

Corporate Information

BOARD OF DIRECTORS

Naresh Kumar Sethi <i>Chairman</i> (DIN 08296486)
Aditya Deb Gooptu* <i>Managing Director & CEO</i> (DIN 07849104)
Devraj Lahiri # <i>Managing Director</i> (DIN 03588071)
S. Thirumalai <i>Non-Executive Director</i> (DIN 00011899)
Rama Bijapurkar <i>Independent Non-Executive Director</i> (DIN 00001835)
Sudip Bandyopadhyay <i>Independent Non-Executive Director</i> (DIN 00007382)
Rajiv Gulati <i>Independent Non-Executive Director</i> (DIN 06820663)

BOARD COMMITTEES

AUDIT COMMITTEE

Sudip Bandyopadhyay	<i>Chairman</i>
Rama Bijapurkar	<i>Member</i>
Rajiv Gulati	<i>Member</i>
S. Thirumalai	<i>Member</i>

STAKEHOLDERS RELATIONSHIP COMMITTEE

Rama Bijapurkar	<i>Chairperson</i>
Rajiv Gulati	<i>Member</i>
Naresh Kumar Sethi	<i>Member</i>
S. Thirumalai	<i>Member</i>
Aditya Deb Gooptu	<i>Member</i>

NOMINATION AND REMUNERATION COMMITTEE

Rama Bijapurkar	<i>Chairperson</i>
Rajiv Gulati	<i>Member</i>
Sudip Bandyopadhyay	<i>Member</i>
Naresh Kumar Sethi	<i>Member</i>
S. Thirumalai	<i>Member</i>

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Rajiv Gulati	<i>Chairman</i>
Rama Bijapurkar	<i>Member</i>
Naresh Kumar Sethi	<i>Member</i>
S. Thirumalai	<i>Member</i>
Aditya Deb Gooptu	<i>Member</i>

RISK MANAGEMENT COMMITTEE

Sudip Bandyopadhyay	<i>Chairman</i>
Rama Bijapurkar	<i>Member</i>
Naresh Kumar Sethi	<i>Member</i>
S. Thirumalai	<i>Member</i>
Aditya Deb Gooptu	<i>Member</i>
Kalyan Basu	<i>Management Member</i>
Anish Gupta	<i>Management Member</i>
S. Sriram	<i>Management Member</i>

CORPORATE EXECUTIVE COMMITTEE

Aditya Deb Gooptu	<i>Managing Director & CEO</i>
Anish Gupta	<i>Chief Financial Officer</i>
Ajay Chaudhary	<i>Vice President-Digital Transformation</i>
Ishita Bardhan	<i>Chief Human Resource Officer</i>
Kalyan Basu	<i>President-Marketing</i>
Phani K. Mangipudi	<i>Company Secretary & Head-Legal & Secretarial</i>
Rohit Sahni	<i>Vice President-Marketing</i>
S. Sriram	<i>Vice President-Technical</i>
T. Lakshmi Narasaiah	<i>Vice President-Leaf</i>

AUDITORS

BSR & ASSOCIATES LLP
Chartered Accountants
Hyderabad - 500 034

REGISTERED OFFICE

PLANT LOCATIONS

1-7-1063/1065	Survey No.288/289
Azamabad,	Muppireddy Palli,
Hyderabad - 500 020	Toopran, Medak
Telangana	Telangana

REGISTRAR & SHARE TRANSFER AGENTS

KFin Technologies Pvt. Ltd.
Selenium Tower B, Plot No.31 & 32
Financial District, Nanakramguda,
Serilingampally, Gachibowli
Hyderabad - 500 032, Telangana
Phone : +91 40 6716 2222
E-mail : einward.ris@kfintech.com
Website : www.kfintech.com

Notice

NOTICE is hereby given that the Ninetieth Annual General Meeting of VST INDUSTRIES LIMITED will be held on **Tuesday, 27th July 2021 at 1.30 p.m.** (IST) through Video Conferencing (VC) / Other Audio Visual Means (OAVM) for transacting the following business:

ORDINARY BUSINESS

- To consider and adopt the Audited Financial Statements of the Company for the year ended 31st March 2021, and the Reports of the Board of Directors and Auditors.
- To declare a Dividend on the Equity Shares for the year ended 31st March 2021.
- To appoint a Director in place of Mr. S. Thirumalai [DIN: 00011899] who retires by rotation and being eligible, offers himself for re-appointment.
- To consider and, if thought fit, to pass with or without modification(s) the following Resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, (including any statutory modification or re-enactment thereof for the time being in force), Messrs. BSR & Associates LLP, Chartered Accountants, having ICAI firm registration number 116231W/W-100024 be and are hereby re-appointed as the Statutory Auditors of the Company for a second term of 5 (five) years to hold office from the conclusion of this 90th Annual General Meeting till the conclusion of the 95th Annual General Meeting of the Company and authorize the Board to fix such remuneration as may be recommended by the Audit Committee in consultation with the Auditors, in addition to reimbursement of all out-of-pocket expenses as may be incurred in connection with the audit of the accounts of the Company."

SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to the provisions of Section 152 and any other applicable provisions of the Companies Act, 2013 and the rules, circulars, orders and notifications made thereunder (including any statutory

modification or re-enactment thereof for the time being in force), Mr. Aditya Deb Gooptu [DIN:07849104] who was appointed as an Additional Director of the Company by the Board of Directors with effect from 1st December 2020 pursuant to Section 161 of the Companies Act, 2013 read with Article 98 of the Articles of Association of the Company, and who vacates office at the ensuing Annual General Meeting, be and is hereby appointed as a Director of the Company ."

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

"RESOLVED THAT pursuant to the recommendations of the Nomination & Remuneration Committee and approval of the Board and subject to the provisions of Sections 196, 197, 198, 203 read with Schedule V and other applicable provisions of the Companies Act, 2013 and the Rules framed thereunder (including any statutory modification or re-enactment thereof for the time being in force), approval of the Members be and is hereby accorded to the appointment of Mr. Aditya Deb Gooptu [DIN:07849104] as a Managing Director & CEO of the Company, with effect from 1st December 2020 for a period of five years up to 30th November 2025 [both days inclusive] on such terms and conditions of appointment including remuneration as contained in the agreement entered into between the Company and Mr. Aditya Deb Gooptu, which is hereby approved and the material terms of which are detailed in the Explanatory Statement attached to this Notice, with the liberty to the Board of Directors [hereinafter referred to as "the Board" which term shall be deemed to include the Nomination and Remuneration Committee of the Board] to alter and vary the terms and conditions of the remuneration including the components of remuneration as it may deem fit and as may be acceptable to Mr. Gooptu, subject to the same not exceeding the limits specified under the Companies Act, 2013 read with Schedule V thereto and any statutory modification(s) or re-enactment thereof."

By Order of the Board

Phani K Mangipudi

Company Secretary &
Head of Legal & Secretarial
ACS 17557

Dated this 27th day of April 2021
Azamabad, Hyderabad - 500 020

* Mr. Aditya Deb Gooptu appointed as Managing Director & CEO w.e.f. 1.12.2020.

Mr. Devraj Lahiri resigned as Director and Managing Director w.e.f. close of business hours on 9.12.2020.

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NOTES :

1. In view of the continuing Covid-19 pandemic, the Ministry of Corporate Affairs (MCA) has vide its circular dated 13th January 2021 read with circulars dated 5th May 2020, 13th April 2020 and 8th April 2020 (collectively referred to as 'MCA circulars') permitted the holding of the Annual General Meeting (AGM) through VC/OAVM, without the physical presence of the Members at a common venue. In compliance with the provisions of the Companies Act, 2013 (Act), SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 (Listing Regulations) and MCA circulars, the AGM of the Company is being held through VC/OAVM. The deemed venue for the Ninetieth AGM shall be the Registered Office of the Company.
2. A Member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a Member of the Company. Since this AGM is being held through VC/OAVM, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.
3. Corporate Members are requested to send, a duly certified copy of the Board Resolution pursuant to Section 113 of the Companies Act, 2013 authorising their representative to attend the AGM through VC/OAVM on their behalf and vote through remote e-voting. The Resolution shall be sent to the Scrutinizer by email through its registered email address to saravana1015@gmail.com with a copy marked to evoting@kfintech.com.
4. M/s. KFin Technologies Pvt. Ltd. (KFintech) will be providing facility for voting through remote e-voting, for participation in the Ninetieth AGM through VC/OAVM and e-voting during the AGM.
5. Members may join the Ninetieth AGM through VC/OAVM by following the procedure which shall be kept open for the Members from 1.15 p.m. (IST) i.e. 15 minutes before the time scheduled to start the AGM and the Company may close the window for joining the VC/OAVM 15 minutes after the scheduled time to start the Ninetieth AGM. The detailed instructions for participating in the Ninetieth AGM through VC/OAVM are given as a separate attachment to this Notice.
6. Members may note that the VC/OAVM provided by KFintech allows participation of at least 1000 Members on a first-come-first-served basis. The large shareholders (i.e. shareholders holding 2% or more shareholding), promoters/promoter group, institutional investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination & Remuneration Committee and Stakeholders Relationship Committee, Auditors, etc. can attend the AGM without any restriction on account of first-come-first-served principle.
7. Members attending the AGM through VC/OAVM shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.
8. The Register of Members of the Company shall remain closed from Tuesday, 20th July 2021 to Tuesday, 27th July 2021 (both days inclusive) for payment of dividend, if declared.

Valid transfer of shares received at the office of Registrar and Transfer Agents of the Company, KFintech, before the close of business hours on 19th July 2021 will be registered in time for the transferees to become eligible for dividend, if declared.

Dividend, if declared, will be paid within 30 days from the date of the AGM to those Members whose names appear in the Register of Members of the Company on 27th July 2021 or to their mandatees, subject however to the provisions of Section 126 of the Companies Act, 2013 or any amendment thereto or re-enactment thereof. In respect of dematerialised shares the dividend will be payable on the basis of beneficial ownership as on 19th July 2021, as per details to be furnished by National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) for this purpose.
9. Brief profile of the Directors proposed to be appointed/re-appointed is given towards the end of this Notice pursuant to Regulations 26(4) & 36(3) of the Listing Regulations and Secretarial Standard issued by Institute of Company Secretaries of India. None of the directors is related to one another.
10. Members holding shares in physical form should inform the Company's Registrar and Transfer Agents, KFintech of any change in their registered address, mandate/bank details/e-mail address. Similarly, Members holding shares in electronic form should inform their Depository Participants (DP) of any change in their registered address, mandate/bank details/e-mail address.
11. The shares of the Company are under compulsory demat trading. Members holding shares in physical form are requested to convert their shares into dematerialized form. Further, SEBI vide its circular no. SEBI/HO/MIRSD/RTAMB/CIR/P/2020/236 dated 2nd December 2020 had fixed 31st March 2021 as the cut-off date for relodgement of transfer deeds and the shares in physical that are relodged for transfer shall be issued only in dematerialized mode.
12. The Securities and Exchange Board of India (SEBI) has directed listed companies to use electronic payment modes such as NEFT, RTGS, ECS etc., for payment to the investors. Members are requested to update their bank details such as MICR, IFSC code etc., with the Registrar and Transfer Agents, KFintech by submitting a cancelled cheque, while Members holding shares in electronic form are requested to update such bank details with their respective Depository Participants.
13. Members who have multiple folios in identical names or joint names in the same order are requested to intimate the Registrar and Transfer Agents, KFintech about these folios to enable consolidation of all such shareholdings into one folio.
14. SEBI vide circular ref no. MRD/DoP/CIR-05/2007 dated April 27, 2007, made PAN the sole identification number for all participants transacting in the securities market, irrespective of the amount of transaction. In continuation of the aforesaid circular, it is hereby clarified that for securities market transactions and off market/private transactions involving transfer of shares of listed companies in physical form, it shall be mandatory for the transferee(s) to furnish copy of PAN card to the Company /Registrar and Share Transfer Agent for registration of such transfer of shares.
15. Members holding shares in single name and physical form are advised to make nomination in respect of their shareholding in the Company. The Nomination Form SH 13 prescribed under the Companies Act, 2013 can be obtained from the Registrar and Transfer Agent or can be downloaded from the Company's website www.vsthyd.com.
16. Members are requested to refer to the "Shareholder Referencer" of the Report on Corporate Governance which inter-alia contains details regarding unclaimed dividend. Members wishing to claim dividends that remain unclaimed are requested to correspond with the Registrar and Share Transfer Agents as mentioned above, or the Company Secretary, at the Company's registered office. Members are requested to note that dividends that are not claimed within seven years from the date of transfer to the Company's unclaimed dividend account, will, as per Section 124 of the Companies Act, 2013, be transferred to the Investor Education and Protection Fund (IEPF). Shares on which dividend remains unclaimed for seven consecutive years will also be transferred to the IEPF as per Section 124 of the aforesaid Act, and applicable Rules thereunder.
17. The documents referred to in this Notice are open for inspection at the Registered Office of the Company on all working days, except Saturdays & Sundays, between 11.00 a.m. and 1.00 p.m. up to the date of AGM.
18. Pursuant to Section 108 of Companies Act, 2013 read with Rule 20 of Companies (Management and Administration) Rules, 2014 as substituted by the Companies (Management and Administration) Amendment Rules, 2015 and Clause 44 of Listing Regulations, the Company is pleased to offer voting by electronic means to the Members to cast their votes electronically on all items of business set forth in this Notice. The detailed instructions for e-voting are given as a separate attachment to this Notice. Members who have cast their vote by remote e-voting prior to the Ninetieth AGM may also participate in the AGM through VC/OAVM but shall not be entitled to cast their vote again. Only those Members, who will be present in the Ninetieth AGM through VC/OAVM and have not cast their vote on the Resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote through e-voting system in the AGM by following the same procedure as in the remote e-voting.
19. The Company has appointed Mr. B.V. Saravana Kumar, Company Secretary in Practice, who in the opinion of the Board is a duly qualified person, as a Scrutinizer who will scrutinise the electronic voting process in a fair and transparent manner. The Scrutinizer shall within a 48 hours from the date of conclusion of the Meeting, submit his report of the votes cast in favour or against, if any, to the Chairman of the Company or any other person authorised by the Chairman and the result of the same will be disclosed forthwith. The result declared along with the Scrutinizer's Report shall be placed on the Company's website www.vsthyd.com. The Company shall simultaneously forward the results to BSE Limited and National Stock Exchange of India Limited, where the shares of the Company are listed.
20. In compliance with the above referred MCA circulars and the SEBI circulars dated 12th May 2020 and 15th January 2021 respectively, Notice of the AGM along with the Annual Report 2020-21 is being sent only through electronic mode to those Members whose email addresses are registered

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with the Company/Depositories. Members may note that the Notice and the Annual Report 2020-21 will also be available on the Company's website www.vsthyd.com, and websites of the Stock Exchanges i.e. BSE Ltd. and National Stock Exchange of India Ltd. at www.bseindia.com and www.nseindia.com respectively.

21. Pursuant to Finance Act 2020, dividend income will be taxable in the hands of the Members w.e.f. 1st April 2020 and the Company is required to deduct tax at source from dividend paid to Members at the prescribed rates. For the prescribed rates for various categories, the shareholders are requested to refer to the Finance Act, 2020 and amendments thereof. The shareholders are requested to update their PAN with the Company/KFintech (in case of shares held in physical mode) and depositories (in case of shares held in demat mode).

A Resident individual shareholder with PAN and who is not liable to pay income tax can submit a yearly declaration in Form No.15G/15H, to avail the benefit of non-deduction of tax at source by email to einward.ris@kfintech.com by 11.59 p.m. IST on 19th July 2021. Members are requested to note that in case their PAN is not registered, the tax will be deducted at a higher rate of 20%.

Non-resident shareholders can avail beneficial rates under tax treaty between India and their country of residence, subject to providing necessary documents i.e. No Permanent Establishment and Beneficial Ownership Declaration, Tax Residency Certificate Form 10F, any other document which may be required to avail the tax treaty benefits by sending an email to einward.ris@kfintech.com. The aforesaid declarations and documents need to be submitted by the shareholders by 11.59 p.m. IST on 19th July 2021. The formats of the same can be downloaded from the website of the Company, www.vsthyd.com.

22. Certificate from Statutory Auditors of the Company certifying that the VST Employee Stock Option Plan 2020 ('VST-ESOP 2020') of the Company is being implemented in accordance with the SEBI (Share Based Employee Benefits) Regulations, 2014 as amended, will

also be one of such documents available for inspection by the Members at the AGM.

23. Since the AGM will be held through VC/OAVM, the Route Map is not annexed to the Notice.

By Order of the Board

Phani K. Mangipudi

Company Secretary &

Head of Legal & Secretarial

ACS17557

Dated this 27th day of April, 2021
Azamabad, Hyderabad - 500 020.

STATEMENT PURSUANT TO SECTION 102(1) OF COMPANIES ACT, 2013

Item no. 4

Messrs. BSR & Associates LLP, Chartered Accountants, having ICAI firm registration number 116231W/W-100024 were appointed as the Statutory Auditors of the Company at the Eighty Fifth Annual General Meeting held on 11th August 2016 for a term of 5 years and they hold office upto the conclusion of the ensuing Annual General Meeting of the Company.

The Audit Committee and the Board, unanimously, recommends the ordinary resolution as set out in item no. 4 of this Notice taking into account their credentials and also based on the evaluation of the quality of audit work done by them during their tenure as the Statutory Auditors of the Company between 2016-2021.

