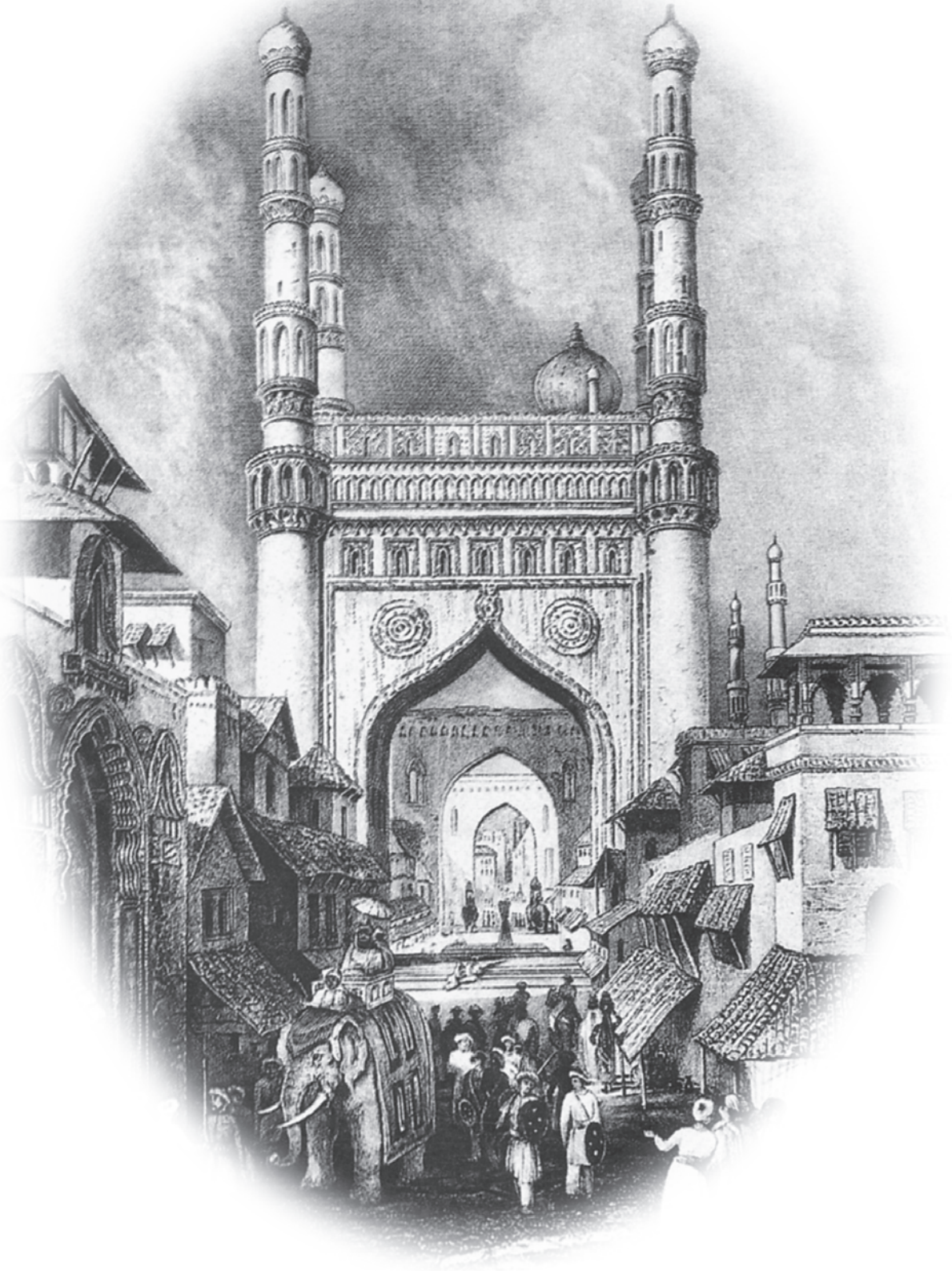




VST INDUSTRIES LIMITED

ANNUAL REPORT 2012-13





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BOARD OF DIRECTORS

Chairman

RAYMOND S. NORONHA

Managing Director

N. SAI SANKAR

Wholetime Director

DEVRAJ LAHIRI

Non-Executive Directors

T. LAKSHMANAN

S. THIRUMALAI

R.V.K.M. SURYARAU

PETER G. HENRIQUES

ASHA NAIR (w.e.f. 1st October, 2012)

Company Secretary

NITESH BAKSHI

Auditors

Lovelock & Lewes
Chartered Accountants
Hyderabad - 500 034
Andhra Pradesh

Registered Office

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

Registrar & Transfer Agents

Karvy Computershare Private Limited
Plot Nos.17 to 24, Vittal Rao Nagar
Madhapur, Hyderabad - 500 081
Phone : +91 40 2342 0815 to 24
Fax : +91 40 2342 0814
Email : einward.ris@karvy.com



NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Eighty Second Annual General Meeting of VST INDUSTRIES LIMITED will be held at Hotel Taj Krishna, Road No.1, Banjara Hills, Hyderabad - 500 034 on **Tuesday, 30th July, 2013 at 9.30 a.m.** for transacting the following business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2013, the Statement of Profit and Loss of the Company for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare a Dividend on the Equity Shares for the year ended 31st March, 2013.
3. To appoint a Director in place of Mr. T. Lakshmanan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. S. Thirumalai, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration. In this connection, to consider and, if thought fit, to pass with or without modification(s) the following Resolution which will be proposed as an Ordinary Resolution:

"RESOLVED THAT M/s. Lovelock & Lewes, Chartered Accountants (ICAI Registration No: 301056E), the retiring Auditors be and are hereby re-appointed as the Auditors of the Company to hold such office until the conclusion of the next Annual General Meeting at a remuneration of ₹26,00,000 (Rupees Twenty Six Lakhs only) payable in two equal instalments exclusive of service tax as applicable, travelling and reimbursement of actual out-of-pocket expenses incurred."

SPECIAL BUSINESS

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

"RESOLVED THAT Mrs. Asha Nair, a nominee of General Insurers' (Public Sector) Association of India who was

appointed a Director of the Company with effect from 1st October, 2012 in place of Mr. Milind A. Kharat and who vacates office at the ensuing Annual General Meeting pursuant to Section 262 of the Companies Act, 1956 and Article 98 of the Articles of Association of the Company and in respect of whom the Company has received a notice in writing from a Member proposing her candidature for the office of Director be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation."

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

"RESOLVED THAT pursuant to Sections 269, 309, 310 and 311 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 including any statutory modification or re-enactment thereof, approval be and is hereby granted to the appointment of Mr. N. Sai Sankar as Managing Director of the Company for a period from 3rd September, 2012 to 31st December, 2015 (both days inclusive), on such terms as set out in the Explanatory Statement annexed to the Notice convening this Meeting."

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

"RESOLVED THAT in partial modification of the resolution(s) passed by the Members at the Annual General Meeting held on 12th July, 2012 and pursuant to the provisions of Sections 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 including any amendment thereto or re-enactment thereof, consent be and is hereby accorded to the revised terms of appointment of Mr. Devraj Lahiri, Wholetime Director from and including the financial year 2012-13, as set out in the Explanatory Statement annexed to the Notice convening this Meeting."



