabilities is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Methods and assumptions used to

estimate the fair value are consistent with those used for the earlier period.

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

i) The fair value of investment in government securities and quoted investment in equity shares is based on the current bid price of respective investments as at the Balance Sheet date.

ii) The fair value of investments in mutual fund units is based on the net asset value ('NAV') as stated by the issuers of these mutual fund units in their published statements as at Balance Sheet date. NAV represents the price at which the issuer will issue further units of mutual fund as well as the price at which issuers will redeem such units for the investors.

Notes to the Financial Statements

iii) The fair values of the derivative financial instruments has been determined using valuation techniques with market observable inputs such as foreign exchange spot rates and forward rates as at end of reporting period, yield curves, volatility, etc., as applicable.

iv) Cash and cash equivalents (except for investments in units of mutual fund), other bank balances, trade receivables, trade payables and other current financial assets and liabilities (except derivative financial instruments), have fair values that approximate to their carrying amounts due to their short-term nature.

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

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

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

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

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

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

Particulars	Note	Fair Value Hierarchy (Level)	As at 31st March 2021		As at 31st March 2020	
			Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets						
Measured at Fair value through OCI						
i) Equity Instruments	3	Level 1	255.60	255.60	164.91	164.91
ii) Equity Instruments	3	Level 3	13.94	13.94	13.94	13.94
Sub-total			269.54	269.54	178.85	178.85
Measured at Fair value through Profit and Loss						
i) Investment in Mutual Funds	9	Level 1	88442.85	88442.85	75119.79	75119.79
Sub-total			88442.85	88442.85	75119.79	75119.79
Derivatives measured at fair value						
i) Foreign exchange forward contracts	5	Level 2	78.37	78.37	-	-
Sub-total			78.37	78.37	-	-
Measured at amortised cost						
i) Investments in Government Securities	3	-				
ii) Loans	4	-	11.35	11.35	13.63	13.63
iii) Other Financial Assets	5	-	2.29	2.29	2.15	2.15
iv) Trade receivables	10	-	1521.28	1521.28	1536.55	1536.55
v) Cash and cash equivalents	11	-	936.73	936.73	2622.09	2622.09
vi) Other bank balances	12	-	1146.64	1146.64	1123.35	1123.35
Sub-total			3618.29	3618.29	5297.77	5297.77
Total financial assets			92409.05	92409.05	80596.41	80596.41

Notes to the Financial Statements

Particulars	Note	Fair Value Hierarchy (Level)	₹ in Lakhs			
			As at 31st March 2021		As at 31st March 2020	
			Carrying Value	Fair Value	Carrying Value	Fair Value
FINANCIAL LIABILITIES						
Derivatives measured at fair value						
i) Foreign exchange forward contracts	16	Level 2	-	-	84.44	84.44
Sub-total			-	-	84.44	84.44
Measured at amortised cost						
i) Trade Payables	15	-	13145.88	13145.88	14283.49	14283.49
ii) Other financial liabilities	16	-	1655.05	1655.05	2349.53	2349.53
Sub-total			14800.93	14800.93	16633.02	16633.02
Total financial liabilities			14800.93	14800.93	16717.46	16717.46

There were no significant changes in the classification and no significant movements between the fair value hierarchy classifications of assets and liabilities during current financial year.

C. Financial Risk Management Objectives

The Company's risk management framework anchored in its policies and procedures and internal financial controls aim to ensure that the Company's business activities that are exposed to a variety of financial risks namely liquidity risk, market risks, credit risk and foreign currency risk are identified at an early stage and managed within acceptable and approved risk parameters in a disciplined and consistent manner and in compliance with applicable regulations.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Cash flow from operating activities provides the funds to service the financial liabilities on a day-to-day basis. The Company's approach in managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring 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 2021 and 31st March 2020.