Credentials: Messrs. B S R & Associates ('BSR') was constituted on 1st December 1996 having firm registration no. as 116231W. It was converted into limited liability partnership i.e. B S R & Associates LLP on 14th October 2013 thereby having a new firm registration no. 116231W/ W-100024. The registered office of the firm is at 5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai, Maharashtra - 400 011. B S R & Associates LLP is a member entity of B S R & Associates, a network registered with the Institute of Chartered Accountants of India. The other entities which are part of the B S R & Associates include B S R & Co. LLP, B S R & Company, B S R and Co, B S R and Associates, B S R and Company, B S R & Co and B B S R & Co. B S R & Associates LLP is registered in Mumbai, Gurgaon,

Bangalore, Kolkata, Hyderabad, Pune, Chennai, Ahmedabad, Vadodara and Kochi. BSR and each of its member firms are legally separate and independent to VST Industries Limited.

The terms and conditions of re-appointment of the statutory auditors and the proposed fees are as follows:

- Term of Appointment: 5 years from the conclusion of this AGM till the conclusion of 95th AGM.
- Proposed Fees: Remuneration for Statutory Audit of ₹ 40,00,000 (Rupees Forty Lakhs only) plus applicable taxes, travelling and other out-of-pocket expenses incurred by them in connection with the statutory audit of the Company for the financial year 2021-22. The remuneration payable to the statutory auditors for the remaining tenure of the proposed re-appointment will be subsequently determined by the Board as per the recommendations of the Audit Committee. The proposed fees is based on knowledge, expertise, industry experience and the time and efforts required to be put in by them, which is in line with the industry benchmarks. The fees for services in the nature of limited review, statutory certifications and other professional work will be in addition to the audit fee as above and will be determined by the Board in consultation with the Auditors and as per the recommendations of the Audit Committee. The Board, based on the recommendation of the Audit Committee, unanimously, recommends the ordinary resolution as set out in item no. 4 of this Notice.

Item Nos. 5 & 6

Mr. Aditya Deb Gooptu was appointed as an Additional Director of the Company with effect from 1st December 2020 at the Board Meeting held on 27th October 2020 on the recommendation of the Nomination & Remuneration Committee in terms of Section 161(1) of Companies Act, 2013 read with Article 98 of the Articles of Association of the Company. A notice has been received from a Member proposing Mr. Gooptu as a candidate for the office of Director of the Company.

Mr. Aditya Deb Gooptu was also appointed as the Managing Director & CEO of the Company for a term of five (5) consecutive years with effect from 1st December 2020.

Mr. Aditya Deb Gooptu, aged 49 years, holds a Bachelor's degree in Engineering from Jadavpur University and a PG

Diploma in Management from IIM, Ahmedabad. He has also attended the Advanced Management Program at the Harvard Business School. Mr. Gooptu has spent over 17 years (2003-2020) in Godfrey Phillips India in various roles and most recently as Executive Vice President & Business Head - Cigarettes before joining the Company. Prior to that he was Category Head for imported brands & scotches for South Asia in Pernod Ricard India (1996-2003).

The consent pursuant to Section 152(5) of the Companies Act, 2013 to act as Director if appointed and intimation in terms of Companies (Appointment & Qualification of Directors) Rules, 2014 to the effect that he is not disqualified under sub-section(2) of Section 164 of Companies Act, 2013, have been received from Mr. Aditya Deb Gooptu. Mr. Gooptu does not hold any shares either by himself or for any other person on a beneficial basis in the Company and is not related to any other Director of the Company. He has been appointed as a Member of the Corporate Social Responsibility, Risk Management and Stakeholders Relationship Committees.

The approval of Members is being sought to the terms and conditions for the appointment of Mr. Aditya Deb Gooptu as a Managing Director & CEO of the Company and the remuneration payable to him, as modified, including the material terms of appointment and remuneration as contained in the Agreement:

- Consolidated Salary : At the rate of ₹ 9,60,300/- per month subject to such increases as the Board may determine in the consolidated salary during the tenure of office as Managing Director having regard to the annual performance of Mr. Aditya Deb Gooptu and to cover the Consumer Price Index.
- Other Allowance: Not exceeding 75% of Consolidated Salary, payable monthly, as may be determined by the Board from time to time.
- Performance Bonus: Payable annually for each financial year not exceeding 150% of the Consolidated Salary per annum after approval of the accounts, of such amount as may be determined by the Board of Directors of the Company.

In addition to the aforesaid consolidated salary, other allowance and performance bonus, Mr. Aditya Deb Gooptu shall be entitled to perquisites like gas, electricity, water, furnishings, medical reimbursement and leave travel

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concession for self and family, club fees, personal accident insurance etc. in accordance with the Rules of the Company, the monetary value of such perquisites being limited to ₹ 10,00,000/- per annum, for the purposes of which limit perquisites shall be evaluated as per Income Tax Rules, wherever applicable, and in absence of any such Rule, perquisites shall be evaluated at actual cost.

However, the following shall not be included in the aforesaid perquisite limit:

- Rent free furnished accommodation owned/leased/rented by the Company or Housing Allowance in lieu thereof, subject to a maximum of 30% of the consolidated salary.
- Contribution to Provident Fund and Superannuation Fund up to a maximum of 27% of salary and contribution to Gratuity Fund up to 8.33% of salary as limited and defined in the Rules of the respective Funds, or up to such other limit as may be prescribed under the Income Tax Act, 1961 and the Rules thereunder for this purpose.
- Use of Company car for official purposes and telephone at residence and cell phone (including payment for local calls and long distance official calls).
- Encashment of unavailed leave as per the Rules of the Company at the time of retirement/cessation of service.
- Long service award as per the Rules of the Company.
- Costs and expenses incurred by the Company in connection with joining/transfer from one location to another as per the Rules of the Company.
- Participation in any employee stock option plan of the Company and joining bonus as approved by the Board.

Provided that the remuneration as aforesaid to Mr. Gooptu shall not exceed the limits prescribed under the second proviso to Section 197(1) of the Companies Act, 2013 for remuneration payable to managerial personnel by way of ordinary resolution.

Minimum Remuneration: Notwithstanding anything to the contrary contained herein, where, in any financial year

during the currency of the tenure of Mr. Aditya Deb Gooptu as Managing Director & CEO, the Company has no profits or its profits are inadequate, the Company shall pay salary and perquisites provided herein above to Mr. Gooptu, subject to the limits specified in Part II, Section II of Schedule V to the Companies Act, 2013 and subject to such approvals as may be required.

Mr. Gooptu shall manage and conduct the business and affairs of the Company subject to the superintendence, control and direction of the Board of Directors. He shall not be paid any sitting fees for attending meetings of the Board or Committee thereof.

The appointment can be terminated by the Company or Mr. Gooptu, by one party giving to the other six (6) months' notice in writing or by payment of a sum equivalent to remuneration for the notice period or pro-rated in case of shorter notice or on such other terms as may be mutually agreed.

Considering Mr. Aditya Deb Gooptu's expertise, knowledge and experience, the Board, on the recommendation of the Nomination and Remuneration Committee, considers his appointment as a Director and Managing Director & CEO to be in the interest of the Company and in view of the provisions of Sections 196, 197, 198 and any other applicable provisions of the Act, recommends the Ordinary Resolution as set out in the accompanying Notice for the approval of the Members.

Copy of the Agreement referred to in the Resolution would be available for inspection without any fee by the Members on the Company's website www.vsthyd.com and also at the Registered Office of the Company during business hours on any working day, excluding Saturday, up to 27th July 2021.

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

The above may be treated as written memorandum setting out the terms of appointment of Mr. Aditya Deb Gooptu under Section 190 of Companies Act, 2013 and a disclosure under Regulation 36 of the Listing Regulations.

The Board commends this item of business for your approval.

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

[Pursuant to Regulation 3 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Clause 1.2.5 of Secretarial Standard-2 on General Meetings]

Name of the Director	Mr. S. Thirumalai (As Non-Executive Director)	Mr. Aditya Deb Gooptu (As Managing Director & CEO)
DIN	00011899	07849104
Age	72 years	49 years
Date of first appointment on the Board	26.7.2019	1.12.2020
Qualifications	- Law Graduate. - Fellow Member of the Institute of Chartered Accountants of India, Institute of Company Secretaries of India. - Certified Associate of Indian Institute of Bankers. - Attended Advanced Management Program at Harvard Business School, Boston, USA.	- Bachelors degree in Engineering from Jadavpur University. - PG Diploma in Management from IIM, Ahmedabad. - Attended Advanced Management Program at the Harvard Business School.
Expertise in specific functional areas	Finance & Regulatory	Business Strategy & Marketing
Number of Meetings of the Board attended during the year	9	3
List of Directorships of other Indian companies	Nil	The Tobacco Institute of India
List of Memberships/Chairmanships of Committees of other Board	Nil	Nil
Shareholding in the Company	25 shares	Nil
Relationship with other Directors and Key Managerial Personnel of the Company.	None	None

INSTRUCTIONS FOR REMOTE E-VOTING

- Use the following URL for e-voting from KFinTech website: <https://evoting.kfintech.com>.
- Members of the Company holding shares either in physical form or in dematerialized form, as on 19th July 2021, the cutoff date, may cast their vote electronically.
- Enter the login credentials i.e. User ID and password mentioned in your email. Your Folio No./DP ID Client ID will be your User ID. However, if you are already registered with KFinTech for e-voting, use your existing User ID and password for casting your votes.
- After entering the details appropriately, click on LOGIN.
- You will reach the Password change menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- You need to login again with the new credentials.
- On successful login, the system will prompt you to select the EVENT i.e., VST Industries Limited.
- On the voting page, the number of shares (which represents the number of votes) held by you as on the cut-off date will appear. If you desire to cast all the votes assenting/dissenting to the resolution, enter all shares and click 'FOR'/'AGAINST' as the case may be or partially in 'FOR' and partially in 'AGAINST', but the total number in 'FOR' and/or 'AGAINST' taken together should not exceed your total shareholding as on the cut-off date. You may also choose the option 'ABSTAIN' and the shares held will not be counted under either head.
- Members holding multiple folios / demat account shall choose the voting process separately for each folio / demat account.
- Cast your vote by selecting an appropriate option and click on SUBMIT. A confirmation box will be displayed. Click OK to confirm else CANCEL to modify. Once

Notice (Contd.)

- you confirm, you will not be allowed to modify your vote. During the voting period, Members can login any number of times till they have voted on the Resolution.
11. The Portal will be open for voting from 9.00 a.m. on 23rd July 2021 and closes at 5.00 p.m. on 26th July 2021.
 12. Members of the Company who have purchased their shares after the dispatch of the Notice but before the cutoff date (19th July 2021) may contact Kfintech at Tel No. 1800 309 4001 (toll free) to obtain login id and password or send a request to einward.ris@kfintech.com.
 13. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for shareholders and e-voting User Manual for shareholders available at the download section of <https://evoting.kfintech.com> or contact Kfintech at Tel No. 1800 309 4001 (toll free).
 14. Pursuant to SEBI circular no. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated 9th December 2020 on "e-voting facility provided by Listed Companies", e-voting process has been enabled to all the individual demat account holders, by way of single login credential, through their demat accounts / websites of Depositories / DPs in order to increase the efficiency of the voting process. Individual demat account holders would be able to cast their vote without having to register again with the e-Voting service provider (ESP) thereby not only facilitating seamless authentication but also ease and convenience of participating in e-voting process. Shareholders are advised to update their mobile number and e-mail ID with their DPs in order to access e-voting facility.

Procedure to login through websites of Depositories

NSDL	CDSL
Users already registered for IDeAS facility of NSDL	Users already registered for Easi / Easiest facility of CDSL
<ol style="list-style-type: none"> i. Click on URL: https://eservices.nsd.com. ii. Click on the "Beneficial Owner" icon under 'IDeAS' section. iii. Enter your User ID and Password for accessing IDeAS, iv. On successful authentication, you will enter your IDeAS service login. v. Click on "Access to e-Voting". vi. Click on Company name or e-voting service provider and you will be re-directed to Kfintech website for casting the vote during the remote e-voting period. 	<ol style="list-style-type: none"> i. Click on URL: https://web.cdslindia.com/myeasi/home/login or www.cdslindia.com and click on New System Myeasi ii. Enter your User ID and Password for accessing Easi / Easiest. iii. Click on Company name or e-voting service provider for casting the vote during the remote e-voting period.
2. Users not registered for IDeAS facility of NSDL	2. Users not registered for Easi / Easiest facility of CDSL
<ol style="list-style-type: none"> i. To register, click on URL: https://eservices.nsd.com. ii. Select "Register Online for IDeAS". iii. Proceed to complete registration using your DP ID, Client ID, Mobile Number, etc. iv. After successful registration, please follow steps given under Sr. No. 1 above to cast your vote. 	<ol style="list-style-type: none"> i. To register, click on URL https://web.cdslindia.com/myeasi/Registration/EasiRegistration ii. Proceed to complete registration using your DP ID, Client ID, Mobile Number, etc. iii. After successful registration, please follow steps given under Sr. No. 1 above to cast your vote.
3. Users may directly access the e-voting module of NSDL as per the following procedure:	3. Users may directly access the e-voting module of CDSL as per the following procedure:
<ol style="list-style-type: none"> i. Click on URL: https://www.evoting.nsd.com/ ii. Click on the button "Login" available under "Shareholder / Member" section. iii. Enter your User ID (i.e. 16-digit demat account number held with NSDL), login type, Password / OTP and Verification code as shown on the screen iv. On successful authentication, you will enter the e-voting module of NSDL v. Click on Company name or e-voting service provider and you will be re-directed to Kfintech website for casting the vote during the remote e-voting period. 	<ol style="list-style-type: none"> i. Click on URL: www.cdslindia.com. ii. Provide demat account number and PAN. iii. System will authenticate user by sending OTP on registered mobile & email as recorded in the demat account. iv. On successful authentication, you will enter the e-voting module of CDSL. v. Click on Company name or e-voting service provider and you will be re-directed to Kfintech website for casting the vote during the remote e-voting period.

NSDL	CDSL
Procedure to login through their demat accounts / website of Depository Participant	
Individual shareholders holding shares of the Company in Demat mode can access e-Voting facility provided by the Company using login credentials of their demat accounts (online accounts) through their demat accounts / websites of Depository Participants registered with NSDL/CDSL. An option for "e-Voting" will be available once they have successfully logged-in through their respective logins. Click on the option "e-Voting" and they will be redirected to e-Voting modules of NSDL/CDSL (as may be applicable). Click on the e-Voting link available against the name of Company or select e-Voting service provider "Kfintech" and you will be redirected to the e-Voting page of Kfintech to cast your vote without any further authentication.	
Members who are unable to retrieve User ID / Password are advised to use "Forgot User ID" / "Forgot Password" options available on the websites of Depositories / Depository Participants.	
Contact details in case of technical issue on NSDL website	Contact details in case of technical issue on CDSL website
Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at toll free no.: 1800 1020 990 and 1800 22 44 30	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at 022-23058738 or 22-23058542-43.

INSTRUCTIONS FOR PARTICIPATING THROUGH VC/OAVM

1. Members will be able to attend the Ninetieth AGM through VC/OAVM through Kfintech e-voting system at <https://evoting.kfintech.com> under shareholders login by using the remote e-voting credentials and selecting the EVENT for the Company's Ninetieth AGM. Please note that the Members who do not have the User ID and Password for e-voting or have forgotten the User ID and Password may retrieve the same by following the remote e-voting instructions mentioned in the Notice of AGM to avoid last minute rush. Further, Members can also use the OTP based login for logging in to the e-voting system.
2. Members will be required to use internet with a good speed to avoid any disturbance during the Meeting. It is recommended to join the Meeting through Google Chrome for better experience.
3. Please note that Members connecting from mobile devices or tablets or through laptops etc. connecting via mobile hotspot, may experience Audio/Video loss due to fluctuation in their respective network. It is therefore recommended to use stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches.
4. Members can submit questions in advance with regard to the financial statements or any other matter to be placed at the AGM, from their registered email address, mentioning their name, DP ID and Client ID No./Folio No. and Mobile No. to reach the Company's email address investors@vstind.com at least 48 hours in advance before the start of the meeting i.e. 25th July 2021 by 1.30 p.m. IST. Such questions by the Members shall be taken up during the Meeting and replied by the Company suitably.
5. Members, who would like to ask questions during the AGM with regard to the financial statements or any other matter to be placed at the Ninetieth AGM, need to register themselves as a speaker by sending their request from their registered email address mentioning their name, DP ID and Client ID No./Folio No. and Mobile No. to reach the Company's email address investors@vstind.com at least 48 hours in advance before the start of the meeting i.e. 25th July 2021 by 1.30 p.m. IST. Those Members who have registered themselves as a speaker shall be allowed to ask questions during the AGM, depending upon the availability of time.
6. During the AGM, the Chairman shall, after response to the questions raised by the Members in advance or as a speaker at the AGM, formally propose to the Members participating through VC/OAVM to vote on the Resolutions as set out in the Notice of the Ninetieth AGM and announce the start of the casting of vote through e-voting system. After the Members participating through VC/OAVM, eligible and interested to cast votes, have cast the votes, the e-voting will be closed with the formal announcement of closure of the Meeting.
7. Only those Members who will be present in the AGM through the VC facility and have not casted their vote through remote e-voting are eligible to vote through e-voting in the AGM.
8. Members who need assistance or help during the AGM, can contact Kfintech, Selenium Tower B, Plot No.31 & 32, Financial District, Nanakramguda, Gachibowli, Hyderabad - 500 032, Telangana. Phone : +91 40 6716 2222.

Report of the Board of Directors & Management Discussion and Analysis for the Year Ended 31st March 2021

The Directors of your Company have pleasure in presenting before you the Annual Report together with the Audited Statements of Accounts for the year ended 31st March 2021.