NOTICE OF MEETING

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

"RESOLVED THAT in supersession of the resolution(s) passed by the Members at the Annual General Meeting held on 16th July, 2009 and pursuant to the provisions of Section 309(4) and other applicable provisions if any, of the Companies Act, 1956, the Directors of the Company other than the Managing Director and the Wholetime Director(s) be paid remuneration by way of commission not exceeding 1% of the Company's net profits referred to in Section 198 of the Companies Act, 1956 or any amendment or re-enactment thereof, for each of the five financial years of the Company commencing from 1st April, 2013 for all such Directors aforesaid to be divided amongst the Directors aforesaid in such manner as the Board of Directors of the Company may from time to time determine and in default of such determination, equally.

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

The Register of Members of the Company shall remain closed from Thursday, 11th July, 2013 to Tuesday, 16th July, 2013 (both days inclusive) for payment of dividend, if declared.

Valid transfer of shares received at the office of Registrar and Transfer Agents of the Company, M/s. Karvy Computershare Private Limited, Plot Nos. 17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081, before the close of business hours on 10th July, 2013 will be registered in time for the transferees to become eligible for dividend, if declared.

Dividend, if declared, will be paid on 14th August, 2013 to those Members whose names appear in the Register of Members of the Company on 16th July, 2013 or to their mandatees, subject however to the provisions of Section 206A of the Companies Act, 1956 or any amendment or modification thereof. In respect of dematerialised shares the dividend will be payable on the basis of beneficial ownership as on 10th July, 2013, as per details to be furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for this purpose.

By Order of the Board
VST INDUSTRIES LIMITED

NITESH BAKSHI
Secretary

Dated this 18th day of April, 2013.
Azamabad, Hyderabad - 500 020,
Andhra Pradesh.

NOTES

- A Member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote on a poll on his behalf. A proxy need not be a Member of the Company. The instrument of proxy in order to be effective, must be received at the Registered Office of the Company, duly completed and signed not less than forty-eight hours before the commencement of the Annual General Meeting.**
- In accordance with Section 173(2) of the Companies Act, 1956, an Explanatory Statement in respect of items 6 to 9 being items of Special Business is annexed to the Notice of the Meeting.
- Corporate members are requested to send, a duly certified copy of the board resolution pursuant to Section 187 of the Companies Act, 1956 authorising their representative to attend and vote at the Annual General Meeting.
- The brief profile of the Directors proposed to be appointed/re-appointed is given in the Directors' Report.
- Members holding shares in physical form should inform the Company's Registrar and Transfer Agents,



NOTICE OF MEETING

- M/s. Karvy Computershare Private Limited of any change in their registered address, mandate/bank details/e-mail address. Similarly, Members holding shares in electronic form should inform their Depository Participants (DP) of any change in their registered address, mandate/bank details/e-mail address.
6. The shares of the Company are under compulsory demat trading. Members holding shares in physical form are requested to convert their shares into dematerialized form in their own interest and for their convenience.
 7. SEBI has directed listed companies to use electronic payment modes such as NEFT, RTGS, ECS etc., for payment to the investors. Members are requested to update their bank details such as MICR, IFSC code etc., with the Registrar and Transfer Agents, M/s. Karvy Computershare Private Limited by submitting a cancelled cheque, while Members holding shares in electronic form are requested to update such bank details with their respective Depository Participants.
 8. Members who have multiple folios in identical names or joint names in the same order are requested to intimate to the Registrar and Transfer Agents, M/s. Karvy Computershare Private Limited about these folios to enable consolidation of all such shareholdings into one folio.
 9. Members are requested to refer to the 'Shareholder Referencer' which inter-alia contains details regarding unclaimed dividend.
 10. Members are requested to bring their copy of the Annual Report to the Meeting.
 11. For the convenience of Members and for proper conduct of the meeting, entry to the venue of the Meeting will be regulated by Attendance Slip, which is attached to the Annual Report. Members are requested to sign at the place provided on the Attendance Slip and hand it over at the entrance to the venue.

EXPLANATORY STATEMENT

In accordance with Section 173(2) of the Companies Act, 1956, the following information is given in explanation of the items of Special Business set out in the attached Notice of the Eighty Second Annual General Meeting of the Company to be held at Hotel Taj Krishna, Road No. 1, Banjara Hills, Hyderabad - 500 034 on **Tuesday, 30th July, 2013.**

Item No. 6

Mrs. Asha Nair was nominated by General Insurers' (Public Sector) Association of India as a Director of your Company with effect from 1st October, 2012 in place of Mr. Milind A. Kharat.

Mrs. Asha Nair who was appointed as a Director of the Company at the Board Meeting held on 12th July, 2012 to fill the casual vacancy caused by the resignation of Mr. Milind A. Kharat in terms of Section 262 of Companies Act, 1956 and Article 98 of the Articles of Association of the Company, vacates office at this Annual General Meeting.

A notice has been received by the Company along with a deposit of ₹500 from a Member under Section 257 of the Companies Act, 1956, proposing the appointment of Mrs. Asha Nair as a Director of the Company. The consent pursuant to Section 264(1) of the Companies Act, 1956 has been filed by Mrs. Asha Nair to act as Director, if appointed. Mrs. Nair does not hold any shares in the Company.

None of the Directors of your Company other than Mrs. Asha Nair is concerned or interested in this Resolution.

The Board commends this item of business for your approval.

Item No. 7

At the Seventy Ninth Annual General Meeting of your Company held on 16th July, 2010, the Members approved re-appointment of Mr. N. Sai Sankar as Deputy Managing Director of the Company with effect from 1st January, 2011 to hold office for a further period of five years from 1st January, 2011 to 31st December, 2015 (both days inclusive).



ANNEXURE TO NOTICE OF MEETING

The Board of Directors of your Company ("the Board") at its meeting held on 12th July, 2012, approved the appointment of Mr. N. Sai Sankar as Managing Director of the Company, effective 3rd September, 2012 for a period from 3rd September, 2012 to 31st December, 2015 (both days inclusive), on the following remuneration, subject to the approval of the Members:

- I. **Consolidated Salary:** At the rate of ₹8,52,498 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. N. Sai Sankar and to cover the Consumer Price Index.
- II. **Performance Bonus:** Payable annually for each financial year ending March 31, 2013 and thereafter, not exceeding 150% of the Consolidated Salary per annum after approval of the accounts as may be determined by the Board of Directors of the Company.

In addition to the aforesaid Consolidated Salary and Performance Bonus, Mr. N. Sai Sankar shall be entitled to perquisites like gas, electricity, water, furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance etc. in accordance with the Rules of the Company, the monetary value of such perquisites being limited to ₹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:

- a. Rent free furnished accommodation owned/leased/rented by the Company or Housing Allowance in lieu thereof, as per the Rules of the Company.
- b. Contribution to Provident Fund and Superannuation Fund upto 27% of salary and contribution to Gratuity Fund upto 8.33% of salary as defined in the Rules of the respective Funds, or upto such other limit as

may be prescribed under the Income Tax Act, 1961 and the Rules thereunder for this purpose.

- c. Use of Company car for official purposes and telephone at residence (including payment for local calls and long distance official calls).
 - d. Encashment of unavailed leave as per the Rules of the Company at the time of retirement/cessation of service.
 - e. Long service award as per the Rules of the Company.
 - f. Costs and expenses incurred by the Company in connection with joining/transfer from one location to another as per the Rules of the Company.
- III. **Minimum Remuneration:** Notwithstanding anything to the contrary contained herein, where, in any financial year during the currency of the tenure of Mr. N. Sai Sankar, the Company has no profits or its profits are inadequate, the Company will pay salary and perquisites as laid down in Section II of Part II of Schedule XIII as Minimum Remuneration and subject to the provisions thereof.