On the reporting date, the Company's Current assets aggregate to ₹ 125073.01 Lakhs (2020 - ₹ 116375.45 Lakhs) including Current investments, Cash and cash equivalents and Other bank balances of ₹ 90526.22 Lakhs (2020 - ₹ 78865.23 Lakhs) against an aggregate Non - Current liabilities of ₹ 2207.88 Lakhs (2020 - ₹ 1985.45 Lakhs) and Current liabilities of ₹ 52326.82

Lakhs (2020 - ₹ 59009.82 Lakhs) and also there are no difference in value as per contracts and its carrying value as at the Balance Sheet date and are due within a year. Further, the Company's total equity stood at ₹ 94044.27 Lakhs (2020 - ₹ 78708.63 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 2021 is ₹ 269.54 Lakhs (2020 - ₹ 178.85 Lakhs).

The Company's investments are predominantly held in fixed deposits and debt schemes of mutual funds. The decision making is centralised and administered under a set of approved policies and procedures guided by the principles of safety, liquidity and returns. This ensures that investments are only made within acceptable risk parameters after due evaluation.

Fixed deposits are held with highly rated banks and companies and have a short to medium tenure and accordingly, are not subject to interest rate volatility. Investment in debt schemes of mutual funds are susceptible to market price risk that arise mainly from change in interest rate from time to time which may impact the return and value of such investments. However, given the relatively short tenure of underlying portfolio of such mutual fund schemes in which

Notes to the Financial Statements

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 2021 is ₹ 1521.28 Lakhs (2020 - ₹ 1536.55 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.

Forward exchange contracts designated under Hedge Accounting that were outstanding on respective reporting dates:

Currency Pair	Currency	₹ in Lakhs			
		As at 31st March 2021		As at 31st March 2020	
		Buy	Sell	Buy	Sell
USD / INR	INR	-	3818.73	-	3002.34

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

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

Currency Pair	Currency	₹ in Lakhs			
		As at 31st March 2021		As at 31st March 2020	
		Assets	Liabilities	Assets	Liabilities
USD / INR	INR	950.86	17.42	1130.16	58.02
EUR / INR	INR	-	75.99	-	928.41
CHF / INR	INR	-	-	-	102.95

The Company's maximum exposure to credit risk as at 31st March 2021 and 31st March 2020 is the carrying value of each class of financial assets.

Foreign Currency Risks

The Company undertakes transactions denominated in foreign currency (mainly US Dollar, Euro and Pound Sterling) which are subject to the risk of exchange rate fluctuations. Financial assets and liabilities denominated in foreign currency, arising out of such transactions, are also subject to reinstatement risks.

The Company has established risk management policies to hedge the volatility arising from exchange rate fluctuations in respect of firm commitments and highly probable forecast transactions, through foreign exchange forward contracts. The proportion of forecast transactions that are to be hedged is decided based on the size of the forecast transaction and market conditions. As the counterparty for such transactions are Scheduled banks, the risk of their non-performance is considered to be insignificant.

The use of these foreign exchange forward contracts are intended to reduce the risk or cost to the Company and are not intended for trading or speculation purpose.

The information on such Derivative Instruments is as follows:

Notes to the Financial Statements

Hedges of foreign currency risk and derivative financial instrument

Foreign exchange forward contracts that are designated as cash flow hedges and qualify for hedge accounting are fair valued at each reporting date and the resultant gain or loss is recognised in Other Comprehensive Income under 'Cash Flow Hedge' in Equity to the

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

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

Particulars	₹ in Lakhs	
	2021	2020
At the beginning of the year	(63.49)	78.49
Add: Changes in the fair value of effective portion of matured cash flow hedges during the year	134.76	(5.54)
Add: Changes in the fair value of effective portion of outstanding cash flow hedges during the year	78.37	(84.44)
Less: Amounts transferred to the statement of profit and loss on occurrence of transaction during the year	50.03	115.41
(Less)/Add: Deferred tax	(40.97)	63.41
At the end of the year	58.64	(63.49)

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 2021 to be lower by ₹ 8.57 Lakhs (2020 - ₹ 0.41 Lakhs) and total equity (pre-tax) as at 31st March 2021 would change by ₹ 8.57 Lakhs (2020 - ₹ 0.41 Lakhs). A 1% weakening of the INR against these currencies would have led to an equal but opposite effect.