FINANCIAL SUMMARY

	2020-21	2019-20
	(₹ Lakhs)	
Revenue from Operations	147289	137042
Profit after Tax	31079	30409
Balance available for Appropriation in Retained Earnings	78670	68774
Amount transferred to General Reserves	3000	3000
Dividend paid	15905	14670
Dividend Distribution Tax thereon	-	3015
Balance in retained earnings	59765	48089
Key Ratios		
Earnings per Share (₹)	201.27	196.93
Dividend per Share (₹)	103.00	95.00

Value creation during the decade has been Compounded Annual Growth Rate (CAGR), 8.1% in Earnings Per Share (EPS) and 4.7% in Dividend Per Share (DPS).

DIVIDEND AND TRANSFER TO GENERAL RESERVE

The Directors are pleased to recommend a dividend of ₹ 114/- per equity share of ₹ 10/- each on the paid up equity share capital of the Company, for consideration and approval of Members at the ensuing Annual General Meeting (AGM). It is proposed to carry forward an amount of ₹ 3000 Lakhs to General Reserve.

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

MATERIAL CHANGES AND COMMITMENTS

Except as disclosed elsewhere in the Report, there have been no material changes and commitments made between the end of the financial year of the Company and the date of this Report. There has been no change in the nature of business of the Company during the year.

SHARE CAPITAL

The paid up Equity Share Capital as on 31st March 2021 was ₹ 1544.19 Lakhs. The Company has neither issued shares with differential rights as to dividend, voting or otherwise nor issued shares (including sweat equity shares) to the employees or Directors of the Company, under any Scheme.

No disclosure is required under Section 67(3)(c) of Companies Act, 2013 in respect of voting rights not exercised directly by the employees of the Company as the provisions of the said Section are not applicable.

EMPLOYEE STOCK OPTION PLAN

During the year under review, the VST Employee Stock Option Plan 2020 ('VST-ESOP 2020') of the Company was approved. The ESOP Scheme is in compliance with the SEBI (Share Based Employee Benefits) Regulations, 2014 ('the SBEB Regulations') as amended. Pursuant to the approval by the shareholders, the Company can grant up to such number of stock options convertible into equity shares, not exceeding 7,70,000 (Seven Lakh Seventy Thousand) equity shares of the face value of ₹ 10/- each fully paid-up or up to 5% of the paid-up equity share capital of the Company, whichever is higher, to the eligible employees of the Company under the VST-ESOP 2020. Disclosures pertaining to the ESOP Scheme pursuant to the SBEB Regulations are placed on the Company's website www.vsthyd.com.

MANAGEMENT DISCUSSION & ANALYSIS REPORT (MD&A)

Based on feedback from Members on the Annual Report and Accounts, this report includes MD&A as appropriate so that duplication and overlap between the Directors' Report and a separate MD&A is avoided and the entire material with Company's state of affairs is provided in a composite and comprehensive document.

2020: BUSINESS UNUSUAL

The COVID-19 pandemic impacted the normalcy of life with disruptions in physical, mental, and economic well-being of the people. To curb the pandemic in the initial stages, nationwide lockdowns were swiftly imposed by State Governments along with social distancing guidelines and protocol. However, this mass lockdown posed challenges in the demand and supply of goods and services, and further impacted consumption and annual volumes.

As the year progressed, restrictions began to be slowly and steadily eased creating scope for the business to pick-up. The supply side stability was restored in the month of June as the consumption capacity of the people began to rise. This progress brought in a ray of optimism for the business through a gradual quarter on quarter recovery within the year.

The extensive nationwide lockdowns greatly influenced economic activities and added on to the price pressure faced by the people caused by recurrent and steep taxation led prices. A gradual shift was observed in consumer behaviour as they turned to more affordable and cheaper brands of illegal non duty paid cigarettes. Continued unchecked growth of non-duty paid cigarettes continues to pose a serious threat to legal players.

COMPANY PERFORMANCE

It has been a highly unusual business year given the COVID-19 surge, and as a result of these challenges, your Company witnessed a business disruption from April-May. With your Company being a pure tobacco player, added challenges of demand forecasting, particularly in first half of the year, presented itself due to uncertainty at trade and consumer levels. Despite this, your Company delivered growth in value share with minimal impact on market share on an annual basis. Your Company has ended the year showing good momentum and market share trajectory. These results could be achieved with the courage and resilience shown by your Company's employees in overcoming obstacles at multiple levels.

The result of this dedication is reflected through the delivery of a strong financial performance by your Company. This success was driven by aggressive pricing (12% increase vs 7% for industry), superior performance of key trademarks such as Total and Charms and operational efficiencies including supply chain initiatives.

Your Company would like to bring to your attention that in a remarkably short span of five years, Total has emerged as the fifth largest brand in the industry. Total is the only new trademark in the last 25 years to have achieved this distinction being a first-of-its-kind, largest capsule brand in

the category with consumer spends of more than ₹ 2000 Crores. Total has forced re-evaluation of heritage brands and has successfully managed to attract consumers from higher price points as well. Another variant of Total was successfully introduced last year with an indigenous flavor innovation. Total now is present in almost all major markets of the country and is only the second brand in the category to have such a wide presence and stature.

Your Company continues to invest in expanding its geographic footprint with its presence in greater than 80% of the country including Delhi, Karnataka, Tamil Nadu, and Maharashtra. This significant increase from 55% in 2014-15 has also been largely driven by Total.

LEAF TOBACCO

Your Company's leaf function has registered a strong performance with an elevation in quality of the products offered. By leveraging its expertise in all varieties of tobaccos, your company procured high quality tobaccos for its own manufacturing in line with the changing volumes. It continues its domestic sales in addition to exports in spite of operational disturbances due to the pandemic.

Specific focus is directed toward the need to foster your Company's development of new varieties and high nicotine tobaccos to meet the changing requirements of tobacco in domestic and international markets. These developments are set in motion to cater to the needs of established customers while also attracting new customers year after year.

In the backdrop of changing climatic conditions, where the farming community faces challenges on cultivation your Company is paying attention to farmers' interest to sustain the tobacco cultivation. It is satisfying to note that your Company's farmers continue to grow tobacco with the lowest pesticide residue levels and low TSNAs (Tobacco Specific Nitrosamines) that are well within international standards. This also resulted in the development of backward regions in the leaf growing areas.

To further strengthen the commitment to Social and Economic upliftment of Companies' tobacco growing areas, your Company is continuing the sponsorship of initiatives like House Hold Toilets and Solar street lighting to ensure higher standard of living of the farmers and their families.

PRODUCTION AND PLANT MODERNISATION

Your Company has gained a competitive edge against other products in the market, with the introduction of innovative products from your Company's end. This upgrade in the products have been well received by the consumers.

Board of Directors & Management Discussion and Analysis (Contd.)

The focus at the plants continue to be extended toward enhancement of capital efficiencies and cost optimisation.

RESEARCH & DEVELOPMENT ACTIVITY

To upscale the quality of products offered, your Company laid emphasis on R&D activity. This focus encouraged the development of quality blends with innovative capsule filter / flavor variants for new brands, which have been well accepted by consumers in the market place. The R&D lab of your Company received a "Certificate of continuation" of ISO 17025:2017, from NABL, Quality Council of India, Government of India, for the year 2020-21.

HUMAN RESOURCE DEVELOPMENT

In March 2020, in response to the lockdown in India, your Company transitioned into a 'work-from-home' mode to ensure the safety of its employees. With communications turning 100% online, your Company acted with agility to establish remote working systems and adapted to flexible work arrangements within record time for smooth functioning of its operations.

Your Company's priority towards the health and well-being of its employees can be seen clearly through their efficient initiatives. Further, your Company considers people as a primary source of its competitiveness, and utilises its ability to attract, develop, and retain a diverse range of skilled people. Continuous efforts are spent to attract talent throughout the year as per requirements.

To create a safe environment for its female employees, your Company has constituted an Internal Complaints Committee as per the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules framed there under. However, no cases were filed during the year under the above Act.

As of 31st March 2021, your Company's workforce was 780 employees, with 359 Management staff and 421 Workmen. The Long-Term Agreement was signed with the company's recognised union for a period of 3.5 years commencing from 1st February 2020.

ENVIRONMENT, HEALTH & SAFETY (EHS) AND COMMUNITY SERVICES

There is no doubt that the year 2020-21 has been a challenging period due to the COVID-19 pandemic. During this time, paramount importance was extended by your Company to assure the safety and wellbeing of its employees. Your Company aimed at ensuring business continuity while

simultaneously catering to employee safety needs by strictly implementing COVID-19 protocols.

Your Company observed norms like social distancing, working from home, isolation, and regular sanitisation to ensure everyone's physical and psychological safety. Further, protective equipment and gears were made available, sanitisers were distributed and installed, and operations were managed with a rotating man power plan coupled with frequent health check-ups.

In the light of the pandemic, a series of initiatives towards employee health and wellbeing were taken up under the banner of "VST Cares". A major initiative of framing a COVID-19 medical policy was crafted to cover additional employee medical costs for COVID-19 treatment over and above the existing medical insurance. Your Company facilitated the vaccination of our employees of 45 years and above, along with their spouses.

415 employees and 110 contract workmen have undergone EHS training, mock drills were also conducted for workers and management during the period to comply with the Company's EHS guidelines. Half-yearly and Annual EHS audits of the Company's operations were carried out to ensure compliance of EHS requirements. ISO 14001:2015 & OHSAS 18001:2007 Recertification and Migration Audit from OHSAS 18001:2007 to new standard ISO 45001:2018 implementation was held at Azamabad & Toopran premises by M/s. Rina India Pvt. Ltd. and received a continuation certificate for ISO 14001:2015 & ISO 45001:2018 for both Azamabad & Toopran locations.

Your Company received "Commendation Certificate" for Safety Innovation Award 2020 from Institute of Engineers, New Delhi. Your Company received "Gold Rating" for IGBC Green factory building certification for Toopran factory from CII, Hyderabad.

FINANCE

a. Profits

The Profit after Tax of your Company for the year is ₹ 310.79 crores.

b. Treasury Operations

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

There are no significant changes (change of 25% or more as compared to the immediately previous financial ratios of the Company including those listed

out and specified under Schedule V (B)(1)(i) read with Regulation 34(3) and 53(f) of the Listing Regulations, as amended.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The Company has not taken any loans or given guarantees or made investments in any other Company covered and provided under Section 186 of the Companies Act, 2013 during the year.

RATING

The Credit Rating Information Services India Limited (CRISIL) has re-affirmed the rating of your Company to "FAAA/Stable" for Fixed Deposit Schemes, "AA+/Stable" for Long Term Non-Convertible Debentures and "A1+" for Non-fund based liabilities (Letter of Credit and Bank Guarantee). Your Company has stopped accepting fresh deposits for the past several years.

UNCLAIMED DIVIDENDS

Pursuant to the provisions of Sections 124 and 125 of the Companies Act, 2013, the Company has transferred on due dates, the unpaid or unclaimed dividends for the financial year ended 31st March, 2013 to the Investor Education and Protection Fund (IEPF) established by the Central Government.

Further, as per the provisions of Investor Education and Protection Fund (Uploading of Information regarding unpaid and unclaimed amounts lying with Companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on 31st March 2020 on the website of the Company (www.vsthyd.com), and also on the website of the Ministry of Corporate Affairs, Government of India.

The details of the dividend due for transfer to IEPF as on 31st March 2021 is given in the Report on Corporate Governance. The Company has completed the process of complying with the provisions of Section 124(6) of the Companies Act, 2013 read with the IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 and as amended by the Second Amendment Rules of 2017 by transferring 8,478 shares (61 shareholders) on 28th September 2020.

UNCLAIMED SHARE CERTIFICATES

Your Company has communicated to the Members whose share certificates have been returned undelivered to the Company that these would be transferred to the Unclaimed Suspense Account if not claimed by them, as required under

Regulation 34(3) read with Schedule V[F] of the Listing Regulations as amended.

The status of unclaimed shares as on 31st March 2021 is given in the Report on Corporate Governance.

CORPORATE GOVERNANCE

In terms of Regulation 34 of the Listing Regulations, a Report on Corporate Governance along with Compliance Certificate issued by the Statutory Auditors of the Company is annexed as "Annexure A" and forms part of this Report.

Your Company has taken adequate steps for strict compliance with the Corporate Governance guidelines, as amended from time to time.

MEETINGS

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

INTERNAL CONTROL SYSTEMS

- Your Company maintains an adequate and effective internal control system commensurate with the size and complexity. Your Company also has well documented Standard Operating Procedures (SOPs) for various processes which are periodically reviewed for changes warranted due to business needs.
- Your Company remains committed to improve effectiveness of internal financial controls and processes which would help in efficient conduct of its business operations, ensure security to its assets and timely preparation of reliable financial information.

The policies and procedures laid out by your Company capture the control environment prevalent in the organisation. Over a period of three years, the business processes of your Company is reviewed through an internal audit process which reviews the systems on a continuous basis. The objective being to identify potential risk areas and come up with a comprehensive risk mitigation plan.

Board of Directors & Management Discussion and Analysis (Contd.)

The Audit Committee of your Board met four times during the year. Review of audit observations covering the operations, consideration of accounts on a quarterly basis and monitoring the implementation of audit recommendations were some of the key areas which were dealt with by the Committee. The Statutory Auditors/Internal Auditors were invited to attend the Audit Committee Meetings and make presentations covering their observations on adequacy of internal financial controls and the steps required to bridge gaps, if any. Chief Financial Officer is a permanent invitee to the Audit Committee and other executives of the Company are invited to address, respond or provide clarifications to relevant issues as and when required.

RISK MANAGEMENT

Your Company has constituted the Risk Management Committee as mandated by SEBI for top 500 listed entities which was to be effective from 1st April 2019. The Committee comprises of Directors and Senior Management as its Members as prescribed under Regulation 21 of the Listing Regulations as amended. The Company Secretary is the Secretary of the Committee.

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

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

Your Company has substantial operations all over the country and competes on the basis of brand appeal, loyalty, price value connotations and strong trade relationships. The Company's position is influenced by the economic, regulatory and political situations both nationally and at a state level and of the competitors. The principal risks impacting your Company's business and steps undertaken to mitigate them are as under:

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

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

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

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

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

The Company's business is subjected to GST, excise and other cesses as may be made applicable, which could require the Company to take up product prices and in absence of such action, impact its business. The impact increases when due to changes in economic situation, consumer's disposal income reduces, resulting in down-trading to cheaper cigarettes including non-duty paid illicit cigarettes or alternative tobacco products.

Such risks are addressed by the company through: (a) engagement with tax authorities at levels where appropriate; (b) regular management review to build a well laddered brand portfolio across new segments including new brand creation; and (c) capability build-up through investments in distribution infrastructure to increase geographical spread.

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

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

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

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

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

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

(v) Data risks

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

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

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

The Company has with the help of Gramalaya, a non-profit organization, constructed toilets in individual homes (of farmers living) in and around Jogulamba-Gadwal district of Telangana where your Company has its operations, under the 'Swachh Ghar' programme of your Company. In addition to construction of toilets, the villages and the communities in the area are also sensitised regarding the importance of health & sanitation. Over 775 household toilets have already been constructed during the financial year, and your Company has plans to extend it further to other houses in the same area and thereafter extend it to other areas.

Your Company has taken up an initiative of supporting environment sustainability by installing 400 solar street lights in 8 villages/towns in Jogulamba- Gadwal districts of Telangana.

In addition to the above, your Company contributed ₹ 100 Lakhs to Telangana State Disaster Management Authority to undertake COVID-19 related activities.

Pursuant to the provisions of Section 135 and Schedule VII of the Companies Act, 2013 as amended by the Companies Amendment Act of 2019 & 2020, the Corporate Social Responsibility (CSR) Committee of the Board of Directors was formed to recommend the policy on Corporate Social Responsibility and monitor its implementation. The composition of the CSR Committee is given in the Annual Report on the CSR activities. The CSR policy and the projects approved by the Board are available on the Company's website at : www.vsthyd.com/i/CSRPolicy.pdf.

The CSR Policy and the Annual Report on CSR activities is annexed herewith as "Annexure B" and forms part of this Report.

BUSINESS RESPONSIBILITY REPORT

The Listing Regulations mandates inclusion of Business Responsibility Report (BRR) as part of the Annual Report for top 500 listed entities based on market capitalisation. In compliance with the Regulation, the BRR is provided as part of this Annual Report.

RELATED PARTY TRANSACTIONS

The related party transactions entered into by the Company during the year are in its ordinary course of business and on arm's length basis. There were no materially significant related party transactions between your Company and the Directors, Promoters, Key Managerial Personnel and other designated persons which may have a potential conflict with the interest of your Company at large. Prior approval for all the related party transactions is obtained from the Audit Committee.

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

BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013 as amended and Listing Regulations, the performance evaluation of the Board, the committees of the Board and individual Directors has been carried out. The manner in

Board of Directors & Management Discussion and Analysis (Contd.)

which the evaluation has been carried out has been explained in the Corporate Governance Report.

The performance evaluation of the Chairman and the Non-independent Directors was carried out by the Independent Directors. The Board of Directors expressed their satisfaction with the evaluation process.

REMUNERATION POLICY

Nomination and Remuneration Committee has formulated a policy relating to remuneration of directors, key managerial personnel and other employees which has been revised and approved by the Board. The Remuneration Policy and the criteria for determining qualification, position, attributes and independence of a Director are stated in the Corporate Governance Report. The policy is also placed on the website of the Company and can be viewed at <http://www.vsthyd.com/documents/remuneration-policy.pdf>.

MEETING OF INDEPENDENT DIRECTORS

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

VIGIL MECHANISM

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

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Directors retiring by rotation

Mr. S. Thirumalai

Mr. S. Thirumalai (DIN:00011899) was reclassified as a Non-Executive Non-Independent Director of the Company in compliance with Section 152(6) read with Schedule IV of the Companies Act, 2013 as amended, at a Meeting of the Board held on 26th July 2019, whose office is subject to retirement by rotation.

Pursuant to Article 93 of the Articles of Association of your Company, Mr. S. Thirumalai is liable to retire from the Board and being eligible, offers himself for re-election. Your Board recommends his re-appointment.