The aggregate of the remuneration and perquisites/benefits including contribution towards Provident Fund, Superannuation Fund and Gratuity Fund, payable to Mr. N. Sai Sankar shall always be subject to the overall ceilings laid down in Sections 198 and 309 of the Companies Act, 1956.

Within the above limits, the Board of Directors of the Company be and are hereby authorised to vary, alter or modify the different components of the above stated remuneration as may be agreed to by the Board of Directors and Mr. N. Sai Sankar.

An abstract under Section 302 of the Companies Act, 1956 dated 12th July, 2012 has been circulated to the Members of the Company.

None of the Directors of your Company other than Mr. Sai Sankar is concerned or interested in this item of business.

The Board commends this item of business for your approval.

**ANNEXURE TO NOTICE OF MEETING****Item No. 8**

The Board of Directors of your Company ("the Board") at its meeting held on 22nd January, 2013 approved modification in the terms of appointment of Mr. Devraj Lahiri, Wholetime Director of the Company with effect from 1st April, 2012 in the following manner, subject to the approval of the Members:

'Consolidated Salary - ₹2,50,000 per month subject to such increase as the Board may approve, from time to time during the tenure of his office as a Wholetime Director having regard to the annual performance of Mr. Devraj Lahiri and to cover the Consumer Price Index, subject to such increase being in accordance with the conditions specified in Schedule XIII to the Companies Act, 1956.'

The Consolidated Salary of Mr. Devraj Lahiri was increased by ₹22,500 to ₹2,72,500 per month with effect from 1st April, 2012 and by ₹17,985 to ₹2,90,485 per month with effect from 1st April, 2013.

Abstract under Section 302 of the Companies Act, 1956 dated 22nd January, 2013 has been circulated to the Members of the Company.

None of the Directors of your Company other than Mr. Devraj Lahiri is concerned or interested in this item of business.

The Board commends this item of business for your approval.

Item No.9

At the Seventy Eighth Annual General Meeting of the Company held on 16th July, 2009, the Members approved payment of remuneration to the Non-Executive Directors of the Company, by way of commission not exceeding one

percent of the net profits of the Company as provided under Section 309(4) read with Section 198 of the Companies Act, 1956, for each financial year, subject to a ceiling of ₹25,00,000 (Rupees Twenty Five Lakhs only) to be divided amongst the Directors aforesaid in such manner as the Board of Directors may from time to time determine and in default of such determination, equally, for a period of five years from 1st April, 2009.

Keeping in view the current trends and commensurate with the time devoted and contributions made by Non-Executive Directors, the Board of Directors of your Company at its meeting held on 18th April, 2013, recommended for the approval of the Members, payment of remuneration by way of commission not exceeding 1% of the Company's net profits to the Non-Executive Directors of the Company for each of the five financial years commencing from 1st April, 2013 in the manner stated in the text of the Special Resolution at Item 9 of the Notice.

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

The Board commends this item of business for your approval.

By Order of the Board
VST INDUSTRIES LIMITED

NITESH BAKSHI
Secretary

Dated this 18th day of April, 2013.
Azamabad, Hyderabad - 500 020,
Andhra Pradesh.



REPORT OF THE BOARD OF DIRECTORS & MANAGEMENT

DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31ST MARCH, 2013

VST Industries Limited

The Directors of your Company have pleasure in presenting their Annual Report and Accounts for the year ended 31st March, 2013.

Financial Results

₹ Lakhs

	2012-13	2011-12
Revenue from Operations	162109	159846
Net Profit after Tax	12625	14251
Profit brought forward from previous year	10205	9070
Balance available for Appropriation	22830	23321
Amount transferred to General Reserves	1265	1450
Dividend proposed	9651	10037
Corporate Dividend Tax	1640	1629
Surplus in the Statement of Profit and Loss	10274	10205

KEY RATIOS

Earnings per Share (₹)	81.76	92.29
Dividend per Share (₹)	62.50	65.00

- **Value creation during the decade has been Compounded Annual Growth Rate (CAGR), 16% in Earnings per Share (EPS) and 28% in Dividend per Share (DPS).**

outside India. The entire activity pertaining to sales outside India is carried out from India.

Your Company's brands were under pressure during 2012-13. Specifically, the first half of the year was particularly challenging. This was due to several factors including dual excise structure revisions, sharp increases in VAT rates, pressure on the 69mm filtered segment due to the emergence of the 64mm segment, and industry-wide consumption losses due to sharp price increases. However, your Company was successful in driving a sharp recovery in the second half through strong performance of the 69mm brands and astute positioning of the new 64mm brands.

In this context, your Company has managed to launch several successful 64mm variants, capturing 15% of the segment market share. This can be attributed to the strong brand health of the 69mm brands, which when combined with the smaller variant has helped to largely retain existing consumer levels.

Market Scenario

Cigarette volumes during 2012-13 stood at 8062 mns, down 12% when compared to 2011-12. This was a consequence of consumption drops due to steep price hikes across brands. The value realisations were maintained at ₹1434 crore, compared to ₹1432 crore in the previous year.

There is a concerted effort by competition to launch brands in the value-for-money segment where your Company largely operates. Your

INDUSTRY STRUCTURE & DEVELOPMENT

In an industry first, the excise structure that was outlined in the Union Budget presented in March 2012, was revised significantly in May 2012. The revised Budget led to an adverse impact for your Company as the excise rate increased from 11% to 21%. This led to an industry volume decline of 2% and pressure on VST brands.

The current year also witnessed significant hikes in VAT rates where your Company faced the largest increase in VAT rate in industry; up from 17% to 22%. This was largely driven by a VAT hike from 20% to 50% in Uttar Pradesh. This has impacted volumes and

profitability in the current year and is likely to be a challenge in the future.

A key development was the introduction of the 64mm filter-tipped cigarette with a new excise slab. This was adopted widely by industry due to favorable duty rates and proximity in length to the largest segment in the industry of 69mm filter-tipped cigarettes. Affordability coupled with brand heritage has led to a rapid growth of this segment, partially offsetting a decline in the RSFT segment.

SEGMENT WISE PERFORMANCE

Your Company considers tobacco and related products as the primary segment for reporting. Geographical segments considered for disclosure primarily consist of sales within India and sales



REPORT OF THE BOARD OF DIRECTORS

Company continues to have strong presence in this segment.

Leaf Tobacco

Your Company has recorded leaf sales turnover of ₹187 crore, in the year 2012-13 leveraging the expertise in all the varieties of tobacco. In view of the amalgamations at international level and major blue chips having tied-up closely with local partners, your Company is concentrating on local sales utilizing the image with the local trade in addition to exports for maximizing turnover and profits.

The focus on developing niche varieties of tobacco continued. Besides helping develop the backward regions, it has also helped in improving the Company's profitability. The oriental project continues with improved agronomic practices.

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

Your Company's leaf tobacco function continues to be certified by Registro Italiano Navale, Genova, Italy for SA8000 reflecting Company's resolve to follow best international practices in its operations. Also fulfilling the social responsibility in tobacco production (SRTP) that is certified by the audit teams of multinational cigarette manufacturers.

Your Company continues to encourage education to children in the operational areas by way of creating infrastructure for school buildings and spreading awareness in the villages.

PRODUCTION AND PLANT MODERNISATION

In order to keep pace with the changing technology your Company has been constantly modernizing its plant to improve the quality, productivity & efficiency of the products. In the Primary Manufacturing Department, bar code system was introduced during the year which has automated the receipt of different grades of tobacco as per the sequencing specification of the blending department and has substantially improved the efficiency. Automated flavor application system was also introduced in the Primary Manufacturing Department to ensure uniform flavor application on cut tobacco blend.