General Risk Assessment

The Company, to the extent possible, has considered the risks that may result from the uncertainty relating to COVID-19 pandemic and its impact on the carrying amounts of trade receivables, investments, financial instruments and effectiveness of its hedges. Based on the Company's analysis of the current indicators of the future economic condition on its business and the estimates used in its financial statements, the Company does not foresee any material impact in the recoverability of the carrying value of the assets. The risk assessment is a continuous process and the Company will continue to monitor the impact of the changes in future economic conditions on its business.

30. EMPLOYEE BENEFIT PLANS

Employee Retirement Benefit Plans of the Company include Provident fund, Retirement Allowances, Gratuity, Pension and Leave Encashment. These plans

expose the Company to a number of actuarial risks such as investment risk, interest rate risk, longevity risk and inflation risk. The Company has developed policy guidelines within the applicable statutory framework, for allocation of assets to different classes with the objective of maintaining the right balance between risks and long-term returns. Further, investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

Description of Plans

(i) Provident Fund

Eligible employees of the Company receive benefits under the Provident Fund which are defined contribution / benefit plans wherein both the Company and the employees make monthly contributions equal to a specified percentage of the covered employees' salary. These contributions are made to the Funds administered and managed by the Govt. of India / Company's own Trust. The Company's own trust plan envisages guarantee of interest at the rate notified by the Provident Fund authority. The Company's contributions along with interest shortfall, if any, are charged to revenue in the year they are incurred. Expenditure for the year amounted to ₹ 291.73 Lakhs (2020 - ₹ 272.24 Lakhs).

Notes to the Financial Statements

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

Particulars		₹ in Lakhs	
		2021	2020
Central Government Securities	[%]	12.7	18.0
State Government Securities	[%]	45.1	41.8
High Quality Corporate Bonds	[%]	37.2	35.4
Equity Instruments	[%]	4.8	4.2
Cash and cash equivalent	[%]	0.2	0.6

(ii) Retirement Allowance

The Company has an unfunded defined benefit retirement allowance scheme for its employees in the workmen category. Liability with regard to such scheme is determined on actuarial valuation performed by an independent actuary at each balance sheet date using projected unit credit method and charged to revenue in the period determined - ₹ 446.34 Lakhs; (2020-₹ 331.43 Lakhs). Consequently, Liability recognised in the Balance sheet as at 31st March 2021 ₹ 2181.59 Lakhs; (2020-₹ 1947.61 Lakhs).

(iii) Gratuity

In accordance with 'the Payment of Gratuity Act, 1972' of India, the Company provides for gratuity, a defined retirement benefit plan (the 'Gratuity Plan') covering eligible employees. Liabilities with regard to such Gratuity Plan are determined on actuarial valuation performed by an independent actuary at each balance sheet date using projected unit credit method and are charged to revenue in the period determined. The Gratuity Plan is a funded Plan administered by Company's own Trust which has subscribed to "Group Gratuity Scheme" of Life Insurance Corporation of India.

(iv) Pension Fund

The Company has a defined contribution pension scheme to provide pension to the eligible employees. The Company makes monthly contributions equal to a specified percentage

of the covered employees' salary to a notified pension scheme under National Pension Scheme of the Government of India. The Company's contributions are charged to revenue in the period they are incurred -₹ 99.54 Lakhs (2020 -₹ 99.40 Lakhs).

In addition to the above, the Company has a funded defined benefit pension scheme for its employees in the workmen category. Liability with regard to such defined benefit plan are determined on actuarial valuation performed by an independent actuary at each balance sheet date using projected unit credit method and are charged to revenue in the period determined. This plan is administered by the Company's own Trust which has subscribed to "Group Pension Scheme" of Life Insurance Corporation of India.

(v) Leave Encashment

The Company has a leave encashment scheme whereunder, leaves are both accumulating and non-accumulating in nature. The expected cost of accumulating leaves expected to be paid/availed as a result of the unused entitlement that has accumulated as at the balance sheet date is determined on actuarial valuation performed by an independent actuary at each balance sheet date using projected unit credit method and are charged to revenue in the period determined. The Scheme is fully funded by way of subscription to the "Leave Encashment" of Life Insurance Corporation of India.