Mr. Thirumalai (72 years) is a Fellow Member of Institute of Chartered Accountants of India, Institute of Company Secretaries of India, Certified Associate of Indian Institute of Bankers and also a law graduate. He has also attended the Advanced Management Program at Harvard Business School, Boston, USA. He has diversified experience of over four decades including a major portion in the tobacco sector and specialises in Finance, Taxation, Legal and General Management. The Board feels that the vast and diversified experience of Mr. Thirumalai will prove to be an asset to the Company. Mr. Thirumalai is not a Director in any other Company in India. He is a Member of the Audit Committee, CSR Committee, Stakeholders Relationship Committee, Risk Management Committee and Nomination & Remuneration Committee. Mr. Thirumalai holds 25 shares in the Company and is not related to any other Director of the Company.

Directors' Resignation/Appointment

Mr. Devraj Lahiri

Mr. Devraj Lahiri (DIN:03588071), resigned as Director and Managing Director of your Company at the Board Meeting held on 10th June 2020 and was relieved effective from the close of business hours of 9th December 2020 after serving the notice period in accordance with the Articles of Association of the Company. The Board of Directors place on record their deep appreciation of the contribution made to your Company by Mr. Devraj Lahiri during his tenure as a Director and Managing Director.

Mr. Aditya Deb Gooptu

The Board of Directors of your Company at their Meeting held on 27th October 2020 on the recommendation of Nomination & Remuneration Committee appointed Mr. Aditya Deb Gooptu (DIN: 07849104) as an Additional Director and Managing Director & CEO of the Company with effect from 1st December 2020 which is subject to the approval of the Members at the ensuing Annual General Meeting. He shall also be a Key Managerial personnel under Section 203 of the Companies Act, 2013.

Mr. Aditya Deb Gooptu, aged 49 years, holds a Bachelors degree in Engineering from Jadavpur University and a PG Diploma in Management from IIM, Ahmedabad. He has also attended the Advanced Management Program at the Harvard Business School. He has about 24 years of experience in handling consumer products, marketing & sales and general management. He has spent over 17 years (2003-2020) in Godfrey Phillips India as Executive Vice President & Business Head - Cigarettes before joining the Company.

Prior to that he was Category Head for imported Brands & Scotches for South Asia in Pernod Ricard India. Mr. Gooptu brings with him functional experience across marketing and sales & distribution with all-round experience of innovation, R&D, sales process & sales IT, manufacturing, regulatory & corporate affairs, legal, commercial & procurement, business process, digital transformation management. Mr. Gooptu does not hold any shares in the Company and is not related to any other Director of the Company.

A suitable Resolution is being put up for your approval.

INDEPENDENT DIRECTORS

At the Annual General Meeting of the Company held on 28th August 2019, the Members have approved the appointment of Ms. Rama Bijapurkar, Mr. Sudip Bandyopadhyay and Mr. Rajiv Gulati as Independent Directors of the Company in accordance with Section 149 of the Companies Act, 2013, with effect from 1st April 2019, 1st June 2019 and 26th July 2019 respectively to hold the office for a term of five consecutive years from their respective dates.

All the Independent Directors have given a declaration in terms of Section 149(6) of the Companies Act, 2013 as amended and Regulation 25 of the Listing Regulations as amended for the financial year ended 31st March 2021, that they meet the criteria of independence. They also declared that they are not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact their ability to discharge their duties as an Independent Director with an objective independent judgment and without any external influence. The Board carried out an assessment of the declarations and took the same on record.

None of the Independent Directors are related to any other director of the Company.

KEY MANAGERIAL PERSONNEL

The Managing Director & CEO Mr. Aditya Deb Gooptu, the Chief Financial Officer Mr. Anish Gupta and the Company Secretary Mr. Phani K. Mangipudi are the Key Managerial Personnel as per the provisions of the Companies Act, 2013.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(5) of the Companies Act, 2013 your Directors confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

2. appropriate accounting policies have been selected and applied consistently. Judgement and estimates which are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of your Company as on 31st March 2021 and of the statement of profit and loss and cash flow of your Company for the period ended 31st March 2021;
3. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
4. the annual accounts have been prepared on a going concern basis;
5. proper internal financial controls have been laid down to be followed by your Company and such internal financial controls are adequate and were operating effectively; and
6. proper systems to ensure compliance with the provisions of all applicable laws have been devised, and such systems were adequate and operating effectively.

CRITERIA FOR SELECTION AND APPOINTMENT OF DIRECTORS

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

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

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

Board of Directors & Management Discussion and Analysis (Contd.)

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

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

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

There are no significant or material orders passed by the Regulators, Courts or Tribunals which impact the going concern status of the Company and its future operations. However, Members' attention is drawn to the following:

TAXATION

i. Luxury Tax

The then Government of Andhra Pradesh introduced a levy of luxury tax on cigarettes and its virus was challenged before the then High Court of Andhra Pradesh and before the Supreme Court which was struck down. The Commercial Tax department claimed that during pendency of the matter before the courts between 1999-2005, your Company had collected luxury tax amounting to ₹34.86 crores but not paid to the Government. Your Company denied collecting luxury tax and the litigation on the same is now pending before the appellate authority of the department and the High Court of Telangana.

ii. Entry Tax

Entry Tax levy by the States of West Bengal, Jharkhand and Assam has been challenged before the respective State High Courts by your Company, basis the directions of the Hon'ble Supreme Court. Demand of interest on entry tax was challenged before the High Court of Allahabad and is pending adjudication.

iii. Excise

a. Wrapping Materials

The Excise department has issued show cause notices demanding payment of duty of ₹ 4.51 crores on the ground that Gay Wrappers (printed paper used for wrapping cigarette packets) had been manufactured and consumed by your

Company without payment of duty during the period April 1996 to July 2015. Demand for the period till March 2002 has been adjudicated and the CESTAT decided in favour of your Company. Department preferred an appeal before the Supreme Court which is pending. Demands for period after March, 2002 till July, 2015 are yet to be adjudicated by the original authority.

b. Tobacco Refuse

Your Company has received show cause notices demanding recovery of duty on cut tobacco used in the manufacture of tobacco refuse since January 2005 till June 2017 amounting to ₹14.52 crores. Demand for the period till October, 2013 has been adjudicated and the CESTAT decided in favour of your Company. Department preferred an appeal before Supreme Court which is pending. Demands for period after October, 2013 till June, 2017 are yet to be adjudicated by the original authority.

c. Service Tax

Your Company has received show cause notices from the Excise Department seeking to deny CENVAT credit availed on various input services on the ground that the same are not in relation to the manufacture of final products. Upon adjudication, credit on most of the services was allowed in favor of your Company. Some of them have been disputed. Since 2005, the matters are pending before various adjudicating authorities and before the CESTAT and are being effectively contested.

PUBLIC INTEREST LITIGATION (PIL)

- i) Your Company has been impleaded in the petition filed in the Supreme Court by an NGO called 'Centre for Transforming India' against the Union of India along with other cigarette manufacturers, Tobacco Institute of India, Bidi Manufacturers and Bidi Manufacturers' Association, seeking prohibition/ban of the manufacture, storage and sale of all forms of tobacco within the territory of India. This is being contested.
- ii) Petitions have also been filed in other courts such as High Court of Madhya Pradesh - Jabalpur, National Green Tribunal, Delhi seeking ban on sale of cigarettes and before High Court of Madhya Pradesh - Indore Bench seeking directions to mention tar and nicotine content on cigarette packs by the manufacturers.

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

FINANCIAL SERVICES BUSINESS

The Company petition filed by the Official Liquidator before the High Court of Andhra Pradesh (now Telangana High Court) seeking directions against some of the Ex-Directors of ITC Agro Tech Finance and Investments Limited (ITCATF), the Company in liquidation, into which one of the subsidiaries of your Company, viz. VST Investments Limited was amalgamated, and its related matters are still pending final adjudication.

THE CIGARETTES AND OTHER TOBACCO PRODUCTS (PROHIBITION OF ADVERTISEMENT AND REGULATION OF TRADE AND COMMERCE, PRODUCTION, SUPPLY AND DISTRIBUTION) ACT, 2003 (COTPA)

- i. In view of the provisions of COTPA, various restrictions such as ban on advertising in print, visual media and outdoors, regulation of in-store advertising, prohibition of sale of cigarettes to persons below the age of 18 years, etc. have been in force. Printing of pictorial warnings on cigarette packets, came into effect from 31st May 2009 were further revised and the pictorial warning covering 85% of the front and back side of the packets was implemented w.e.f. 1st April 2016 and is being duly complied with by your Company.
- ii. Your Company also filed a writ petition in the Hon'ble High Court of Andhra Pradesh (now Telangana High Court) challenging The Cigarettes and Other Tobacco Products (Packaging & Labelling) Rules, 2006 and the Amendment Rules 2008, on the grounds inter alia that they are ultra vires of COTPA and therefore the notifications issued there under (including those seeking implementation of graphic health warnings) should be quashed. The said writ petition has been admitted but no interim orders were passed by the Hon'ble Court.
- iii. Before the High Court of Karnataka, a Writ Petition was filed by Tobacco Institute of India (TII) on behalf of your Company and other manufacturers against the proposed notification dated 15th October 2014 by Health Ministry to print health warning on both sides of the pack occupying 85% of space. The 85% health warning came into effect from 1st April 2016. Your Company also filed a Writ Petition before the High Court bench at Dharwad against the implementation of 85% health warning. The

Hon'ble Supreme Court on hearing a PIL filed by Health for Millions, constituted a Bench before the Karnataka High Court to hear all the matters relating to graphical health warning. The Writ Petitions filed by TII and your Company were heard before the Bangalore Bench and it was held on 15th December 2017 that the amendment made to the Packaging Rules imposing 85% graphic health warning is ultra vires the Constitution. Against the said Judgment, an appeal was filed by the Ministry of Health before the Supreme Court. A stay has been granted on the said judgement and is pending before the Supreme Court.

REAL ESTATE

The then Government of Andhra Pradesh had filed a land grabbing case against your Company in 1991 in relation to a piece and parcel of vacant land which has been under possession and occupation by your Company for over four decades. By its judgment dated 28th July 2010, the Special Court had held that your Company is not a land grabber but had given the State Government the right to initiate proceedings to recover possession of the land at some future date. Against this part of the judgement, your Company filed a writ petition before the then Hon'ble High Court of Andhra Pradesh to expunge that part of the Order giving such liberty to the Department despite the fact that your Company has already been declared not to be a land grabber. The writ petition is still pending. The State Government has also filed a writ petition in the Hon'ble High Court of Andhra Pradesh seeking to set aside the said judgment of the Land Grabbing Court. An interim Order was passed restraining your Company from changing the status of the land or creating any third party interest therein. Your Company is taking all the necessary steps for speedy disposal of the above writ petitions which are pending before the Court.

One more case of land grabbing was filed by the then Government of Andhra Pradesh against your Company in the year 1989 on a piece of land along with building called 'Lal-e-Zar', before the Special Court. In the year 2010, the Special Court passed a judgment stating that your Company is not a land grabber. After 7 years, the Government of Telangana filed an appeal before the Hon'ble High Court of Telangana and Andhra Pradesh seeking a direction from the court that the nature of the land is not to be altered and no third party interest to be created. Your Company filed a counter and vacate stay application seeking permission to construct on the said land. Judgment was pronounced on the vacate stay petition allowing your Company to construct but with certain conditions. The State Government preferred an appeal before the Supreme Court which was dismissed.

Board of Directors & Management Discussion and Analysis (Contd.)

PARTICULARS OF EMPLOYEES

The information required pursuant to Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended in respect of employees of the Company, are annexed herewith as **"Annexure E"** and forms part of this Report. The statement containing particulars of employees as required under Section 197 of the Act read with Rule 5(2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided in a separate annexure forming part of this Report. However, in terms of Section 136 of the Act, the Report and Accounts are being sent to the Members and others entitled thereto, excluding the information on employees' particulars which is available for inspection by the Members at the Registered Office of the Company during business hours on working days of the Company up to the date of the ensuing AGM. In case any Member is interested in obtaining a copy thereof, such Member may write to the Company Secretary of the Company.

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

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

ANNUAL RETURN

As required under Section 92(3) of Companies Act, 2013 and Rule 12(1) of Companies (Management and Administration) Amendment Rules 2020, Annual Return is available on the Company's website at <https://www.vsthyd.com/documents/annual-return-31-3-2021.pdf>

AUDITORS

Statutory Auditors

In compliance with the provisions of Sections 139 and 141 of the Companies Act, 2013 as amended and Companies (Audit and Audit Rules), 2014, including any statutory modification(s), re-enactments and amendments thereof, for the time being in force, M/s. BSR & Associates, LLP, Chartered Accountants, were re-appointed as the Statutory Auditors of the Company to hold office for a second term of five years from the conclusion of the 90th AGM to the conclusion of the 95th AGM. The Report given by the Auditors on the financial statements of the Company is part of the Annual Report. There has been no qualification, reservation or adverse remark in their Report. During the year under review, the Auditors have not reported any fraud under Section 143(12)

of the Companies Act, 2013 and hence, no detail is required to be disclosed under Section 134(3)(ca) of the Companies Act, 2013.

Secretarial Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and Rule 9 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company appointed M/s. Tumuluru and Company Firm as Secretarial Auditor of the Company for the financial year 2020-21. The Secretarial Audit Report is annexed herewith as **"Annexure F"** and forms part of this Annual Report.

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

COMPLIANCE WITH SECRETARIAL STANDARDS

Your Company has complied with applicable Secretarial standards, i.e. on Meetings of the Board of Directors [SS-1] and on General Meetings [SS-2] issued by The Institute of Company Secretaries of India (ICSI) and approved by the Central Government under Section 118(10) of the Companies Act, 2013.

COST ACCOUNTS AND RECORDS

The maintenance of cost accounts and records as specified by the Central Government under Section 148(1) of the Companies Act, 2013 is not required by the Company.

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

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

SUBSIDIARY/ASSOCIATES/JOINT VENTURES

Addition or cessation of subsidiaries, associates or joint ventures is not applicable to the Company as the Company does not have any subsidiary company, associates and joint ventures.

DEPOSITS

Your Company has stopped accepting fresh deposits for several years now. As on 31st March 2021, your Company does not have any deposits for the purpose of its business, hence details of deposits is not applicable.

UTILISATION OF FUNDS

Your Company has not raised any funds during the year through preferential allotment or Qualified Institutional Placement, as a result question of providing details of utilisation of such funds does not arise.

DEBENTURE TRUSTEES

Your Company does not have any debentures and as a result the requirement to appoint debenture trustees does not arise.

WAY FORWARD

Despite COVID related uncertainties in near term, your Company is committed to nurture a vibrant brand portfolio and grow volumes, market share, geographic footprint through increased investments in generating superior

consumer insights, brand and product innovation, quality and a fully integrated digital infrastructure.

ACKNOWLEDGEMENTS

The Directors are grateful to all valuable stakeholders of the Company viz., customers, shareholders, dealers, vendors, banks and other business associates for their excellent support rendered during the year. The Directors also acknowledge the unstinted commitment and valued contribution of all employees of the Company.

On behalf of the Board,

NARESH KUMAR SETHI

Chairman

DIN : 08296486

Dated this 27th day of April 2021
Azamabad, Hyderabad - 500 020

Annexure A

Report on Corporate Governance

The Directors present the Company's Report on Corporate Governance for the year ended 31st March 2021.

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

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

2. BOARD OF DIRECTORS

(a) Composition and Category of Directors

Name of the Director	Category	No. of other Directorships held *	No. of Memberships/ Chairmanships of board committees of other companies #
Mr. Naresh Kumar Sethi ⁵	Non-Executive Director	Nil	Nil
Mr. Devraj Lahiri ¹	Managing Director	1	Nil
Mr. Aditya Deb Gooptu ²	Managing Director & CEO	1	Nil
Ms. Rama Bijapurkar	Independent - Non-Executive Director	5	3
Mr. Sudip Bandyopadhyay	Independent - Non-Executive Director	7	4
Mr. Rajiv Gulati	Independent - Non-Executive Director	Nil	Nil
Mr. S. Thirumalai	Non-Executive Director	Nil	Nil

Notes: There are no inter-se relationships between the Board Members.

Except Mr. S. Thirumalai who holds 25 equity shares, none of the other Directors hold any shares in the Company. There are no convertible instruments issued by the Company and hence none held by the Non-Executive Directors during the year ended 31st March 2021.

* Other Directorships exclude foreign companies, private limited companies, debt listed companies and alternate Directorships.

Only Membership in Audit Committee and Stakeholders' Relationship Committee have been reckoned for other Committee Memberships.

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

¹ Mr. Devraj Lahiri resigned as Director and Managing Director with effect from the close of business hours on 9th December 2020.

² Mr. Aditya Deb Gooptu was appointed as an Additional Director and Managing Director & CEO with effect from 1st December 2020.

Directorships and Committees held in other listed companies

Ms. Rama Bijapurkar is on the Board and Member/Chairperson of the Committees* in the following listed companies:-

Name of the Director	Directorship held in the other companies	Name of the Committee	Whether Chairman or Member
Ms. Rama Bijapurkar	Mahindra & Mahindra Financial Services Ltd. - Independent Director	Audit Committee	Member
		Stakeholders Relationship Committee	Chairperson
	Nestle India Limited - Independent Director	Stakeholders Relationship Committee	Chairperson
		Emami Limited - Independent Director	-
		ICICI Bank Limited - Independent Director	-
Cummins India Limited - Independent Director	-		

Mr. Sudip Bandyopadhyay is on the Board in the following listed company(ies):-

Name of the Director	Directorship held in the other companies	Name of the Committee	Whether Chairman or Member
Mr. Sudip Bandyopadhyay	Inditrade Capital Limited - Additional Director	-	-

* Only Audit & Stakeholders Relationship Committees considered.