In the Secondary Manufacturing Department, world class high speed GD-X6 packing line was inducted which has almost doubled the speed of packing and reduced the wastages to minimum. Union Budget 2012 declared 64mm filter cigarette as a new segment and your Company has overcome this challenge by successfully converting the cigarette packers by deploying in-house expertise without any external support and at a very low cost. In continuance with this tradition, 106 workmen were trained during the year to improve their technical skills.

HUMAN RESOURCE DEVELOPMENT

Your Company's Human Resource Management focus continues to be in making available a talent pool, for meeting challenges in the competitive market place, which is increasingly becoming complex.

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

As on 31st March, 2013, your Company had a strength of 905 employees, with 290 management staff and 615 workmen.

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

Information in accordance with clause (e) of sub-section (1) of Section 217 of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure to this Report.

ENVIRONMENT, HEALTH & SAFETY (EHS) AND COMMUNITY SERVICES

Your Company has been maintaining high safety performance for the last 364 days without any accidents.

President Award for the year 2012 was presented to your Company by Royal Society for Prevention of Accidents (RoSPA), U.K. for maintaining highest standards in Occupational, Health and Safety.

Safety Innovation Award for the year 2012 was awarded to your Company by Institution of Engineers India, New Delhi.

Environment, Health and Safety (EHS) in day-to-day business operations is given very high priority by your Company. 519 employees and 35 contractors have undergone EHS training and 574 employees have



REPORT OF THE BOARD OF DIRECTORS

undergone fire fighting training programme. Mock fire drills were also conducted for workers and management during the period to comply with the Company's EHS guidelines. Involvement by workmen in quarterly EHS reviews along with staff members and periodical inspections have kept the performance monitoring on vigil. Quarterly and annual EHS audits of Company operations including leaf godowns was carried out to ensure compliance of EHS requirements, and to measure the EHS progress. EHS Road Map rating for your Company was assessed at 3.54 as against the scale of 4.0 for the year 2012-13.

Your Company celebrated National Safety Day on 4th March, 2013 by conducting Safety meetings inside the factory and all contractors attended the safety programme.

Surveillance Audit of ISO 14001: 2004 & OHSAS 18001: 2007 for the year 2012-13 were conducted by Registro Italiano Navale India (RINA).

On the environmental side, as a responsible corporate, your Company continues to put in sustained efforts in the upkeep and improvement of existing systems like scrubber, DRF systems, rain water harvesting pits, ETP with soil bio-technology, and also in energy conservation, solar water heating panels for boiler feed water and for the workers canteen boiler.

Due to critical power cuts and moderated supply of power by CPDPCL, your Company had to depend on diesel generators to meet its production demands which led to

environmental pollution and additional cost burden. In order to overcome this issue, your Company entered into an agreement with Indian Energy Exchange to purchase power through open access and also obtained approval for increase in Maximum Demand of power which resulted in additional power supply from CPDPCL. This approach has served dual purpose of reduction in cost and more importantly prevention of environmental degradation.

Water Consumption was reduced by 7 Kl/day in 2012-13.

As a social responsibility, your Company has been actively discouraging child labor involvement in tobacco growing/processing. Your Company has installed water purifiers in major tobacco growing villages to improve health through supply of clean drinking water to the rural community.

All statutory compliances are in place.

The thrust on EHS will continue while emphasizing the focus on Best International Work practices.

FINANCE

a. Profits

The Profit after Tax of your Company for the year is ₹126 crore.

The continuous increase in taxation over the last several years has made improvement in margins a daunting task thereby impacting profitability.

b. Treasury Operations

Your Company follows a SLR

model (Safety, Liquidity and Return) in deployment of surplus funds which arise periodically during the year. The Company predominantly deploys money in debt funds of reputed mutual funds and tax free bonds issued by government bodies. Such investments earned ₹18 crore during the current year.

ENTERPRISE RESOURCE PLANNING (ERP)

Your Company was able to successfully manage the entire ERP system by developing an in-house team. All routine business issues as well as improvements in existing systems have been undertaken by the team. This team interacts with managers of the operating teams and works continuously to help improve the overall business processes. Your Company has also developed adequate skills to manage issues arising out of facilities management and networking which are the other limbs of the IT infrastructure.

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 Section 205A(5) of the Companies Act, 1956, the declared dividends, which remained



REPORT OF THE BOARD OF DIRECTORS

unpaid or unclaimed for a period of seven years, are transferred by the Company to Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the said Act. The final dividend for the year ended 31st March, 2006 remaining unpaid would be deposited by 31st August, 2013 to IEPF in accordance with Section 205C of the Companies Act, 1956.

The details of the dividend due for transfer to IEPF as on 31st March, 2013 is given in the Report on Corporate Governance.

UNCLAIMED SHARE CERTIFICATES

Your Company has communicated to the Members whose share certificates have returned undelivered to the Company that these would be transferred to the Unclaimed Suspense Account if not claimed by them, as required under the Listing Agreement amended by SEBI vide its Circular dated 16th December, 2010.

The status of unclaimed shares as on 31st March, 2013 is given in the Report on Corporate Governance.

CORPORATE GOVERNANCE

The Company's Report on Corporate Governance is annexed to this Report.

Certificate of the Statutory Auditors of your Company regarding compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with stock exchanges is annexed to this Report.

Your Company has taken adequate steps for strict compliance with the

Corporate Governance guidelines, as amended from time to time.

The Ministry of Corporate Affairs has released draft guidelines for voluntary compliance covering various aspects. Your Company has already implemented most of the items and is considering feasibility of implementation for balance provisions.

INTERNAL CONTROL SYSTEMS

Your Company remains committed to improve effectiveness of internal control systems and processes which would help in increasing the efficiency of operations and provide security of its assets.

The internal audit process in your Company captures the control environment prevalent in the organisation. Over a period of three years, the entire business process of your Company is reviewed through a systems audit process which helps review the systems on a continuous basis. The objective being to identify potential risk areas and come up with a comprehensive mitigation plan.

The Audit Committee of your Board met five 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 of focus which were dealt with by the Committee. The Statutory Auditors/System Auditors were invited to attend the Audit Committee meetings and make presentations covering their observation on adequacy of internal controls and the steps required to bridge gaps, if any.

The self-evaluation system which was put in place on internal controls is being reviewed continuously to improve its effectiveness.

Risk Management

Risk Management is monitored by a Committee comprising members from various functions. The Committee meets periodically to identify the potential risks as well as to take adequate steps for mitigating the risks which have been identified. A comprehensive note covering various aspects is reported to the Board every quarter.

DIRECTORS

Directors retiring by rotation

In accordance with Article 93 of the Articles of Association of your Company, Mr. T. Lakshmanan and Mr. S. Thirumalai retire from the Board and being eligible, offer themselves, for re-election. Your Board recommends their re-appointment.

Mr. T. Lakshmanan

Mr. T. Lakshmanan was re-appointed at the Annual General Meeting held on 14th July, 2011. He is now due to retire by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

Mr. Lakshmanan is a Post Graduate in Science and a Member of FFII. He has over 33 years of experience in various departments of General Insurance Corporation (GIC) and retired as General Manager of GIC in 2001. He was a Nominee Director on the Board of your Company prior to his appointment as a Director. He is the Chairman of the Audit Committee and



REPORT OF THE BOARD OF DIRECTORS

a Member of Committee of Directors and Shareholders Grievance Committee of your Company. Mr. Lakshmanan neither holds any shares in the Company nor is related to any other Director of the Company.