Notes to the Financial Statements

Compensation, if any, for non-accumulating leaves is charged to revenue in the period in which the absences occurs.

Particulars	₹ in Lakhs			
	As at 31st March 2021		As at 31st March 2020	
	Gratuity	Pension	Gratuity	Pension
A Components of Employer Expense				
Recognised in the Statement of Profit and Loss				
i) Current Service Cost	126.36	6.02	89.59	5.97
ii) Past Service Cost	-	-	-	-
iii) Net Interest Cost	(12.85)	(1.72)	(23.32)	(2.43)
iv) Total expense recognised in the Statement of Profit and Loss	113.51	4.30	66.27	3.54
Remeasurements recognised in Other Comprehensive Income				
v) Return on plan assets (excluding amounts included in Net interest cost)	(8.30)	(0.43)	33.46	0.87
vi) Effect of changes in demographic assumptions	-	-	-	-
vii) Effect of changes in financial assumptions	-	-	548.11	5.87
viii) Changes in asset ceiling (excluding interest income)	-	-	-	-
ix) Effect of experience adjustments	33.82	29.36	(269.45)	(4.85)
x) Total remeasurements included in Other Comprehensive Income	25.52	28.93	312.12	1.89
xi) Total defined benefit cost recognised in the Statement of Profit and Loss and Other Comprehensive Income (iv+x)	139.03	33.23	378.39	5.43
The current service cost and net interest cost for the year pertaining to Pension and Gratuity expenses have been recognised in "Contribution to Provident and other funds" under Note 22. The remeasurements of the net defined benefit liability are included in Other Comprehensive Income.				
B Net Asset/(Liability) recognised in Balance Sheet				
i) Present value of Defined Benefit Obligation	4274.03	122.22	4385.39	97.29
ii) Fair Value of Plan Assets	4265.00	111.50	4362.00	119.80
iii) Status [Surplus/(Deficit)]	(9.03)	(10.72)	(23.39)	22.51
C Changes in Defined Benefit Obligation (DBO)				
i) Present value of DBO at the beginning of the year	4385.39	97.29	4201.70	108.49
ii) Current Service Cost	126.36	6.02	89.59	5.97
iii) Past Service Cost	-	-	-	-
iv) Interest Cost	267.53	5.80	297.07	7.18
v) Remeasurement (gains)/ losses:				
Effect of changes in demographic assumptions	-	-	-	-
Effect of changes in financial assumptions	-	-	548.11	5.87
Changes in asset ceiling (excluding interest income)	-	-	-	-
Effect of experience adjustments	33.82	29.36	(269.45)	(4.85)
vi) Curtailment Cost/(Credits)	-	-	-	-
vii) Settlement Cost/(Credits)	-	-	-	-
viii) Benefits paid	(539.07)	(16.25)	(481.63)	(25.37)
ix) Present value of DBO at the end of the year	4274.03	122.22	4385.39	97.29
D Change in Fair Value of Assets				
i) Plan Assets at the beginning of the year	4362.00	119.80	4181.77	136.43
ii) Interest Income	280.38	7.52	320.39	9.61
iii) Remeasurement gains/ (losses) on plan assets	8.30	0.43	(33.46)	(0.87)
iv) Actual Company Contributions	153.39	-	374.93	-
v) Benefits paid	(539.07)	(16.25)	(481.63)	(25.37)
vi) Plan Assets at the end of the year	4265.00	111.50	4362.00	119.80
E Estimate of Employers' Expected Contribution for the next year	83.84	32.16	69.26	17.21

Notes to the Financial Statements

Particulars	₹ in Lakhs			
	As at 31st March 2021		As at 31st March 2020	
	Gratuity	Pension	Gratuity	Pension
F Actuarial Assumptions				
i) Discount Rate (%)	6.50	6.50	6.50	6.50
ii) Expected Return on Plan Assets (%)	6.50	6.50	6.50	6.50

The estimates of future salary increases between 6% - 9%, considered in actuarial valuations take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

G Investment details of the Plan assets

In the absence of detailed information regarding plan assets which are funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage or amount of each category to the fair value of plan assets is not disclosed.