(b) Attendance of each Director at the Board Meetings and the last Annual General Meeting (AGM) held through Video Conference (VC)

Name of the Director	No. of Board Meetings held	21 st April 2020	21 st May 2020	10 th June 2020	3 rd August 2020	7 th September 2020	27 th October 2020	21 st December 2020	20 th January 2021	24 th March 2021	AGM held on 29 th July 2020
Mr. Naresh Kumar Sethi	9	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Devraj Lahiri ¹	9	Yes	Yes	Leave of Absence	Leave of Absence	Leave of Absence	Leave of Absence	NA	NA	NA	Leave of Absence
Mr. Aditya Deb Gooptu ²	9	NA	NA	NA	NA	NA	NA	Yes	Yes	Yes	NA
Ms. Rama Bijapurkar	9	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Sudip Bandyopadhyay	9	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Rajiv Gulati	9	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr. S. Thirumalai	9	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

1 Resigned as Director and Managing Director w.e.f. close of business hours on 9th December 2020.

2 Appointed as Additional Director and Managing Director & CEO w.e.f. 1st December 2020.

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

In the opinion of the Board, the Independent Directors fulfill the conditions specified in Listing Regulations and are Independent of the management.

(c) Other Details

The Board of Directors of your Company is routinely presented with all requisite information inter alia as required under the Companies Act, 2013 and the Listing Regulations. Detailed agenda notes containing details required for decision making are circulated to the Directors in advance. The Meetings are held as per the calendar finalised in consultation with the Board Members and the notice and agenda of the Meetings are circulated well in advance.

The Board exercises its powers subject to the provisions of the Companies Act, 2013, Memorandum & Articles of Association, the Listing Regulations and other statutory provisions. The Board reviews the performance and takes on record the actions taken by the Company/ Management on its suggestions. The Board meets

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

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

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

Name of the Director	Skills/expertise/competencies of the Director
Mr. Naresh Kumar Sethi	Governance, Marketing and Business Strategy
Mr. S. Thirumalai	Finance & Regulatory
Ms. Rama Bijapurkar	Business Strategy, Marketing & Governance
Mr. Sudip Bandyopadhyay	Business Strategy & Finance
Mr. Rajiv Gulati	Business Strategy & Marketing
Mr. Aditya Deb Gooptu	Business Strategy & Marketing

Independent Directors' Meeting

During the year, the Independent Directors met on 20th May 2020 without the presence of Non-Independent Directors and Members of management inter alia to review their role, functions and duties. They further reviewed the guidelines of professional conduct as enumerated in Schedule IV (Code for Independent Directors) to the Companies Act, 2013. During the said Meeting, the Independent Directors reviewed the

Annexure A (Contd.)

performance of Non-Executive Director, including the Chairman and the Board as a whole.

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

(d) Familiarisation Programme for Independent Directors

In order to familiarise the Independent Directors with the Company and to inform them about their roles, rights and responsibilities, the Company conducts orientation programs by various departmental heads such as Legal & Secretarial, Marketing, Finance, Technical, etc. The Independent Director is also taken for a market visit, visit to tobacco growing areas, leaf division and tour of the plant. In addition to the above, any other detail which the Director wants or any other department or function which the Director wants to meet is also arranged. The Policy on Familiarisation Programme for Independent Directors and the details of such familiarisation programmes are disseminated on the website of the Company (www.vsthyd.com/i/FamiliarisationProgram.pdf).

The Board also carried out an assessment of the Independent Directors and confirmed that in its opinion they fulfill the conditions of independence as specified under the Companies Act and the Listing Regulations as amended and are Independent of management.

3. AUDIT COMMITTEE**(a) Terms of Reference**

The primary objective of the Committee is to monitor and provide an effective supervision of the financial reporting process, to ensure accurate and timely disclosures with highest level of transparency, integrity and quality of financial reporting. The terms of reference of the Audit Committee covers all the matters specified under Section 177 of the Companies Act, 2013 and those enumerated in Regulation 18 of the Listing Regulations. The terms of reference of the Audit Committee are as under :

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommendation for appointment, remuneration and terms of appointment of auditors of the Company;

3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to :
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013;
 - b. Changes, if any, in accounting policies and practices and reasons for the same;
 - c. Major accounting entries involving estimates based on the exercise of judgment by management;
 - d. Significant adjustments made in the financial statements arising out of audit findings;
 - e. Compliance with listing and other legal requirements relating to financial statements;
 - f. Disclosure of any related party transactions;
 - g. Modified Opinion(s) in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
6. Reviewing with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in the matter;
7. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
8. Approval or any subsequent modification of transactions of the Company with related parties;
9. Scrutiny of inter-corporate loans and investments;

10. Valuation of undertakings or assets of the Company, wherever it is necessary;
11. Evaluation of internal financial controls and risk management systems;
12. Reviewing with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
14. Discussion with internal auditors of any significant findings and follow up thereon;
15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
18. To review the functioning of the Whistle Blower mechanism;
19. Approval of appointment of CFO (i.e. the Wholtime Finance Director or any other person

heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;

20. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee mandatorily reviews the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the Audit Committee) submitted by management;
3. Management letters/letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses;
5. The appointment, removal and terms of remuneration of the internal auditor shall be subject to review by the Audit Committee; and
6. Statement of deviations:
 - a] Quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1);
 - b] Annual statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(5).

(b) Composition, Meetings held through VC and Attendance during the Financial Year

Name of the Member	Category	Attendance at the Audit Committee Meetings held on			
		21 st May 2020	3 rd August 2020	27 th October 2020	20 th January 2021
Mr. Sudip Bandyopadhyay	Independent Non-Executive Director [Chairman]	Yes	Yes	Yes	Yes
Ms. Rama Bijapurkar	Independent Non-Executive Director	Yes	Yes	Yes	Yes
Mr. Rajiv Gulati	Independent Non-Executive Director	Yes	Yes	Yes	Yes
Mr. S. Thirumalai	Non-Executive Director	Yes	Yes	Yes	Yes

Annexure A (Contd.)

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

4. NOMINATION AND REMUNERATION COMMITTEE

(a) Terms of Reference

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

- Identify persons who are qualified to become Directors in accordance with the criteria laid down;
- Lay down the criteria for appointment at senior management level;
- Recommend to the Board, appointment and removal of Directors;

(b) Composition, Meetings held through VC and Attendance during the Financial Year

Name of the Member	Category	Attendance at the Nomination & Remuneration Committee Meetings held on						
		21 st April 2020	20 th May 2020	10 th June 2020	3 rd August 2020	7 th September 2020	27 th October 2020	21 st December 2020
Ms. Rama Bijapurkar	Independent Non-Executive Director [Chairperson]	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Sudip Bandyopadhyay	Independent Non-Executive Director	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Rajiv Gulati	Independent Non-Executive Director	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Naresh Kumar Sethi	Non-Executive Director	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr. S. Thirumalai	Non-Executive Director	Yes	Yes	Yes	Yes	Yes	Yes	Yes

The Company Secretary acts as Secretary to the Committee.

(c) Remuneration Policy

Purpose

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

Scope

It covers the Executive Directors and management level employees of the Company comprising of

- To vet and approve recommendations from the Executive Directors for the appointment and succession of senior managers;
- Formulate a criteria for evaluation of every Director's performance;
- Formulate criteria for determining qualifications, positive attributes and independence of a Director;
- Recommend to the Board a policy relating to remuneration for Directors, Key Managerial Personnel & other employees;
- Recommend to the Board, all remuneration payable to senior management;
- Assess, approve or recommend the training and development requirements of Directors and senior management as recommended by the Executive Directors;
- Devising a policy on Board Diversity.

senior management, middle management and junior management.

Compensation Philosophy

The Company's compensation philosophy reflects on the guiding principles of aligning with Company objective of sustained improvement in performance, promoting a culture of meritocracy, creating a linkage to corporate and individual performance, market competitiveness and positive influence on the employee contribution and continuity.

The Company's remuneration philosophy is aligned with broader HR strategy which reinforces employee value proposition through enabling work environment, empowering and engaging work culture.

The remuneration philosophy is driven by:

- Business performance-Remuneration as an effective instrument to enhance performance and therefore link as an optimum mix of individual & company performance.
- Remuneration practices that support and encourage meritocracy based on objectivity, fairness & transparency.
- Remuneration policy will act as motivational tool & drive the desired positive behaviors and thus improve the overall organisational health and performance.
- Taking in to account the competitive aspect, remuneration is based on market/industry positioning vis-à-vis relevant competitors.

For determining the market/industry positioning, FMCG, manufacturing and other sector companies form the basket of comparators with primary focus on FMCG sector. The list of the comparators and the positioning of the remuneration structure is reviewed periodically as may be required but at least once in three years in tune with the requirement of the Company.

Employee compensation positioning is determined by his/her performance as assessed on the basis of the applicable performance management system.

Policy Definition

Remuneration policy of the Company has been designed to attract, retain and motivate the employees and Directors of the quality required to run the Company successfully. The remuneration is directly linked to the individual performance and is measurable on specified benchmarks as set by the Company. The remuneration is an optimum mix of fixed and variable pay and comprises of the components as mentioned under:

- Fixed components: Comprising of (i) Basic salary; (ii) Fixed allowances & perquisites; (iii) Retiral benefits.
- Variable components: Comprising of performance linked bonus, paid annually.

Individual compensation fixation is as under:

Executive Directors & senior management: Compensation fitment for Executive Directors is in the top quartile or thereabout and for senior management, above the median of the market/industry positioning.

Middle & junior management : Individual compensation fitment in this category is around the median of the market/industry positioning.

The variable component of the salary at the junior management starts at 10% of the total cost of the Company and goes up to 35% for senior management. The variable component for the Executive Directors is subject to statutory provisions and approval of the shareholders.

The Company's performance management system differentiates the executives under four categories and they are accordingly rated based on the agreed key result areas. The reward is linked to the performance rating.

The review of the compensation structure in line with the market shall be done periodically as may be required but at least once in three years. All other perquisites and benefits shall also be reviewed at least once in three years.

Remuneration of Non-Executive Directors

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

Criteria for selection and appointment of Directors

Criteria for selection and appointment of Directors is given as part of the Board Report.

Criteria for performance evaluation

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

Annexure A (Contd.)

Performance of the Directors was evaluated on broad criteria such as contribution to the Board and Committees thereof; contribution to effective Board governance; contribution to the Company and management to achieve its plans, goals, corporate strategy and risk mitigation; level of preparedness; level of participation in the Board and Committee Meetings etc. In addition to the above parameters, the performance of Executive Director was also evaluated against his Key Responsibility Areas (KRAs). The Chairman's performance was evaluated by Independent Directors on above parameters after considering the views of Executive and Non-Executive Directors. Independent Directors were also assessed by the entire Board (excluding the person being evaluated), based on their performance, fulfillment of the Independence criteria and their independence from the management vis-à-vis Code for Independent Directors under Schedule IV of the Companies Act,

2013. A structured format for evaluation of the Directors on the above parameters has been prepared for the purpose. Director being evaluated does not participate in the evaluation process.

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

The overall outcome from the evaluation was that the Board and its individual Directors are performing effectively and that the Board is well supported to focus on strategy, governance and compliance.

details on the above Employee Stock Option Scheme(s) as required to be disclosed under the SEBI (SBEB) Regulations, are available on the Company's website i.e. www.vsthyd.com.

Benefits for Managing Director & CEO include gas, electricity, water, furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance, etc. in accordance with the Rules of the Company, the monetary value of such perquisites being limited to ₹ 10,00,000 per annum. In addition, the following perquisites are provided which are not included in the above monetary limit:

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

The appointment of Executive Directors is governed by Resolutions passed by the Board of Directors and the Members of the Company and the agreement entered into with the Company, which cover the terms and conditions of such appointment, read with the service

rules of the Company. The notice period for Executive Directors is six months as per Article No.101 of Articles of Association of the Company. No significant material transactions have been made with the Non-Executive Directors vis-a-vis the Company. No severance fees was paid to the Directors.

Performance of the Managing Director & CEO is evaluated basis his achievement as determined by the Key Result Areas identified and agreed at the beginning of the year.

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

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

Board Meeting	- ₹ 1,00,000
Audit Committee	- ₹ 1,00,000
Stakeholders Relationship Committee	- ₹ 50,000
Nomination & Remuneration Committee	- ₹ 80,000
Corporate Social Responsibility Committee	- ₹ 80,000
Risk Management Committee	- ₹ 80,000
Strategy Committee	- ₹ 80,000

Members of the Company have approved payment of Commission not exceeding one percent of the net profits to the Non-Executive Directors of the Company for each of the five financial years commencing from 1st April, 2018. Commission paid to Non-Executive Directors is determined based on their performance evaluation and on the basis of their membership in various Committees of the Board.

5. STAKEHOLDERS' RELATIONSHIP COMMITTEE

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

(d) Details of remuneration paid to all the Directors for the Financial Year ended 31st March 2021

Name	Position	Salary / Remuneration ₹	Allowances, benefits and contributions to Provident/ Pension and Other Funds ₹	Performance Linked Bonus ₹	Other Remuneration ₹	Commission ₹	Sitting Fees ₹	Total ₹
Mr.Naresh Kumar Sethi	Chairman-Non-Executive Director	-	-	-	1,25,00,000	60,00,000	19,00,000	2,04,00,000
Mr. Devraj Lahiri ¹	Managing Director	79,61,197	1,62,60,868	-	-	-	-	2,42,22,065
Mr. Aditya Deb Gooptu ²	Managing Director & CEO	38,41,200	44,32,967	57,61,800	50,00,000	-	-	1,90,35,967
Ms. Rama Bijapurkar	Independent Non-Executive Director	-	-	-	-	50,00,000	23,00,000	73,00,000
Mr. Sudip Bandyopadhyay	Independent Non-Executive Director	-	-	-	-	50,00,000	20,20,000	70,20,000
Mr. Rajiv Gulati	Independent Non-Executive Director	-	-	-	-	45,00,000	21,40,000	66,40,000
Mr.S. Thirumalai	Non-Executive Director	-	-	-	25,00,000	45,00,000	23,00,000	93,00,000

¹ Resigned as Director and Managing Director w.e.f. close of business hours on 9th December 2020.

² Appointed as an Additional Director and Managing Director & CEO w.e.f. 1st December 2020.

The Company has adopted the VST Employee Stock Option Plan 2020 ('VST-ESOP 2020') for the benefit of the permanent employees and/or Directors of the Company and/or its holding and subsidiary Company(ies), if any, in future, but excluding Independent Directors and any employee who is a promoter or belongs to the promoter group.

The VST-ESOP 2020 was approved by the Board at its meeting held on 21st December 2020, and by the Members of the Company vide Special Resolution through Postal Ballot on 5th February 2021 in accordance with the provisions of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, as amended, ("SEBI (SBEB) Regulations"). The

Annexure A (Contd.)

Composition, Meetings held through VC and Attendance during the financial year:

Name of the Member	Category	Attendance at the Stakeholders' Relationship Committee Meetings held on			
		20 th May 2020	3 rd August 2020	27 th October 2020	20 th January 2021
Ms. Rama Bijapurkar	Independent Non-Executive Director [Chairperson]	Yes	Yes	Yes	Yes
Mr. Rajiv Gulati	Independent Non-Executive Director	Yes	Yes	Yes	Yes
Mr. Naresh Kumar Sethi	Non-Executive Director	Yes	Yes	Yes	Yes
Mr. S. Thirumalai	Non-Executive Director	Yes	Yes	Yes	Yes
Mr. Devraj Lahiri ¹	Managing Director	Yes	Leave of Absence	Leave of Absence	NA
Mr. Aditya Deb Gooptu ²	Managing Director & CEO	NA	NA	NA	Yes

¹ Resigned w.e.f. close of business hours on 9th December 2020.

² Appointed w.e.f. 1st December 2020.

The Company Secretary acts as the Secretary to the Committee.

- i) Name and designation of Compliance Officer : Phani K. Mangipudi, Company Secretary
- ii) Number of shareholders' complaints received and attended during the Financial Year ended 31st March 2021

Nature of complaints / queries	Received	Attended	Pending
Non-receipt of annual reports	0	0	Nil
Non-receipt of dividend warrants	58	58	Nil
Non-receipt of share certificates	22	22	Nil
Letters from stock exchanges / SEBI	3	3	Nil

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

6. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

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

The terms of reference of the Committee are as under:

- Identify the areas for carrying out the activities and formulate policy to undertake the same;
- Identify the projects, programs for specific area of activity, finalise the budget and earmark the expenditure for each activity and recommend the same to the Board every year;
- To determine the location where CSR activities shall be undertaken;
- To monitor the progress of the projects/activities from time to time;
- To nominate employees who shall be responsible for implementation, execution and monitoring of CSR activities;
- To hire services of external service providers, Non-Governmental Organisations (NGOs), volunteers, professionals, consultants, specialised agencies, etc., if required, to undertake such activities.

Composition, Meetings held through VC and Attendance during the Financial Year

Name of the Member	Category	Attendance at the CSR Committee Meeting held on	
		21 st May 2020	
Mr. Rajiv Gulati	Independent Non-Executive Director [Chairman]	Yes	
Ms. Rama Bijapurkar	Independent Non-Executive Director	Yes	
Mr. Naresh Kumar Sethi	Non-Executive Director	Yes	
Mr. S. Thirumalai	Non-Executive Director	Yes	
Mr. Devraj Lahiri ¹	Managing Director	Yes	
Mr. Aditya Deb Gooptu ²	Managing Director & CEO	NA	

¹ Resigned w.e.f. the close of business hours on 9th December 2020.

² Appointed w.e.f. 1st December 2020.

The Company Secretary acts as the Secretary to the Committee.