Mr. S. Thirumalai

Mr. S. Thirumalai was re-appointed at the Annual General Meeting held on 14th July, 2011. He is now due to retire by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

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

Directors Resignation/ Retirement/Appointment

Mr. Milind A. Kharat

Mr. Milind A. Kharat ceased to be a

Director of your Company with effect from 1st October, 2012. The Board of Directors place on record their deep appreciation of the contribution made to your Company by Mr. Milind A. Kharat.

Mr. R.V.K.M. Suryarau

Mr. R.V.K.M. Suryarau has resigned as Director of your Company with effect from close of business on 31st March, 2013. The Board of Directors place on record their deep appreciation of the contribution made to your Company by Mr. R.V.K.M. Suryarau.

Mrs. Asha Nair

Mrs. Asha Nair was nominated by the General Insurers' (Public Sector) Association of India as a Director of your Company with effect from 1st October, 2012 in place of Mr. Milind A. Kharat.

Mrs. Asha Nair is B.A. in Economics (Hons.) and M.A. from Delhi University. She is a Fellow of Insurance Institute of India (FIII). She has rich experience of over 30 years in the insurance industry. She joined the insurance industry as Direct Recruit Officer and is now Director of United India Insurance Company Limited. Mrs. Asha Nair neither holds any shares in the Company nor is related to any other Director of the Company.

Mr. Raymond S. Noronha

At the meeting of the Board of Directors held on 12th July, 2012, Mr. Raymond S. Noronha was elected as Chairman of your Company and of its Board of Directors with effect from 1st October, 2012.

Mr. Noronha is a B.A. (Hons.) from St.

Stephen's College, Delhi and attended the Wharton Advanced Management Program (1995) at Philadelphia, USA. He has had over 38 years of varied experience in the cigarette business both international and domestic and has held several top level positions for over a decade. Mr. Noronha retired as Managing Director of your Company and was appointed as Non-Executive Director with effect from 3rd September, 2012. He is a Member of the Audit Committee, Committee of Directors and Shareholders Grievance Committee of your Company. Mr. Noronha neither holds any shares in the Company nor is related to any other Director of the Company.

Mr. N. Sai Sankar

At the meeting of the Board of Directors held on 12th July, 2012, Mr. N. Sai Sankar was appointed as Managing Director of your Company with effect from 3rd September, 2012 in place of Mr. Raymond S. Noronha.

Mr. Sai Sankar is a Commerce Graduate from St. Xavier's College, Kolkata and is a Fellow Member of Institute of Chartered Accountants of India, Institute of Cost & Works Accountants of India and Institute of Company Secretaries of India. He has about 31 years of experience in finance, accounting and secretarial field. He was the Deputy Managing Director of your Company since February 2009. He is a Member of the Committee of Directors and Shareholders Grievance Committee of your Company. He is a director on the board of the Tobacco Institute of India. Mr. Sai Sankar neither holds any shares



REPORT OF THE BOARD OF DIRECTORS

in the Company nor is related to any other Director of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 the 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 at the end of the financial year and of the profit of your Company for the period;
3. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 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.

TAXATION

i. Income Tax

a. Financial Services Business

It may be recalled that your

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

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

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

Further in connection with its divestment from the Foods Business in the financial year 1999-00, your Company had incurred a total loss of ₹53.68 crore, of which ₹44.18 crore was claimed as a loss under the head 'Income from Business' and ₹9.50 crore was claimed as a capital loss under the provisions of the Income Tax Act. The Income Tax Department has disallowed the entire amount excepting ₹5.70 crore which

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

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

b. North East

You would recall that pursuant to the withdrawal of exemption notification for manufacture of cigarettes in the North Eastern region in terms of Supreme Court judgement of 19th September, 2005, your Company had paid an amount of ₹31.20 crore towards principal and provided an amount of ₹12.69 crore towards interest.

In the income tax return filed by your Company for the relevant year, this amount was considered as an allowable expenditure in the assessment for the year 2006-07. However, subsequently the



REPORT OF THE BOARD OF DIRECTORS

Income Tax department has sent a demand notice seeking payment of ₹19.3 crore being tax payable along with interest which was paid by your Company. Your Company has contested the same.

ii. Luxury Tax

The Hon'ble Supreme Court by its judgement dated 20th January, 2005 set aside levy of Luxury Tax on tobaccoists by various States. The Court had also directed the companies to pay back to the State any amount of luxury tax recovered from the customers after obtaining Stay orders from the Court. The Department has alleged that your Company has failed to pay an amount of ₹34.86 crore being the Luxury Tax collected from customers by your Company after passing of the interim order dated 1st June, 1999, but not paid to the State Government of Andhra Pradesh which is in violation of the said judgement dated 20th January, 2005 and filed the contempt petition against the Managing Director of your Company. An amount of ₹29.81 crore has also been claimed as interest thereon @24% per annum. The contempt charges against the Managing Director of your Company were dismissed by the Hon'ble Supreme Court on 19th March, 2010.

The State of Andhra Pradesh decided to continue with the legal proceedings for recovery of Luxury

Tax from your Company by substituting the Company's Managing Director with your Company as the Respondent. The Supreme Court by its Order dated 9th November, 2012 appointed M/s. Lakshminivas Neeth & Co., Chartered Accountants to examine and verify the accounts of your Company for the period 1st April, 1999 to 20th January, 2005 and submit their reply within 6 months, as to whether any sum was collected by your Company towards luxury tax during the operation of the Stay Order dated 1st April, 1999. The process of examination and verification of relevant documents and accounts has already begun and is in progress. Thereafter, the final report of the Chartered Accountant will be submitted to the Supreme Court before the next date of hearing in July, 2013.

iii. Entry Tax

As mentioned in last year's Report, several High Courts in the country including those of Andhra Pradesh, Kerala, Tamilnadu and Assam have struck down the levy of Entry Tax on the ground that it is violative of Article 301 and not saved under Article 304(b) of the Constitution, as it is not compensatory in the manner required in terms of the Supreme Court judgement in the case of M/s. Jindal Stainless Ltd. Thereafter, several states such as Uttar Pradesh, Bihar, Haryana and Assam have attempted to re-introduce Entry Tax by amending

the original Acts, sparking a fresh round of legal challenges in the High Courts. Most of the appeals filed by the various states, and individual companies have been clubbed together.

The Hon'ble Supreme Court by its Order dated 18th December, 2008 in the batch of cases headed by Jai Prakash Associates vs the State of MP has referred a number of vital questions on levy of Entry Tax, to the Constitutional Bench in terms of Article 145(3) of the Constitution which are still pending adjudication.

iv. Excise

a. Wrapping Materials

As mentioned in last year's Report, the Customs, Excise and Service Tax Appellate Tribunal, Bangalore by its Order dated 8th October, 2004, had allowed your Company's appeal and set aside the demand of the Excise Department for an amount of ₹3.62 crore (including penalty and interest @24%) on the ground that Gay Wrappers (printed paper used for wrapping cigarette packets) had been manufactured and consumed by your Company without payment of duty during the period April 1996 to March 2002. An appeal against the said Order has been filed by the Excise Department and is presently pending in the Hon'ble Supreme Court.