H Basis used to determine the Expected Rate of Return on Plan Assets

The expected rate of return on plan assets is based on the current portfolio of assets, investment strategy and market scenario. In order to protect the capital and optimise returns within acceptable risk parameters, the plan assets are well diversified.

I Sensitivity Analysis

The Sensitivity Analysis below has been determined based on reasonably possible change of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. These sensitivities show the hypothetical impact of a change in each of the listed assumptions in isolation. While each of these sensitivities holds all other assumptions constant, in practice such assumptions rarely change in isolation and the asset value changes may offset the impact to some extent. For presenting the sensitivities, the present value of the Defined Benefit Obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the Defined Benefit Obligation presented above. There was no change in the methods and assumptions used in the preparation of the Sensitivity Analysis from previous year.

Particulars	₹ in Lakhs	
	DBO as at 31st March 2021	DBO as at 31st March 2020
1. Discount Rate + 100 basis points	4124.85	4208.23
2. Discount Rate - 100 basis points	4696.65	4790.57
3. Salary Increase Rate + 1%	4549.09	4664.12
4. Salary Increase Rate - 1%	4232.70	4301.95
Maturity Analysis of the Benefit Payments		
Year 1	492.23	473.61
Year 2	609.68	440.47
Year 3	435.13	530.92
Year 4	598.66	385.41
Year 5	419.39	523.26
Next 5 Years	1377.08	1403.27

Notes to the Financial Statements

31. EMPLOYEE SHARE BASED PAYMENT

Information in respect of Options granted under the Company's Employee Stock Option Scheme ('Scheme')

S. No.	VST Employees Stock Option Scheme - 2020
1	Date of Shareholders' approval 5 th February 2021
2	Total number of Options approved under the Scheme Options equivalent to 7,70,000 Ordinary Shares of ₹ 10.00 each.
3	Vesting Schedule The vesting period for conversion of Options is as follows: On completion of 12 months from the date of grant of the Options : 30% vests On completion of 24 months from the date of grant of the Options : 30% vests On completion of 36 months from the date of grant of the Options : 40% vests
4	Pricing Formulae The Pricing Formula, as approved by the Shareholders of the Company, is such price, as determined by the Nomination & Remuneration Committee (NRC). Currently, NRC has envisaged grant of share option to eligible employees at 'market price' as defined from time to time under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations 2014.
5	Maximum term of Options granted 4 years from the date of vesting
6	Source of Shares Secondary Market
7	Variation in terms of Options None
8	Method used for accounting of share based payment plans The employee compensation cost has been calculated at fair value using Black Schole's option pricing model after applying the following key assumptions on a weighted average basis. Expected volatility Volatility was calculated using standard deviation of daily change in historic stock price. Expected option life The expected option life for each tranche shall be different depending on its vesting period and contractual term. Accordingly, the expected option life is calculated as (Year of Vesting + Contractual Option Term)/2 Risk-free interest rate Zero coupon sovereign bond yields were utilised with maturity equal to expected term of the option

Under VST Employees Stock Option Scheme - 2020, no Options have been granted upto period ended 31st March 2021.

As per our report of even date.