7. SUBSIDIARY COMPANY

The Company does not have any material subsidiary company as defined in Regulation 16 of the Listing Regulations. Hence, no policy for determining material subsidiaries has been framed.

8. RISK MANAGEMENT

The Company has laid down procedures to inform Board Members about the risk assessment and minimisation procedures. The Company has constituted the Risk Management Committee in terms of Regulation 21 of Listing Regulations effective from April 2019.

Composition, Meetings held through VC and Attendance during the Financial Year

Name of the Member	Category	Attendance at the Risk Management Committee Meetings held on	
		21 st May 2020	20 th January 2021
Mr. Sudip Bandyopadhyay	Independent Non-Executive Director [Chairman]	Yes	Yes
Ms. Rama Bijapurkar	Independent Non-Executive Director	Yes	Yes
Mr. Naresh Kumar Sethi	Non-Executive Director	Yes	Yes
Mr. S. Thirumalai	Non-Executive Director	Yes	Yes
Mr. Devraj Lahiri ¹	Managing Director	Yes	NA
Mr. Aditya Deb Gooptu ²	Managing Director & CEO	NA	Yes
Mr. Anish Gupta	Senior Management	Yes	Yes
Mr. Kalyan Basu	Senior Management	Yes	Yes
Mr. S. Sriram	Senior Management	Yes	Yes

¹ Resigned w.e.f. the close of business hours on 9th December 2020.

² Appointed w.e.f. 21st December 2020.

The Company Secretary acts as the Secretary to the Committee.

9. GENERAL BODY MEETINGS**(i) Location and time of last three Annual General Meetings are as under:**

Year	Venue	Date	Time
2019-20	Through Video Conference	29.07.2020	01.30 p.m.
2018-19	Hotel Taj Krishna, Banjara Hills, Hyderabad	28.08.2019	09.30 a.m.
2017-18	Hotel Taj Krishna, Banjara Hills, Hyderabad	28.09.2018	09.30 a.m.

Annexure A (Contd.)

(ii) The following Special Resolutions were passed by the Members at the last three Annual General Meetings:**Annual General Meeting held on 29th July 2020**

No special resolutions were passed

Annual General Meeting held on 28th August 2019

No special resolutions were passed

Annual General Meeting held on 28th September 2018

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

(iii) Special Resolutions passed through Postal Ballot during 2020-2021:

The Company conducted following businesses through Postal Ballot during year 2020-21:

- Approval for the VST Employee Stock Option Plan 2020;
- Approval for extension of VST Employee Stock Option Plan 2020 to employees of holding and subsidiary company(ies) (if any, in future);
- Approval for implementation of VST Employee Stock Option Plan 2020 through the Trust route;
- Approval for acquisition of equity shares from secondary market through Trust route for implementation of VST Employee Stock Option Plan 2020; &
- Approval for provision of money to Trust by the Company for purchase of its own shares for implementation of VST Employee Stock Option Plan 2020.

Mr. B. V. Saravana Kumar, Practising Company Secretary was appointed to act as the Scrutiniser for conducting voting process in a fair and transparent manner.

The Company had sent the postal ballot notice dated 21st December 2020 and postal ballot form along with postage pre-paid business reply envelope to members/beneficial owners through email at their registered email IDs and through physical copy to the members who have not registered their email IDs. The Company had also published notice in the newspapers

for the information of the members. Voting rights were reckoned on the equity shares held by the members as on the cut-off date. The voting period for postal ballot and e-voting was from 7th January 2021 to 5th February 2021. The postal ballot results were intimated to the stock exchanges pursuant to Regulation 44(3) of the SEBI Listing Regulations, as well as displayed on the Company's website www.vsthyd.com. The Company has also complied with the procedure for Postal Ballot in terms of the provisions of section 110 of the Companies Act, 2013, read with Rule 22 of the Companies (Management and Administration) Rules, 2014.

The Result of the Postal Ballot was announced on 6th February 2021 along with details of voting result and all the Resolutions were approved by the requisite majority.

There is no immediate proposal for passing any resolution through postal ballot. None of the businesses proposed to be transacted in the ensuing Annual General Meeting requires passing of a special resolution through postal ballot.

10. MEANS OF COMMUNICATION

The quarterly/half yearly financial results are announced within 45 days of close of each quarter. The annual audited financial results are announced within 60 days from the close of the financial year as per the requirements of the Listing Regulations. The aforesaid financial results are disclosed to BSE Limited [BSE] and The National Stock Exchange of India Limited [NSE] where the Company's securities are listed. The quarterly, half yearly and annual financial results are published in Business Standard and in a vernacular newspaper i.e., Andhra Prabha/Nava Telangana. The results along with other official information are also posted on the Company's website viz., www.vsthyd.com.

During the year, there were no presentations made to institutional investors or to the analysts.

The Stock Exchanges viz., BSE and NSE, maintain separate online portals for electronic submission of information. As part of the Listing Regulations compliances, all the disclosures, results and other communications are filed electronically on these online portals.

11. GENERAL SHAREHOLDER INFORMATION**Date, Time and Venue of the Annual General Meeting**

27th July 2021 at 1.30 p.m. (IST) through Video Conference (VC)/Other Audio Visual Means (OAVM).

Financial year: 1st April 2021 to 31st March 2022

Financial Calendar 2021-22 [Tentative]

First quarter results	July, 2021
Second quarter and half yearly results	October, 2021
Third quarter results	January, 2022
Annual results	April, 2022

Dates of Book Closure : 20th July 2021 to 27th July 2021 [both days inclusive]

Market Price Data: High/Low during each month in the last Financial Year (2020-21)

Period	¹ BSE		² NSE	
	High ₹	Low ₹	High ₹	Low ₹
April, 2020	3,232.20	2,685.00	3,240.05	2,670.00
May, 2020	3,326.95	2,784.60	3,225.45	2,790.00
June, 2020	3,457.00	2,955.15	3,453.55	2,980.00
July, 2020	3,520.00	3,100.05	3,468.40	3,100.00
August, 2020	3,800.00	3,207.35	3,807.00	3,200.00
September, 2020	3,739.90	3,251.00	3,720.00	3,250.00
October, 2020	3,560.00	3,264.35	3,582.00	3,266.30
November, 2020	3,627.15	3,334.10	3,630.75	3,333.05
December, 2020	4,048.30	3,500.00	4,538.20	3,502.10
January, 2021	3,792.00	3,452.00	3,800.00	3,475.80
February, 2021	3,799.55	3,417.25	3,750.00	3,200.00
March, 2021	3,540.00	3,285.00	3,545.00	3,284.65

¹ Source - www.bseindia.com

² Source - www.nseindia.com

Dividend Payment Date : Within 30 days of the AGM date.

Listing on Stock Exchanges with Stock Code:

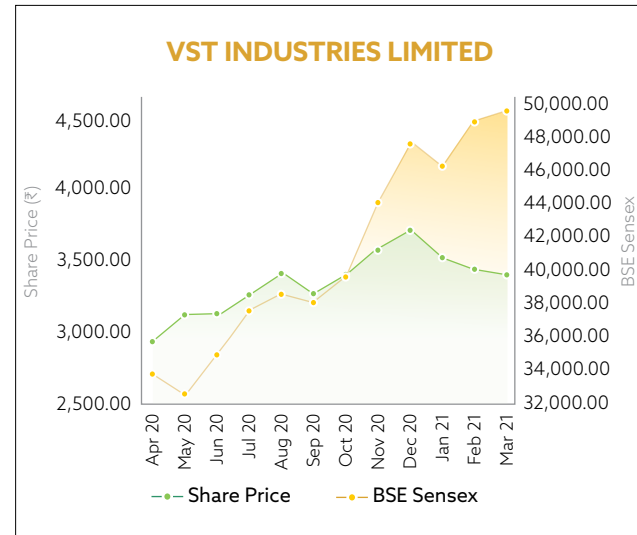
S. No.	Name of the Stock Exchange	Stock Code
1	BSE Limited 25 th Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001	509966
2	National Stock Exchange of India Limited Exchange Plaza, C-1, Block G, Bandra- Kurla Complex, Bandra (E), Mumbai - 400 051	VSTIND

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

Annexure A (Contd.)

Performance in comparison with BSE Sensex

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



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

Registrar and Transfer Agents

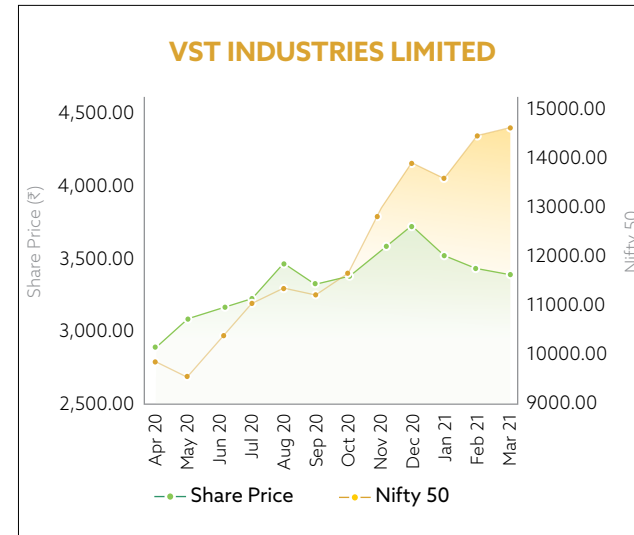
As a Member of the Company, you are encouraged to contact the Registrar and Transfer Agents for all your shares related services and queries at the below address:

KFin Technologies Private Limited
Selenium Tower B, Plot No. 31 & 32,
Financial District, Nanakramguda, Gachibowli
Serilingampally,
Hyderabad - 500 032, Telangana.
Tel: + 91-40-67161606
email: einward.ris@kfintech.com

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

Performance in comparison with Nifty 50

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

**Share Transfer System**

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

Requests for dematerialisation of shares are processed and confirmation is given to the respective depositories i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within 2 working days from the date of receipt of request. There are no pending share transfers as at 31st March 2021.

Distribution of Shareholding as on 31st March 2021

Slab	No. of Shares	%	No. of Shareholders	%
1- 500	10,73,895	6.95	23,338	96.49
501-1000	3,41,971	2.21	478	1.98
1001-2000	2,90,814	1.88	203	0.84
2001-3000	1,71,792	1.11	70	0.29
3001-4000	71,716	0.46	21	0.09
4001-5000	52,422	0.34	12	0.05
5001-10000	1,98,484	1.29	29	0.12
10001 and above	1,32,40,826	85.76	35	0.14
Total	1,54,41,920	100.00	24,186	100.00
Physical Mode	3,33,864	2.16	2003	8.28
Demat Mode	1,51,08,056	97.84	22,183	91.72

Dematerialisation of Shares and Liquidity

With effect from 26th June 2000, trading in the Company's shares was made compulsory in the dematerialised form. The Company's shares are available for trading in the depository systems of both NSDL and CDSL.

As at 31st March 2021, 1,51,08,056 equity shares of the Company constituting 97.84% of Issued and Subscribed Capital, were held in depository mode. The processing

activities with respect to the requests received for dematerialisation are generally completed within two working days. Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE710A01016. The annual custody fee for the financial year 2021-2022 will be remitted to NSDL and CDSL, the Depositories, before the due date.

The Company's shares are regularly traded both on BSE and NSE.

Categories of Shareholding as on 31st March 2021

Category	Number of Shares held	Percentage of Shareholding
Promoters and Associates	49,65,902	32.16
FII's/FPIs	4,32,848	2.80
Insurance Companies	2,45,471	1.59
Mutual Funds	24,47,805	15.85
Nationalised banks and other banks	13,472	0.09
NRI's and OCB's	1,16,599	0.75
Bodies Corporate	47,64,994	30.86
Indian Public and Others	24,54,829	15.90
TOTAL	1,54,41,920	100.00

Reconciliation of Share Capital Audit

For each quarter of the financial year 2020-21, a qualified Company Secretary in Practice has carried out audit under Regulation 76 of SEBI (Depositories and Participants) Regulations, 2018, as amended to reconcile the total admitted capital with NSDL and CDSL and total issued and listed capital. The audit report confirms that the total issued/paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL and the same is filed with BSE & NSE.

Similarly, the Company obtains from a Company Secretary in Practice, half-yearly certificate of compliance with the share transfer formalities as required under Regulation 40(9) of the Listing Regulations and copy of the same is filed with BSE and NSE, as required under Regulation 40(10) of the Listing Regulations.

Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, Conversion Date and likely impact on Equity

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

Annexure A (Contd.)

Commodity Price Risk or Foreign Exchange Risk and Hedging Activities

During the year, the Company had managed the foreign exchange risk and hedged to the extent considered necessary. The Company uses forward exchange contracts to hedge its foreign currency exposures related to the underlying transactions, firm commitments and highly probable forecasted transactions. The use of these foreign exchange forward contracts are intended to reduce the risk or cost to the Company and are not intended for trading or speculation purpose. The details of foreign currency exposure are disclosed in Note No.29 to the Financial Statements.

The Principal raw material used by the Company in manufacture of its finished product i.e. Cigarettes, is tobacco. Factors that influence fluctuations in tobacco prices and availability include farm prices, government's policies, operational issues, natural disasters and economic conditions among others.

The Company's commodity risk is arising from volatility in price and non-availability of tobacco is managed centrally through well-established operations and control processes which includes diversified tobacco sourcing strategy from both dealers and farmers coupled with sourcing in different seasons. There have been no significant changes in the nature of the risk exposures over the last 12 months and there is no futures market in tobacco. Therefore, there are no separate disclosures to offer in terms of the SEBI Regulations/circulars issued from time to time.

Plant Locations

1-7-1063/1065, Azamabad, Survey No.288/289,
Hyderabad – 500 020, Muppireddy Palli,
Telangana. Toopran, Medak,
Telangana.

Address for Correspondence**Registered Office:**

VST Industries Limited Mr. Phani K. Mangipudi
1-7-1063/1065, Azamabad, Company Secretary &
Tel: +91-40-2768 8000 Compliance Officer
Fax: +91-40-2761 5336
Email: investors@vstind.com

No fresh credit ratings have been obtained by the Company during the relevant financial year for any debt instruments or any fixed deposit programme or any scheme or proposal of the Company involving mobilisation of funds, whether in India or abroad.

13. DISCLOSURES**i) Related Party Transactions (RPT)**

There were no materially significant transactions with related parties during the financial year which were in conflict with the interest of the Company as contained under Section 188 of Companies Act, 2013. Suitable disclosures as required by the Indian Accounting Standards [IND AS24] have been made in the notes to the Financial Statements.

The Company has also formulated a policy for determining the Material RPT and the details of such policies for dealing with RPT are disseminated on the Company's website at www.vsthyd.com/i/VST_RPT_Policy1.pdf.

The details of transactions with related parties were placed before the Audit Committee and the Committee has reviewed the same for the year ended 31st March 2021. The details of RPT are disclosed in Note No.27 of Notes on Financial Statements to the Accounts in the Annual Report and also in Form AOC-2 attached with the Boards' Report.

ii) Strictures and Penalties

The Company had received notices from the Bombay Stock Exchange and the National Stock Exchange with respect to the composition of the Audit Committee during the financial year 2019-20. The Company had immediately reconstituted the composition of the Audit Committee and paid the applicable penalty prescribed under the circular No. SEBI/HO/CFD/CMD/CIR/P/2018/77 dated 3rd May 2018 issued by SEBI. Apart from this, no strictures or penalties have been imposed on the Company by the Stock Exchanges or by SEBI or by any statutory authority on any matters related to capital markets during the current financial year.

iii) Vigil Mechanism/Whistle Blower Policy

In terms of Section 177(9) and 177(10) of the Companies Act, 2013 and Regulation 22 of the Listing Regulations, a Whistle blower Policy is formulated to encourage all employees & Directors of the Company to report any unethical behaviour, actual or suspected fraud or violation of the 'Code of Conduct and Ethics Policy' of the Company. The said policy also has provisions for providing a secure environment to such employees acting in good faith and safeguarding them from any adverse action by the management.

The Policy ensures that strict confidentiality is maintained whilst dealing with concerns and also that no discrimination will be meted out to any person for

genuinely raised concerns. A Committee has been constituted which looks into the complaints raised. The Committee reports to the Audit Committee. Any matter can be reported at E-mail ID : whistleblower@vstind.com.

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

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

v) There have been no instances where the Board has not accepted any recommendation of any Committee of the Board which is mandatorily required during the financial year.

vi) Code of Conduct

Your Board of Directors has laid down Code of Conduct & Ethics Policy which is applicable to all Board Members and employees of the Company. This is also posted on the website of the Company [www.vsthyd.com]. The Code lays down the standard of conduct to be followed by all the Directors and Employees in their business dealings and in particular on matters relating to integrity in the work place, in business practices and in dealing with the stakeholders. The Code also contains the duties of Independent Directors as laid down in the Companies Act, 2013.

DECLARATION

This is to confirm that all the Board Members and senior management personnel have affirmed compliance with the Code of Conduct as adopted by the Company, for the year ended 31st March 2021.

For **VST INDUSTRIES LIMITED**

ADITYA DEB GOOPTU
MANAGING DIRECTOR & CEO

Hyderabad, 21st April 2021

vii) Accounting Treatment

In preparation of the financial statements, the Company has followed the accounting principles generally accepted in India, including Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standard) Rules, 2015. The accounting policies which are consistently applied have been set out in the Notes to the Financial Statements.

viii) Management

Pursuant to Regulation 26(5) of the Listing Regulations, for the year ended 31st March 2021, your Company's Board has obtained declarations from the Senior Management relating to any material, financial and

commercial transactions where they have personal interest that may have a potential conflict with the interests of the Company at large.

ix) Shareholders Information

The quarterly results are sent to the stock exchanges on which the Company's shares are listed and also displayed on its own website. During the year there were no presentations made by the Company to analysts.