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

As mentioned in last year's Report, the Excise Department had demanded a sum of ₹5.85 crore from two of your Company's former contract manufacturers, by way of interest on the principal amount of ₹31.20 crore repaid to the Excise Department, consequent upon the judgement of the Hon'ble Supreme Court dated 19th September, 2005. A Division Bench of the Gauhati High Court by its judgement dated 18th June, 2012, confirmed the judgement of the single judge and held that interest was also payable for the period 1st August, 2003 to 7th February, 2006 on the principal amount already repaid. Special Leave Petitions have been filed in the Supreme Court against the said judgement of the Gauhati High Court. By its order dated 11th January, 2013, the Supreme Court admitted the SLPs but declined to grant stay of the said judgement.

c. Tobacco Refuse

Your Company has received show cause notices demanding recovery of duty on cut tobacco used in the manufacture of tobacco refuse together with interest and penalty from January 2005 to October 2012, amounting to

₹14.40 crore, four of which were confirmed by the Orders of the Commissioner of Central Excise. Your Company's stay applications in the appeals before CESTAT were heard favourably and stay with complete waiver of pre-deposit has been granted in the interim as prayed for. Your Company continues to receive show cause notices for subsequent periods pending final hearing of the appeals to the Appellate Tribunal.

d. Service Tax

Your Company has received show cause notices from the Excise Department seeking to deny CENVAT credit availed on service tax paid by various service providers on the ground that the same are not in relation to the manufacture of final products. They are all pending adjudication at various levels. Total amount involved is approximately ₹5.27 crore with equivalent penalty and interest thereon.

e. Enhancement of duties - Budget 2012

Your Company has received a show cause notice from the Excise Department seeking payment of differential duty amounting to ₹15.6 crore together with interest and penalty for the period 17th March, 2012 to 27th May, 2012 on the ground that the

proposed excise duty increase which was further enhanced during the pendency of the Finance Bill, 2012 in Parliament was saved by the declaration under the Provisional Collection of Taxes Act, 1931 and would therefore, come into effect from 17th March, 2012 i.e. the date when the Finance Bill was introduced in the Lok Sabha and not from 27th May, 2012 when the Bill received the assent of the President. Similar demands have also been raised on the other major cigarette manufacturers in the country. Your Company will be preparing and submitting a detailed reply to the show cause notice in support of its contention that the excise duties were correctly paid during the period in question and no differential duty is payable.

PUBLIC INTEREST LITIGATION (PIL)

- i. The two PILs filed in the Madras High Court and the Andhra Pradesh High Court against the Central Government and the cigarette manufacturers including your Company, seeking strict implementation of COTP Act and Rules are still pending.
- ii. A PIL was filed in the Karnataka High Court by Mr. Ravishankar, an Advocate/Activist against various



REPORT OF THE BOARD OF DIRECTORS

Ministries of the Central Government, State Government, Advertising Standards Council of India, your Company and other cigarette manufacturing companies seeking several reliefs on various aspects and issues relating to COTPA and its implementation. Notice has been received by your Company and steps are being taken to prepare and file a suitable reply denying any violations of the existing legislations together with other cigarette manufacturing companies.

INTELLECTUAL PROPERTY

As mentioned in the last year's report, the suit for infringement and passing off filed by ITC Limited against your Company alleging that your Company had violated ITC Limited's 'Gold Flake' trade mark by using a deceptively similar get up and trade dress consisting of a combination of red and gold colors, on its 'Special' brand of cigarettes is still pending in the Calcutta High Court and the trial is yet to begin. ITC's application for temporary injunction was refused by a single Judge of the Calcutta High Court by his order dated 4th March, 2011. Their appeal against the said order is pending before the Division Bench.

FINANCIAL SERVICES BUSINESS

As mentioned in last year's Report the Company Petition filed by the Official Liquidator in the Hon'ble High Court of Andhra Pradesh seeking directions to some of the Ex-Directors of ITC Agro Tech Finance and Investments Limited (ITCATF) to file a Statement of Affairs is still pending.

In terms of the Order dated 10th July, 2007 the Division Bench of the Hon'ble High Court of Andhra Pradesh had directed the Regional Director, Department of Corporate Affairs, Chennai to conduct an investigation and submit a report showing the persons who promoted ITCATF and the persons who were responsible in conducting its affairs until its winding up. A comprehensive report dated 19th May, 2008 was prepared and filed in the Hon'ble High Court of Andhra Pradesh by the Regional Director in July 2008. All the matters are still pending final adjudication.

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

i. Some of the provisions of COTPA have come into force with effect from 1st May, 2004. These include ban on advertising in print and visual media, ban on outdoor advertising, regulation of in-store advertising, prohibition of sale of cigarettes to persons below the age of 18 years and printing of pictorial warnings on cigarette packets, which came into effect from 31st May, 2009 and were further revised with effect from 1st December, 2011. A new set of pictorial warnings have been notified to come into force with effect from 1st April, 2013. All cigarette packets manufactured after that date will bear the new warning.

- ii. Some tobacco manufacturers have challenged various provisions of COTPA and Rules made thereunder in different High Courts across the country. The Union Government filed transfer petitions in the Hon'ble Supreme Court seeking to transfer 31 pending writ petitions from various High Courts to the Hon'ble Supreme Court. On 18th November, 2008 all the transfer petitions were allowed and the writ petitions have thus been moved to the Hon'ble Supreme Court, for final adjudication.
- iii. Your Company had also filed a writ petition in the Hon'ble High Court of Andhra Pradesh challenging The Cigarettes and Other Tobacco Products (Packaging & Labelling) Rules, 2006 and the Amendment Rules 2008, on the grounds inter alia that they are ultra vires of COTPA and therefore the Notifications issued there under (including those seeking implementation of graphic health warnings) should be quashed. The said writ petition was admitted on 17th October, 2008 but no interim orders were passed by the Hon'ble Court.
- iv. A ban on smoking in public places as envisaged under COTPA, came into effect on 2nd October, 2008 under which smoking has been banned in virtually all public places including courts, public buildings, restaurants, bars, cinema halls etc. A batch of writ petitions challenging this was filed in the Hon'ble Delhi High Court and transferred to the



REPORT OF THE BOARD OF DIRECTORS

Hon'ble Supreme Court, which came up for admission on 29th September, 2008. While the Hon'ble Supreme Court admitted the transfer petitions it declined to grant interim relief prayed for by the petitioners seeking to postpone implementation of the ban on smoking in public places.

REAL ESTATE

The Government of Andhra Pradesh had filed a land grabbing case against your Company in 1991 in relation to a piece and parcel of vacant land which has been under possession and occupation by your Company for over 45 years. By its judgement dated 28th July, 2010, the Land Grabbing Court had held that your Company was not a land grabber but had given the State Government the right to initiate proceedings against your Company to recover possession of the land at some future date. Against this part of the judgement, your Company had filed a writ petition in the Hon'ble High Court of Andhra Pradesh to expunge that part of the order giving such liberty to the Department despite the fact that your Company has already been declared not to be a land grabber. The writ petition is still pending. In the meantime, after a lapse of over 3 years, the State Government has also filed a writ petition in the Hon'ble High Court of Andhra

Pradesh seeking to set aside the said judgement of the Land Grabbing Court. An interim Order was passed without the Company being present, restraining your Company from changing the status of the land or creating any third party interest therein. Your Company is taking steps to consolidate all the pending matters, vacate the interim orders and seek speedy disposal so that the property becomes available for development.

COMPANY EMPLOYEES

Under the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, the particulars of employees are set out in annexure to the Directors Report.

However, as per the provisions of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to all the shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company Secretary.