On behalf of the Board,

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

NARESH KUMAR SETHI Chairman
DIN : 08296486

ADITYA DEB GOOPTU Managing Director
DIN : 07849104

SRIRAM MAHALINGAM
Partner
Membership No. 049642

ANISH GUPTA Chief Financial Officer

PHANI K. MANGIPUDI Company Secretary

Hyderabad, 27th April 2021

Hyderabad, 27th April 2021

Operating Results

OPERATING RESULTS 2012 - 2021

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue from operation - Cigarette	143194	143369	138528	146140	178731	198325	110788	94382	113034	127173
Less: excise duty	91833	95739	84203	88692	117984	133891	41106	8510	13107	36191
Net revenue from operation - Cigarette	51361	47630	54325	57448	60747	64434	69682	85872	99927	90982
Revenue from operation - others	17082	19238	24593	26168	27568	27805	25076	24029	24008	20116
Total revenue from operation - net	68443	66868	78918	83616	88315	92239	94758	109901	123935	111098
Operating profit	18494	15781	19154	21067	20638	21082	25483	31177	37289	37551
Other income (net)	2572	2625	3244	1809	2020	2008	2462	3890	4736	4179
Profit before tax & extraordinary item	21066	18406	22398	22876	22658	23090	27945	35067	42025	41730
Profit after tax & Extraordinary item	14251	12625	15015	15221	15311	15153	18189	22684	30409	31079
Other comprehensive income after tax	-	-	-	-	-	(129)	62	(63)	(418)	162
Total comprehensive income	14251	12625	15015	15221	15311	15024	18251	22621	29991	31241

EQUITY, LIABILITIES AND ASSETS 2012 - 2021

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Share capital	1544	1544	1544	1544	1544	1544	1544	1544	1544	1544
Other equity	27475	28867	31280	33124	35499	52353	56665	64859	77165	92500
Shareholder's funds	29019	30411	32824	34668	37043	53897	58209	66403	78709	94044
Property, plant and equipment, intangible assets and capital work-in-progress (net)	16353	17523	20913	19778	21468	22083	22930	21371	19975	20601
Other assets (net of liabilities*)	12666	12888	11911	14890	15575	31814	35279	45032	58734	73443
Net assets employed	29019	30411	32824	34668	37043	53897	58209	66403	78709	94044

PERFORMANCE 2012 - 2021

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Earnings per share (₹)	92.3	81.8	97.2	98.6	99.2	98.1	117.8	146.9	196.9	201.3
Dividend per share (₹)	65.0	62.5	70.0	70.0	70.0	75.0	77.5	95.0	103.0	114.0
Dividend [^]	10037	9651	10809	10809	10809	11581	11967	14670	15905	17604
Return on capital employed (%)	49.1	41.5	45.7	43.9	41.3	28.1	31.2	34.2	38.6	33.0

* Borrowings - Nil

[^] Excludes Income Tax on Dividend, if any

ANNEXURE TO THE DIRECTORS' REPORT

Information under Section 197(12) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and forming part of the Directors' Report for the year ended 31st March, 2021

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	Kalyan Basu	51	B.Com., MBA (XLRI)	President - Marketing	15-09-2006	27	14,551,679	Coca Cola India
2	Rohit Sahni	59	B.Sc.	Vice President - Marketing	01-03-2006	32	14,526,087	Dabur India Limited
3	Lakshmi Narasaiah T	55	M.Sc. Ag., Ph.D.	Vice President - Leaf	01-02-1994	27	13,073,285	-
4	Anish Gupta	49	B.Com., FCA	Chief Financial Officer	07-08-2000	24	12,602,818	ITW Signode
5	Sriram S	54	B.E., PGCHRM (XLRI)	Vice President - Technical	02-03-1993	32	12,479,489	Shriram Refrigeration
6	Phani K Mangipudi	41	B.Com., CS, LLB	Company Secretary & Head-Legal & Secretarial	07-02-2017	19	8,631,570	Agro Tech Foods Limited
7	Magesh L	51	MBA	General Manager	01-06-2006	31	7,519,362	Alembic Limited - OTC Division
8	Dev Gurung	52	M.Com., PGD in Advertising	General Manager	10-06-2013	29	7,397,814	Saatchi & Saatchi
9	Biju Joseph P	54	B.Tech	General Manager Production (PMD)	15-03-1993	32	7,282,641	Siemens Limited
10	M Pavan Kumar Reddy	44	B.Com (Hons.)	Deputy General Manager	22-01-2007	23	6,726,037	Seagram India
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	Devraj Lahiri	48	B.Com., MBA	Managing Director	12-03-2001	23	24,222,065	NFO Singapore
2	Aditya Deb Gooptu	49	B.E., PGDBM	Managing Director	01-12-2020	24	19,035,967	Godfrey Phillips India Ltd
3	Gopi A	58	B.E., MBA	Vice President - Technical	01-08-1994	34	12,918,145	BMF Beltings 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.

On behalf of the Board,

Dated this 27th day of April, 2021
Hyderabad

Naresh Kumar Sethi
DIN No : 08296486