To expedite the process of share transfers, post approval of Share Transfer Committee, the power has been delegated to Registrar and Transfer Agents - M/s. KFin Technologies Private Limited.

Annexure A (Contd.)

x) Prohibition of Insider Trading

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

also allowed reimbursement of expenses incurred in performance of his duties.

b] Shareholder rights: The quarterly, half-yearly and annual financial results of the Company are published in newspapers on a pan India basis and are also posted on the Company's website, www.vsthyd.com. Significant events if any, are also posted on this website under the 'Investor relations' section. The complete Annual Report is sent to every Member of the Company.

c] The auditors have not qualified the financial statements of the Company.

d] The Company is having separate post of Chairman and Managing Director & CEO. Mr. Naresh Kumar Sethi is the Non-Executive Chairman of the Company and Mr. Aditya Deb Gooptu is the Managing Director & CEO of the Company.

e] M/s. Deloitte Haskins and Sells LLP, the firm of Chartered Accountants have been the Internal Auditors for the financial year 2020-21, who report directly to the Audit Committee.

Other discretionary requirements are being reviewed for implementation.

The Company has complied, to the extent applicable to it, and unless otherwise stated, with all the corporate governance requirements specified in Regulation 17 to 27 and Regulation 46(2) of the Listing Regulations as amended, covering the Board of Directors, Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Risk Management Committee, Vigil Mechanism, Related Party Transactions, obligations with respect to the Directors, Independent Directors and senior management, other Corporate Governance requirements and disclosures on the website of the Company.

14. AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

As required under Regulation 34(3) read with Part E Schedule V of the Listing Regulations, the statutory auditor's certificate, that the Company has complied with the conditions of corporate governance is given as an annexure to the Boards' Report.

Shareholder Referencer

Pursuant to Section 124 of the Companies Act, 2013 read with the Investor Education and Protection Fund

Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, as amended during the financial year 2020-21, unclaimed dividend for the financial year 2012-13 viz., Dividend No.178th amounting to ₹ 1,33,25,063/- has been transferred to the Investor Education and Protection Fund (IEPF) on 10th September 2020 and 8,478 ordinary equity shares in respect of which dividends remained unclaimed for a consecutive period of seven years or more have been transferred by the Company to the IEPF as notified and established by the Central Government. Shareholders may claim their

unclaimed dividend for the years prior to and including the financial year 2012-13 and the corresponding shares from the IEPF Authority by applying in the prescribed Form No.IEPF-5. This form can be downloaded from the website of the IEPF Authority www.iepf.gov.in.

The dividends for the following years remaining unclaimed for 7 years will be transferred on their respective due dates by the Company to the IEPF established by the Central Government pursuant to Section 125 of the Companies Act, 2013.

Financial Year	Dividend No.	Date of Declaration	Amount of Dividend ₹	Amount of Unpaid Dividend as on 31.03.2021 ₹	Due for transfer to IEPF on
2013-2014	179	12.08.2014	108,09,34,400	14,652,470.00	16.09.2021
2014-2015	180	12.08.2015	108,09,34,400	15,629,740.00	16.09.2022
2015-2016	181	11.08.2016	108,09,34,400	15,261,960.00	15.09.2023
2016-2017	182	02.08.2017	115,81,44,000	17,472,000.00	06.09.2024
2017-2018	183	28.09.2018	119,67,48,800	16,291,662.50	03.11.2025
2018-2019	184	28.08.2019	146,69,82,400	18,824,725.00	03.10.2026
2019-2020	185	29.07.2020	159,05,17,760	16,532,228.00	02.09.2027

Members who have not so far encashed their dividend warrant(s) or have not received the same are requested to seek issue of duplicate warrant(s) by writing to the Company's Registrar & Transfer Agents confirming non-encashment/non-receipt of dividend warrant(s). Shares for which the dividend remains unclaimed for seven consecutive years will be transferred to the IEPF for which notices in this regard have been published in the newspapers and the Members have been individually intimated. Details of such unclaimed dividend and shares are available on the Company's corporate website under the section 'Investor Relations-Unclaimed dividend and shares'.

Bank Details

Members holding shares in physical form are requested to notify the following to the Registrar & Transfer Agents, to facilitate electronic payment.

- particulars of their bank account – name of the bank, branch with complete postal address, account number, MICR and IFSC

Members holding shares in Dematerialised form and not opted for remittance of dividend through NECS are requested to notify the above details to their respective Depository Participants [DPs].

Remittance of Dividend through National Electronic Clearing Service [NECS]

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

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

Depository Services

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

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

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

There have been no instances of non-compliance of any requirement of corporate governance, except to the extent disclosed earlier.

xii) Statutory Auditor

The Statutory Auditor of the Company and all the entities in the network firm/network entity of which the statutory auditor is a part have been paid a total fees of ₹ 53.57 Lakhs for all the services rendered by them during the financial year 2020-21.

xiii) CEO and CFO Certification

The CEO (Managing Director & CEO) and CFO certification for the year ended 31st March 2021 has been annexed at the end of this Report. Similarly, the CEO and CFO have also given quarterly certification on financial results while placing the quarterly financial results before the Board in terms of Regulation 33(2) of the Listing Regulations.

xiv) Adoption of Discretionary Requirements

The Company has complied with all the mandatory requirements of Regulation 34(3) read with Part C of Schedule V of Listing Regulations.

Discretionary requirements under Part E of Schedule II of the Listing Regulations are as under:

- a] The Non-Executive Chairman is allowed to maintain a Chairman's office at the Company's expense and

Annexure A (Contd.)

National Securities Depository Limited

4th Floor, 'A' Wing, Trade World, Kamala Mills Compound,
Senapati Bapat Marg, Lower Parel,
MUMBAI - 400 013.
Telephone: + 91 22 2499 4200
Fax: + 91 22 2497 2993/2497 6351
e-mail: info@nsdl.co.in
Website: www.nsdl.co.in

Central Depository Services (India) Limited

Marathon Futorex, A-Wing,
25th Floor, N.M. Joshi Marg, Lower Parel,
MUMBAI - 400 013.
Telephone: + 91 22 2272 3333/2272 3224
Fax: + 91 22 2272 3199/2272 2072
e-mail: investors@cdslindia.com
Website: www.cdslindia.com

Investor Grievances

Your Company has created exclusive E-mail ID for redressal of investor grievances. The Members can

Details of unclaimed shares

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

Particulars	No. of shareholders	No. of shares
Outstanding at the beginning of the year - 1 st April 2020	93	6,110
No. of Members who approached for transfer of shares	0	0
Members to whom shares were transferred - through rematerialisation	0	0
Transferred to IEPF	2	138
Outstanding shares lying at the end of the year - 31 st March 2021	91	5,972

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

send their queries to the E-mail ID: investors@vstind.com.

Nomination Facility

The facility of nomination can be availed by the Members holding the shares in single name. In cases where the shares are held in joint names, the nomination will be effective only in the event of the death of all the holders. Members are advised to avail of this facility by submitting the nomination in Form No. SH-13 which could be obtained from Registrars-M/s.KFin Technologies Private Limited at the address mentioned above or can be downloaded from the Company's website www.vsthyd.com under the section Investor Relations.

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

The voting rights on the shares outstanding in the above suspense account as on 31st March 2021 shall remain frozen till the rightful owner of such shares claims the shares.

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

[(Pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)]

To,
The Members of
VST Industries Limited
Azamabad, Hyderabad

I, B V Saravana Kumar, Company Secretary in Practice, Partner of Tumuluru & Company have examined the relevant registers, records, forms, returns and disclosures received from the Directors of VST Industries Limited having CIN L29150TG1930PLC000576 and having registered office at Azamabad, Hyderabad - 500 020, Telangana India (hereinafter referred to as 'the Company'), produced before me/us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Company & its officers, we hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on 31st March 2021 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority.

Sl. No.	DIN	Name of the Director	Designation
1.	08296486	Naresh Kumar Sethi	Non-Executive Chairman
2.	00011899	S. Thirumalai	Non-Executive Director
3.	07849104	Aditya Deb Gooptu	Managing Director
4.	00001835	Rama Bijapurkar	Independent Director
5.	00007382	Sudip Bandyopadhyay	Independent Director
6.	06820663	Rajiv Gulati	Independent Director

For **Tumuluru & Company**
Company Secretaries

Place: Hyderabad
Date: 27th April 2021

Signature : sd/-
Name : **B V Saravana Kumar**
Partner
ACS No.: 26944
C P No.: 11727
Peer Review Cert.No.1199/2021
UDIN: A026944C000187775

Annexure A (Contd.)

**CERTIFICATION BY MANAGING DIRECTOR & CEO (CEO) AND
CHIEF FINANCIAL OFFICER (CFO)**

We, Aditya Deb Gooptu, Managing Director & CEO and Anish Gupta, Chief Financial Officer of VST Industries Limited, to the best of our knowledge and belief, certify that:

1. We have reviewed the financial statements and the cash flow statement for the year ended 31st March 2021 and that :
 - a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) These statements together present a true and fair view of the state of affairs of the Company and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct and Ethics.
3. We are responsible for establishing and maintaining internal controls for financial reporting. We evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and steps taken or proposed to be taken for rectifying these deficiencies.
4. We have indicated to the Company's Auditors and to the Audit Committee that :
 - a) there are no significant changes in internal control over financial reporting during the year;
 - b) there are no significant changes in accounting policies during the year; and
 - c) there are no instances of significant fraud of which we have become aware of that involves management or other employees who have significant role in the Company's internal control system over financial reporting.

ADITYA DEB GOOPTU
MANAGING DIRECTOR & CEO
DIN : 07849104

ANISH GUPTA
CHIEF FINANCIAL OFFICER

Place : Hyderabad
Date : 12th April 2021

**INDEPENDENT AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CORPORATE
GOVERNANCE REQUIREMENTS UNDER SEBI (LISTING OBLIGATIONS AND DISCLOSURE
REQUIREMENTS) REGULATIONS, 2015**

To the Members of VST Industries Limited

1. This certificate is issued in accordance with the terms of our engagement letter dated 22nd April 2021.
2. We have examined the compliance of conditions of Corporate Governance by VST Industries Limited ("the Company"), for the year ended 31st March 2021, as stipulated in regulations 17 to 27, clauses (b) to (i) of regulation 46(2) and paragraphs C, D and E of Schedule V of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time ("Listing Regulations") pursuant to the Listing Agreement of the Company with Stock Exchanges.

MANAGEMENT'S RESPONSIBILITY

3. The compliance of conditions of Corporate Governance as stipulated under the listing regulations is the responsibility of the Company's Management including the preparation and maintenance of all the relevant records and documents. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of Corporate Governance stipulated in the Listing Regulations.

AUDITORS' RESPONSIBILITY

4. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
5. Pursuant to the requirements of the Listing Regulations, it is our responsibility to provide a reasonable assurance whether the Company has complied with the conditions of Corporate Governance as stipulated in Listing Regulations for the year ended 31st March 2021.
6. We conducted our examination of the above corporate governance compliance by the Company in accordance with the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) and Guidance Note

on Certification of Corporate Governance both issued by the Institute of the Chartered Accountants of India (the "ICAI"), in so far as applicable for the purpose of this certificate. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

OPINION

8. In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Regulations.
9. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

RESTRICTION ON USE

10. The certificate is addressed and provided to the Members of the Company solely for the purpose of enabling the Company to comply with the requirement of the Listing Regulations and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

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: 21049642AAAABA6401

Annexure B

Corporate Social Responsibility (CSR) Policy

PURPOSE

The objective of this Policy is to promote inclusive growth and equitable development of identified areas by contributing back to the society and identifying the thematic domains listed within this Policy that resonate with the overall CSR purpose.

FUNCTIONS

The main functions of the CSR Committee are as under:

- Identify the areas for carrying out the CSR activities and formulate an annual proposal / action plan to undertake the CSR activities;
- To identify the projects, programs for specific areas of activity specified or covered under Schedule VII of the Companies Act, 2013 as amended, finalise the budget and earmark the expenditure for each activity and the modalities for its utilisation and recommend the same to the Board every year;
- To determine the location(s) where the CSR activities shall be undertaken;
- To monitor the progress of the projects/activities from time to time and identify suitable reporting mechanisms;
- To nominate employees who will be responsible for implementation, execution and monitoring of the CSR activities;
- To hire services of external service providers, Non-Governmental Organisations, volunteers, professionals, consultants, specialised agencies etc., if required, to undertake the said activities and for designing, monitoring and evaluation of the CSR projects or programs including capacity building of the employees / personnel;
- Specify the projects that would need an impact assessment, where applicable;
- Such other functions as may be delegated by the Board.

The main functions of the Board of Directors are as under:

- Approving the CSR policy as formulated and recommended by the CSR Committee;
- Ensuring the effective use of the funds allocated to CSR activities for the purposes and in the manner as approved by it which shall also be certified by the Chief Financial Officer or the person responsible for financial management;
- Ensuring from the financial year 2021-22 onwards that any entity which is permitted under the statute

to undertake CSR activities and through which the Company intends to implement its CSR activities is registered with the Central Government;

- Ensuring that multi- year projects (“ongoing projects”) if any, undertaken by the Company do not extend beyond three years excluding the financial year in which it commences;
- Monitoring ongoing projects undertaken by the Company, if any, with respect to approved timelines and annual fund allocation and making any modifications that it considers necessary for the smooth implementation of such projects within the permissible time period;
- Ensuring that administrative overheads as defined in the Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended from time to time (“CSR Rules”) do not exceed five percent of the CSR expenditure for the financial year;
- Including in its Board Report an annual report on CSR activities with all details as specified in the CSR Rules, including the composition of the CSR Committee and the CSR policy;
- Disclosing the composition of the CSR Committee, the CSR policy and the projects approved by the Board on the Company’s website;
- Any other acts, deeds and things as may be required under law from time to time.

AREAS

The CSR activities, excluding those which are specifically not considered as such, shall be undertaken by the Company in any one or more of the following areas, projects, programs or activities, either new or ongoing or such other areas/ activities prescribed by the Companies Act, 2013, as amended from time to time, to take forward its commitment towards Social Responsibility:

- (i) Eradicating hunger, poverty and malnutrition, promoting health care, preventive health care and sanitation including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water;
- (ii) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
- (iii) Promoting gender equality, empowering women, setting up homes and hostels for women and orphans;

setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;

- (iv) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga;
- (v) Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art, setting up public libraries, promotion and development of traditional arts and handicrafts;
- (vi) Measures for the benefit of armed forces veterans, war widows and their dependents, Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows;
- (vii) Training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports;
- (viii) Contribution to the Prime Minister’s National Relief Fund or Prime Minister’s Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund or any other fund set up by the Central Government for socio-economic development) and relief and welfare of the Schedules Castes, the Schedules Tribes, other backward classes, minorities and women;
- (ix) Contributions or funds provided to technology incubators located within academic institutions which are approved or funded by the Central or State Government or public sector undertaking or any agency of the Central or State Government;
- (x) Rural development projects;
- (xi) Slum area development; and
- (xii) Disaster management, including relief, rehabilitation and reconstruction activities.

INVESTMENT

The Company shall invest at least two per cent of its average net profits, excluding profits arising from overseas branches and dividend received from other companies in India which are covered under and complying with the provisions of Section 135 of the Act, during the three immediately

preceding financial years, towards CSR activities. Any surplus arising out of the CSR activities or project or programs shall not form a part of business profit of the Company.

EXECUTING AGENCIES

The Company may undertake the CSR activities either on its own or through a registered public trust or a registered society, or a company established under Section 8 of the Companies Act, 2013 established for this purpose by the Company or otherwise and which are registered under Section 12A and Section 80G of the Income Tax Act, 1961. The Company may also undertake the CSR activities through other entities specified under the CSR Rules including through a registered trust, a registered society, a Company established under Section 8 of the Companies Act, 2013 which is registered under Section 12A and Section 80G of the Income Tax Act, 1961 and has a track record of at least three years in undertaking similar activities. However, no Director or Key Managerial Personnel or their relatives shall have substantial interest in such, trust, and society, NGO or Section 8 Company. The Company may also collaborate with other companies for undertaking the projects/programs in accordance with the CSR Rules.

CSR BUDGET AND UTILISATION

Treatment of Unspent Amount in case of projects other than ongoing projects

In case of any unspent amount arising in any financial year out of the CSR projects, other than ongoing projects, such unspent amount shall be transferred by the Company within six months from the end of the financial year to any fund specified in Schedule VII of the Companies Act, 2013 or to such specific fund as may be prescribed from time to time for this purpose under the Companies Act, 2013 or Rules thereunder.

Treatment of Unspent Amount in case of ongoing projects

Where the unspent amount is in respect of an ongoing project, the Company shall within thirty days from the end of the financial year transfer such unspent amount to a separate account called Unspent Corporate Social Responsibility Account to be opened in any scheduled bank by the Company for that financial year. The Company shall utilise such unspent amount for its CSR activities within a period of three financial years from its transfer, failing which such amount shall be transferred to any fund specified in Schedule VII of the Companies Act, 2013 or to such specific fund as may be prescribed from time to time for this purpose under the Companies Act, 2013 or Rules thereunder within thirty days from the end of the third financial year.

Annexure B (Contd.)

Treatment of Surplus Amount:

Surplus amount, if any, arising out of CSR activities shall not form part of the business profit of the Company. Such surplus amount may within a period of six months from the end of the financial year be :

- ploughed back into the same project or
- transferred to the Unspent Corporate Social Responsibility Account and spent in pursuance of the Company's CSR policy and its annual action plan or
- transferred to any fund specified in Schedule VII of the Companies Act, 2013 or to such specific fund as may be prescribed from time to time for this purpose under the Companies Act, 2013 or Rules.

Set-Off of excess CSR amount spent:

Subject to the Board of Directors passing a resolution to that effect, any amount spent in a financial year by the Company in excess of the CSR requirement for such financial year, excluding surplus arising out of CSR activities, may be set-off against the CSR amount to be spent by the Company in the immediate three financial years.