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

AUDITORS

The Auditors, Messrs. Lovelock & Lewes, Chartered Accountants, retire at the ensuing Annual General Meeting and

being eligible, offer themselves for re-appointment.

THE FUTURE

The focus of your Company will continue to remain on cigarettes and tobacco with thrust on twin strategies of growth and productivity. VAT rates vary from 12.5% to 65% from state to state and it is expected that high taxation will continue to be a norm. Implementation of Goods and Services Tax is expected shortly which could throw up new challenges. However, your Company is geared up to meet these challenges.

New pictorial warning on the cigarettes have come into force effective 1st April, 2013 and the same could be found on cigarette packs.

New Companies Bill encompassing wide range of changes is on the anvil and after being approved by the Lok Sabha is awaiting the approval of the Rajya Sabha.

Leaf tobacco exports have been growing over the last several years and your Company's thrust on this area will continue.

On behalf of the Board,

RAYMOND S. NORONHA
Chairman

Dated this 18th day of April, 2013.
Azamabad, Hyderabad - 500 020,
Andhra Pradesh.



ANNEXURE TO THE REPORT OF THE BOARD OF DIRECTORS

Information under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, and forming part of the Directors' Report for the year ended 31st March, 2013.

A. CONSERVATION OF ENERGY

1. Energy conservation measures taken:

- i. Enhanced Maximum Demand from 920 Kva to 1250 Kva, and saved ₹28 lakhs from January-March, 2013.
- ii. Started purchasing of power through Open Access bidding process from February 2013, and saved ₹14 lakhs till March 2013.
- iii. UPS for Makers & Utilities and ensured uninterrupted run of Makers.
- iv. Energy audit was conducted by CII. As per the findings & recommendations by audit team, balanced suction & pneumatic lines and arrested compressed air line losses. This has reduced the respective energy consumption by 6%.
- v. Modified tobacco pneumatic feed system for Twin maker & saved extra running of one Pneumatic feed 25 HP fan.
- vi. Provided Variable Frequency Drive (VFD) for doffers in Lamina bulking bins, stem bulking bins & CRS bins. This has reduced the respective energy consumption by 15%, and also helped in reducing tobacco degradation.
- vii. Provided Closed Loop System for stem air lift, Lamina air lift

& CRS air lift, which has given respective energy saving of 6%.

- viii. Provided inductance & capacitive filters at load end side, and reduced the power distribution losses by 0.6%.
 - ix. Monitored machine wise power consumption on daily basis.
 - x. Conducted energy conservation awareness programme for 494 workmen.
2. Additional investments and proposals, if any, being implemented for reduction of consumption of energy:
- i. Continue with enhanced Maximum Demand of 1250 Kva.
 - ii. Continue purchasing of power consumption of energy through open access bidding process, instead of generating power through genset.
 - iii. Introduce energy efficient motors for SMD DRF.
 - iv. Introduction of digital interactive mode for existing UPS.
 - v. Solar power system for street lights.
 - vi. Third party energy audit.
 - vii. Compressed air audit.
 - viii. Replacement of old air conditioners with new energy efficient ones.
 - ix. Monitor machine wise power consumption on daily basis.
 - x. Conduct energy conservation awareness programme.
3. Impact of the measures at (1) and (2) above for reduction of energy consumption and consequent

impact on the cost of production of goods:

- i. Reduced electrical energy consumption per ~~MT~~ by 11%.

B. TECHNOLOGY ABSORPTION

Research & Development (R&D)

1. Specific areas in which R&D were carried out by the Company are:

- i. Developed new tobacco flavors by working closely with international tobacco flavor manufacturers.
- ii. Conducted Product Space Mapping (PSM) study for products of various segments in market & used data in developing new blends and designing new brand cigarettes.
- iii. Implemented quality audits by Quality Circles in SMD & PMD. Conducted periodical reviews on audit findings by Quality Circles and achieved improvements in both cut tobacco & finished product quality.
- iv. Tracked Retail Quality Index (RQI) data of market drawn samples each month, and utilized to resolve recurring quality issues time to time.
- v. Traced on-line Product Functional Quality data from Quality Test Modules (QTMs) and used for implementation of quality based maintenance on each machine lines.
- vi. Training inputs given to workmen on:
 - a. Key areas of quality improvement - covered 555 workmen.



ANNEXURE TO THE REPORT OF THE BOARD OF DIRECTORS

VST Industries Limited

- b. Statistical Quality Control Techniques - covered 125 workmen.
 - c. Technical skills - covered 106 workmen.
- vii. Trained all R&D lab analysts on ISO methods/test procedures/NABL requirements.
2. Benefits derived as a result of the above R&D:
 - i. Launched new brands in market.
 - ii. Successfully launched brands in new segment - VSFT-64mm filter cigarette in time and made in-roads into market.
 - iii. Improved product quality - Retail Quality Index from 87.0 to 87.5.
 - iv. Achieved 'Certificate of Continuance-ISO/IEC 17025' for our R&D laboratory from National Accreditation Board for Testing & Calibration Laboratories (NABL), Department of Science & Technology, Government of India, New Delhi.
3. Future plan of action:
 - i. Develop new blends & brands as required in market time to time.
 - ii. Develop new blends & design cigarettes with futuristic view, to be in readiness to meet government regulations time to time.
 - iii. Develop new flavors as required time to time.
 - iv. Continue quality audits by Quality Circles, review periodically to achieve improvement in quality.

- v. Track Retail Quality Index & Machine on-line Quality Data from Quality Test Modules & use to carry out Quality Based Maintenance to rectify machine specific Quality issues
- vi. Training inputs to staff & workmen on quality improvement, average machine output and reduction of waste generation.

Expenditure on R&D: ₹ Lakhs

a. Capital	-
b. Recurring	232.32
TOTAL	232.32

- c. Total R&D expenditure as a percentage of:

Gross Turnover	0.14%
Net Turnover	0.35%

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities relating to exports:
 - i. Your Company is exporting Cut Tobacco & Finished Product to various export markets.
 - ii. Your Company is marketing Dark Fire Cured, Light Soil Burley, Oriental, Flue Cured tobacco and other Sun/Air Cured tobacco.
 - iii. Improved leaf growing technology for quality/farm yield improvement and minimizing TSNA levels. Creating awareness to minimize/eliminate NTRM (Non-tobacco related material).
 - iv. To increase the exports further, tie up with merchant companies and production of low pesticide residue.

- v. Upgradation of processing & manufacturing technology for better yield and reduction in NTRM.

2. Initiatives taken to increase exports and development of new export markets for products & services and export plans:
 - i. Selection of tobacco, smoke analysis, on-line testing of cigarettes produced.
 - ii. Modernisation of process and technology to upgrade quality.

3. Total foreign exchange:
 - i. Selection of tobacco, smoke analysis, on-line testing of cigarettes produced.
 - ii. Modernisation of process and technology to upgrade quality.

Used: ₹ Lakhs

Raw Materials : 716.12

Spare Parts : 64.30

Capital Goods : 2203.74

Overseas Travel,

Advertisement &

Subscriptions, etc. : 53.64

Dividends : 3227.84

6265.64

Earned: ₹ Lakhs

Cigarettes
(CIF, C&F & FOB) : -

Tobacco
(CIF, C&F & FOB) : 12202.91

Cut Tobacco
(CIF, C&F & FOB) : -

12202.91

On behalf of the Board,

RAYMOND S. NORONHA
Chairman

Dated this 18th day of April, 2013.
Azamabad, Hyderabad - 500 020,
Andhra Pradesh.