AUDIT

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

REPORTING

The Committee may appoint any executive(s) to monitor the activities and report back to the Committee periodically. The executive(s) shall also ensure that the utilisation of funds on such projects and programs are in line with the agreed CSR activities and place its detailed report periodically before the CSR Committee. The Committee shall give a detailed report of the CSR activities to the Board of Directors every year. The Board shall disclose the details of the Policy in its report and also include in its report an annual report on CSR providing all details as specified under the Act and the Rules thereunder. The Board shall also disclose the composition of the CSR

Committee, the CSR policy and the projects approved by it on the Company's website.

ACQUISITION OF CAPITAL ASSETS

The company may utilise the CSR amount to create or acquire a capital asset which shall be held by an entity as may be specified under the CSR Rules from time to time.

IMPACT ASSESSMENT

Commencing from the financial year 2020-21, in respect of each of the years where the Company has an average CSR obligation to spend Rupees ten crores or more on its CSR activities in the three immediately preceding years or such other threshold as may be specified from time to time, it shall undertake an impact assessment by an independent agency of all its projects having an outlay of Rupees one crore or more that were completed not less than one year before undertaking the impact assessment.

The impact assessment report, where carried out, shall be placed before the Board and shall form part of its annual report on CSR.

The expenses incurred by the Company for conducting the impact assessment can be included in the CSR expenditure for that financial year to the extent of five percent of the CSR expenditure for such financial year or Rupees fifty lakhs, whichever is lesser.

The constitution and functioning of the CSR Committee for discharging its functions in any financial year shall be subject to the threshold limits applicable under CSR Rules issued by the Government from time to time.

AMENDMENT

The Company reserves the right to amend or modify this Policy in whole or in part, at any point of time. Any amendment to applicable Regulations or statutes governing this policy shall become automatically applicable to this Policy and shall have an overriding effect to the extent the same may be applicable to a particular provision in the Policy. Pursuant to such amendments or modifications, the Company Secretary shall carry out the necessary changes to this Policy, as may be required.

ANNUAL REPORT ON CSR ACTIVITIES

- The Company's objective of its CSR Policy is to promote inclusive growth and equitable development of identified areas by contributing back to the society. Details given in the policy enclosed.
- The current Composition of the CSR Committee:

Sl. No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meeting of CSR Committee attended during the year
1	Mr. Rajiv Gulati (Chairman)	Independent Non-Executive Director	1	1
2	Ms. Rama Bijapurkar	Independent Non-Executive Director	1	1
3	Mr. Naresh Kumar Sethi	Non-Executive Director	1	1
4	Mr. S. Thirumalai	Non-Executive Director	1	1
5	Mr. Aditya Deb Gooptu	Managing Director (w.e.f. 1 st December 2020)	1	-
6	Mr. Devraj Lahiri	Managing Director (resigned w.e.f. close of business hours on 9 th December 2020)	1	1

- Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the Company. www.vsthyd.com/i/CSRPolicy.pdf.
- Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable. Not Applicable
- Details of the amount available for set off in pursuance of sub-rule (3) of Rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any. Nil
- Average net profit of the Company as per Section 135(5) ₹ 34,027.40 Lakhs
- (a) Two percent of average net profit of the Company as per Section 135(5) ₹ 680.55 Lakhs
- (b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years. Nil
- (c) Amount required to be set off for the financial year, if any Nil
- (d) Total CSR obligation for the financial year (7a+7b-7c) ₹ 680.55 Lakhs
- (a) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year (₹ Lakhs)	Amount Unspent (₹ in Lakhs)				
	Total Amount transferred to Unspent CSR Account as per Section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to Section 135(5)		
	Amount	Date of Transfer	Name of the Fund	Amount	Date of transfer
450.59	229.96	@		Nil	

@ The Sum of ₹ 229.96 Lakhs shall be transferred to "VST CSR Unspent Account" within the time period specified u/s 135 (6)

Annexure B (Contd.)

(b) Details of CSR amount spent against ongoing projects for the financial year:

Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (yes/no)	Location of the project		Project Duration	Amount allocated for the project (₹ in Lakhs)	Amount spent in the current financial year (₹ in Lakhs)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (₹ Lakhs)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	District						Name	CSR Registration Number
1	Swachh Ghar Mission	Health & Sanitation	Yes	Telangana	Jogulamba Gadwal	3 Years	660.00	255.75	229.96	No	Gramalaya Trust	-
TOTAL							660.00	255.75	229.96			

(c) Details of CSR amount spent against other than ongoing projects for the financial year:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (yes/no)	Location of the project		Amount spent in the current financial year (₹ in Lakhs)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	District			Name	CSR Registration Number
1	Swachh Roshni	Environment Sustainability	Yes	Telangana	Jogulamba Gadwal	94.84	Yes	-	-
2	VST Cares	Health & Sanitation	Yes	Telangana	-	100.00	No	Telangana State Disaster Management Authority	-
TOTAL						194.84			

- (d) Amount spent in Administrative Overheads Nil
- (e) Amount spent on Impact Assessment, if applicable Nil
- (f) Total amount spent for the Financial Year (8b+8c+8d+8e) ₹ 450.59 Lakhs
- (g) Excess amount for set off, if any Nil
9. (a) Details of Unspent CSR amount for the preceding three financial years: Nil
- (b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s): Nil
10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year Nil
11. Specify the reason(s), if the Company has failed to spend two percent of the average net profit as per Section 135(5) Not Applicable

CERTIFICATION

The CSR Committee and the Chief Financial Officer of the Company hereby confirm that the funds disbursed have been utilised for the purposes and in the manner as approved by the Board and is in compliance with CSR objectives and policy of the Company.

ANISH GUPTA
CHIEF FINANCIAL OFFICER

ADITYA DEB GOOPTU
MANAGING DIRECTOR
DIN: 07849104

RAJIV GULATI
CHAIRMAN
CSR COMMITTEE
DIN: 06820663

Annexure C

DIVIDEND DISTRIBUTION POLICY

PURPOSE

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

POLICY

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

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

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

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

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

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

Annexure D

FORM NO. AOC-2

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

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

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

* The details of transactions between the Company and its related parties, names, nature of such contracts/arrangements/transactions and other details are set out in the Notes to the Financial Statements under Serial No.27.

On behalf of the Board

NARESH KUMAR SETHI
Chairman
DIN: 08296486

Hyderabad, 27th April 2021

Annexure E

Particulars of employees pursuant to Section 134(3)(q) of Companies Act, 2013 read with Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and amendments thereof

Requirements of Rule 5(1)	Details	
i) Ratio of remuneration of each Director to the median remuneration of the employees of the company for the financial year 2020-21	Mr. Naresh Kumar Sethi	19.6:1
	Mr. S. Thirumalai	8.9:1
	Ms. Rama Bijapurkar	7.0:1
	Mr. Sudip Bandyopadhyay	6.7:1
	Mr. Rajiv Gulati	6.4:1
	Mr. Aditya Deb Gooptu	18.3:1
ii) The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year 2020-21	Mr. Devraj Lahiri	23.2:1
	Directors	
	Mr. Naresh Kumar Sethi	21.9%
	Mr. S. Thirumalai	17.6%
	Ms. Rama Bijapurkar	18.1%
	Mr. Sudip Bandyopadhyay	28.1%
iii) The percentage increase in the median remuneration of employees in the financial year 2020-21	Mr. Rajiv Gulati	50.9%
	Key Managerial Personnel	
	Mr. Devraj Lahiri [§]	N.A.
	Mr. Aditya Deb Gooptu [§]	N.A.
iv) The number of permanent employees on the rolls of Company as on 31 st March 2021	Mr. Anish Gupta	8.51%
	Mr. Phani K. Mangipudi	10.19%
v) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	780	27.5%
	Average increase in the salaries of employees other than the managerial personnel in the financial year 2020-21 was a positive of 33.9% in comparison with 11.7% positive increase in the managerial remuneration.	
vi) Affirmation that the remuneration is as per the remuneration policy of the company	Remuneration paid/payable during the financial year 2020-21 is as per the Remuneration Policy of the Company.	

§ Mr. Devraj Lahiri resigned as Managing Director with effect from the close of business hours on 9th December, 2020 and Mr. Aditya Deb Gooptu was appointed with effect from 1st December, 2020. As their appointments were not for the full previous financial year, comparative details are not being provided.

Annexure F

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st MARCH 2021

(Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014)

To,
The Members,
VST Industries Limited,
Azamabad,
Hyderabad -500 020.

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **VST Industries Limited** (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on **31st March 2021 (herein after called as Audit Period)** complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March 2021 according to the provisions of:

- i. The Companies Act, 2013 (the Act) and the rules made there under;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- iii. The Depositories Act, 2018 and the Regulations and Bye-laws framed there under;
- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of
 - a) Foreign Direct Investment
 - b) Overseas Direct Investment (**not applicable during the Audit period**); and
 - c) External Commercial Borrowings (**not applicable during the Audit period**)

- v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; **Not Applicable for the Audit Period**
 - d. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
 - e. The Securities and Exchange Board of India (Issue and listing of Debt Securities) Regulations, 2008; **Not Applicable for the Audit Period**
 - f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 and **Not Applicable for the Audit Period**
 - h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; **Not Applicable for the Audit Period**
- vi. We further report that having regard to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof, on test-check basis, the Company has complied with the following laws applicable specifically to the Company:
 - a) Tobacco Board Act, 1975 and Rules made thereunder; and
 - b) Cigarette and Other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003 and Rules made thereunder.

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that -

- (i) The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- (ii) Adequate notice is given to all Directors to schedule the Board Meetings agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the Meeting and for meaningful participation at the Meeting.
- (iii) Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

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

We further report that during the audit period:

- a. The Company has spent a sum of ₹ 450.59 Lakhs towards Corporate Social Responsibility representing 1.32% of its average net profits made during the three immediate preceding financial year. 2% of the average net profits of the three preceding financial years are ₹ 680.55 Lakhs.

For Tumuluru & Company
Company Secretaries

Place : Hyderabad
Date : 27th April 2021

B V Saravana Kumar
Partner

ACS NO. 26944

C. P. No. 11727

Peer Review Cert. No. 1159/2021

UDIN: A026944C000187654

Note: This report is to be read with our letter of even date by the Secretarial Auditors, which is available on the website of the Company www.vsthyd.com.

Annexure F (Contd.)

To,
The Members,
VST Industries Limited,
Azamabad, Hyderabad.

Our report of even date is to be read along with this letter.

- Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
- We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
- We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.

- Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
- The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
- The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

For Tumuluru & Company
Company Secretaries

Place : Hyderabad
Date : 27th April 2021

B V Saravana Kumar
Partner
ACS NO. 26944
C. P. No. 11727
Peer Review Cert. No. 1159/2021
UDIN: A026944C000187654

Annexure G

Information under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) 2014 and forming part of the Directors' Report for the year ended 31st March 2021.

A. CONSERVATION OF ENERGY

- 0.9% energy saved in AHU Plant by replacing old 40hp conventional motors with IE4 Super energy efficiency motors and with the plant closed loop system, 0.4% energy saved in lighting. By installing all LED Lights, Air Audit was carried out & measures taken resulting in 0.4% energy saving.
- Distribution Line losses reduced from 1.8% to 1.1% in Azamabad plant by installing active and passive harmonic filters in the power distribution networks.
- 2.5% overall plant fixed load energy consumption reduced in the financial year 2020-21 compared to the financial year 2019-20 by continuous tracking of the hour to hour consumption and analysis (By online Energy management system).
- Conducted an energy conservation awareness program for 305 employees.

B. TECHNOLOGY ABSORPTION

Efforts made towards technology absorption

- New high speed Maker**
Benefit – Improved quality and productivity
- Parcellers on two packing lines**
Benefit – Improved quality and productivity
- Technology upgradation with control system on Makers**
Benefit – Improved quality and productivity

In case of imported technology (imported during the last three years reckoned from the beginning of the financial year) :

Year	Details of technology imported	Whether absorbed
2018-19	R&D Equipment - GC-MSMS & LC-MSMS	Yes
2019-20	Tray unloader for KSFT packing line	Yes
2020-21	New high speed Maker	Yes

iv. Expenditure incurred on Research and Development

	₹ Lakhs
- On capital account	45.85
- On revenue account	480.05
	525.90
As a % of Gross Turnover	0.36

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

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

	₹ Lakhs
Total foreign exchange used*	
Raw Materials	1884.55
Spare Parts	757.76
Capital Goods	2783.32
Travel, Advertisement, etc.	233.99
Dividends Paid	4603.39
Total	10263.01
* net of withholding taxes, if any.	
Total foreign exchange earned	8676.81
Tobacco – CIF	
Total	8676.81
Tobacco – FOB	8668.89
Total	8668.89

Business Responsibility Report (BRR)

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

SECTION A : GENERAL INFORMATION ABOUT THE COMPANY

1. Corporate Identity Number (CIN) of the Company	L29150TG1930PLC000576
2. Name of the Company	VST Industries Limited
3. Registered address	1-7-1063/1065, Azamabad, Hyderabad - 500 020
4. Website	www.vsthyd.com
5. E-mail id	investors@vstind.com
6. Financial Year reported	April 2020 to March 2021
7. Sector(s) that the Company is engaged in (industrial activity code-wise)	Manufacturing of cigarettes containing tobacco (12003) and unmanufactured tobacco (46202)
8. List three key products/services that the Company manufactures/provides (as in balance sheet)	Cigarettes containing tobacco & Unmanufactured tobacco
9. Total number of locations where business activity is undertaken by the Company	(a) Number of international locations : Nil (b) Number of national locations: VST has its Registered Office and regional office in Hyderabad and its factories at Hyderabad and Toopran. It also has regional offices at Delhi, Mumbai, Kolkata, Chennai and Guwahati.
10. Markets served by the Company	Local/State/National/International: National & International

SECTION B : FINANCIAL DETAILS OF THE COMPANY

1. Paid up Capital	₹ 15,44,19,200
2. Total Turnover	₹ 1,47,289 Lakhs
3. Total profit after taxes	₹ 31,079 Lakhs
4. Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	2% (including transfer to CSR unspent account)
5. List of activities in which expenditure in 4 above has been incurred	(a) Swachh Ghar Mission - Construction of household toilets (b) Swachh Roshni - Solar Street Lighting (c) VST Cares

SECTION C : OTHER DETAILS

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

SECTION D : BR INFORMATION

1. Details of Directors responsible for BR	The Corporate Social Responsibility Committee currently comprises of Mr.Rajiv Gulati (DIN : 06820663) as the Chairman, Ms. Rama Bijapurkar, Mr.Naresh Kumar Sethi, Mr. S. Thirumalai and Mr. Aditya Deb Gooptu. Ms. Ishita Bardhan, Chief Human Resource Officer is responsible for executing CSR in the Company. Telephone : +91 040 2768 8000, E-mail : ishita.bardhan@vstind.com. The role of Corporate Social Responsibility Committee is as follows : <ul style="list-style-type: none"> Identify the areas for carrying out the activities and formulate policy to undertake the same; Identify the projects, programs for specific area of activity, finalise the budget and earmark the expenditure for each activity and recommend the same to the Board every year; To determine the location where CSR activities shall be undertaken; To monitor the progress of the projects/activities from time to time; To nominate employees who shall be responsible for implementation, execution and monitoring of CSR activities; To hire wherever required services of external service providers, Non-Governmental Organisations (NGOs), volunteers, professionals, consultants, specialised agencies, etc. if required, to undertake and audit such activities.
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2. The operating principles adopted by the Company supplement the requirements under the National Voluntary Guidelines	The National Voluntary Guidelines provide for the following nine principles. Principle 1 : Ethics, Transparency and Accountability [P1] Principle 2 : Products Lifecycle Sustainability [P2] Principle 3 : Employees' Well-being [P3] Principle 4 : Stakeholder Engagement [P4] Principle 5 : Human Rights [P5] Principle 6 : Environment [P6] Principle 7 : Policy Advocacy [P7] Principle 8 : Inclusive Growth [P8] Principle 9 : Customer Value [P9]
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Details of compliance (Reply in Yes/No)

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

3. Governance related to BR	Business Responsibility Report is part of the Annual Report. It is also available on the Company's website www.vsthyd.com. It is proposed to be assessed annually.
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SECTION E : PRINCIPLE-WISE PERFORMANCE

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

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

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

Business Responsibility Report (Contd.)

There were no complaints from shareholders pending at the beginning of the year. The Company received 83 complaints from shareholders during the year and all complaints have been resolved satisfactorily.

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

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

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

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

Principle 3 : Businesses should promote the wellbeing of all employees

1. Please indicate the Total number of employees : 780
2. Please indicate the Total number of employees hired on temporary/contractual/casual basis : 196
3. Please indicate the Number of permanent women employees : 14
4. Please indicate the Number of permanent employees with disabilities: Nil
5. Do you have an employee association that is recognised by management: Yes
6. What percentage of your permanent employees is members of this recognised employee association? 54%
7. Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year : Nil

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

8. What percentage of your under mentioned employees were given safety & skill upgradation training in the last year?
 - (a) Permanent Employees : 75%
 - (b) Permanent Women Employees: Nil
 - (c) Casual/Temporary/Contractual Employees: 90%
 - (d) Employees with Disabilities: NA

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

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

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

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

Principle 5 : Businesses should respect and promote human rights

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

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

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

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

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

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

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

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

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

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

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

Principle 8 : Businesses should support inclusive growth and equitable development

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

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

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

There is a consumer case pending during the financial year relating to the Company. This is being dealt with appropriately before the respective consumer forum and your Company does not find them tenable. For receiving and resolving customer complaints there are adequate systems in place to address them. Customers may register their grievances over the dedicated helpline. Your Company adheres to all applicable laws and regulations on product labelling.