Auditors' Certificate regarding compliance of conditions of Corporate Governance

To the Members of
VST Industries Limited

We have examined the compliance of conditions of Corporate Governance by VST Industries Limited (the "Company"), for the year ended 31st March, 2013, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges in India.

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

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

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

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

N. K. VARADARAJAN
Partner
Membership No. 90196

Hyderabad, 18th April, 2013.



REPORT ON CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement entered into with Stock Exchanges, the Directors present the Company's Report on Corporate Governance for the year ended 31st March, 2013.

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. I. BOARD OF DIRECTORS

(A) Composition of Board

As on 31st March, 2013, your Company's Board has eight Directors, out of whom six Directors are non-executive directors including the Chairman and the remaining two are Executive Directors.

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

Name of the Director	Position	Relationship with other Directors	No. of outside directorships held	No. of memberships/ chairmanships of board committees of other companies
Mr. Raymond S. Noronha ¹	Chairman Non-Executive Director	None	-	-
Mr. R.V.K.M. Suryarau ²	Independent Non-Executive Director	None	-	-
Mr. T. Lakshmanan	Independent Non-Executive Director	None	-	-
Mr. N. Sai Sankar ³	Managing Director	None	1	-
Mr. S. Thirumalai	Independent Non-Executive Director	None	-	-
Mr. Peter G. Henriques ⁴	Non-Executive Director	None	-	-
Mrs. Asha Nair ⁵	Independent Non-Executive Director	None	1	-
Mr. Devraj Lahiri	Wholetime Director	None	1	-

¹ Retired as Managing Director on 2nd September, 2012; Appointed as Non-Executive Director with effect from 3rd September, 2012 and as Chairman of the Board with effect from 1st October, 2012.

² Chairman of the Board up to 30th September, 2012 and resigned as Director from close of business hours on 31st March, 2013.

³ Appointed as Managing Director with effect from 3rd September, 2012.

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

⁵ Representing equity interest of General Insurers' (Public Sector) Association of India with effect from 1st October, 2012 in the place of Mr. Milind Anna Kharat who ceased to be nominee on 30th September, 2012.



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 the Board may affect the independence of the Director except receiving sitting fees for attending Board/Committee meetings and commission from the Company.

(B) Non-Executive Directors' compensation and disclosures

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

(C) Other provisions as to Board and Committees

- i. During the financial year ended 31st March, 2013, four meetings of the Board were held on 17th April, 2012, 12th July, 2012, 18th October, 2012 and 22nd January, 2013.

The table below gives attendance of Directors at Board Meetings and at the Annual General Meeting (AGM) during the financial year:

Name of the Director	No. of Board Meetings attended	Attendance at last AGM held on 12th July, 2012
Mr. Raymond S. Noronha	4	Yes
Mr. R.V.K.M. Suryarau	4	Yes
Mr. T. Lakshmanan	4	Yes
Mr. N. Sai Sankar	4	Yes
Mr. S. Thirumalai	4	Yes
Mr. Peter G. Henriques	4	Yes
Mr. Milind Anna Kharat ¹	1	No
Mrs. Asha Nair ²	2	No
Mr. Devraj Lahiri	4	Yes

¹ Ceased to be Nominee of General Insurer's (Public Sector) Association of India on 30th September, 2012.

² Nominee of General Insurer's (Public Sector) Association of India - Appointed as Director with effect from 1st October, 2012.

- ii. Availability of information to the members of the Board
- Annual operating plans and budgets, capital budgets and any updates;
 - Quarterly, half yearly and annual results of the Company;
 - Minutes of meeting of audit committee and other committees;
 - Contracts in which Directors are interested;
 - Materially important show cause, demand, prosecution and penalty notices;
 - Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems;



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VST Industries Limited

- Any materially relevant default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company;
- Issue which involves possible public or product liability claims of a substantial nature;
- Any judgement or order which may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company;
- Quarterly details of foreign exchange exposure and the steps taken by the management to limit the risks of adverse exchange rate movement;
- Non-compliance of any regulatory, statutory or listing requirements as well as shareholders services such as non-payment of dividend and delay in share transfer, if any; and
- All other information statutorily required to be placed before the Board including those specified in Clause 49 of the Listing Agreement.

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

- iii. None of the Directors on the Board is a member of more than ten committees or a Chairman of more than five such committees, across all the Companies in which he/she is a Director as required under Clause 49 of the Listing Agreement. All the Directors have made the requisite disclosures regarding Committee positions held by them in other Companies.

(D) Code of Conduct

Your Board of Directors has laid down Code of Conduct which is applicable to all Board Members and senior management of the Company. The Code of Conduct is also posted on the website of the Company [www.vsthyd.com].

Declaration

As provided under Clause 49 of the Listing Agreement with the stock exchanges, this is to confirm that all the Board Members and senior management personnel have affirmed compliance with the Code of Conduct for the year ended 31st March, 2013.

For VST INDUSTRIES LIMITED

Hyderabad, 18th April, 2013

N. SAI SANKAR
Managing Director

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

During the financial year ended 31st March, 2013 five audit committee meetings were held on 16th April, 2012, 17th April, 2012, 11th July, 2012, 17th October, 2012 and 21st January, 2013.

Name of the Director	Position	Number of Meetings attended
Mr. T. Lakshmanan	Chairman	5
Mr. Raymond S. Noronha ¹	Member	2
Mr. R.V.K.M. Suryarau ²	Member	5
Mr. S. Thirumalai	Member	4

¹ Appointed as Member of the Audit Committee with effect from 17th October, 2012

² Ceased to be a Director and Member of the Audit Committee from close of business hours on 31st March, 2013

All the members of the Audit Committee are Independent Non-Executive Directors except Mr. Raymond S. Noronha who is a Non-Executive Director.

Mr. Nitesh Bakshi acts as the Secretary to the Audit Committee.

The Chairman of the Audit Committee was present at the Annual General Meeting of the Company held on 12th July, 2012.

(B) Powers of Audit Committee

The Audit Committee is endowed with the following powers:

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

(C) Role of Audit Committee

The role of the Audit Committee includes the following:

- overseeing the Company's financial reporting process and disclosure of financial information to ensure that the financial statements reflects true and fair position and that sufficient and credible information is disclosed;
- recommending the appointment, re-appointment and removal of statutory auditor, fixation of audit fee and approval for payment for any other services rendered;
- discussing with statutory auditors before the audit commences, of the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- reviewing with the management the quarterly / half-yearly financial statements before submission to the Board for approval;



- reviewing with the management the annual financial statements before submission to the Board focusing primarily on:
 - ❖ any changes in accounting policies and practices;
 - ❖ major accounting entries based on exercise of judgment by management;
 - ❖ significant adjustments arising out of audit;
 - ❖ the going concern assumption;
 - ❖ compliance with accounting standards;
 - ❖ any related party transactions as per Accounting Standard 18;
 - ❖ compliance with listing and other legal requirements; and
 - ❖ qualifications in draft audit report.
- reviewing the Company's financial and risk management policies;
- reviewing with the management, performance of statutory and internal auditors, the adequacy of internal control systems;
- discussing with internal auditors of any significant findings and follow-up thereon;
- looking into reasons for substantial defaults in payments to the depositors, debenture holders, Members (in case of non-payment of declared dividends) and creditors, if any; and
- reviewing any other areas as may be required by the Board or which may be specified in the Listing Agreement with the stock exchanges or other statute as may be applicable.

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

III. SHAREHOLDERS GRIEVANCE COMMITTEE

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

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

During the financial year ended 31st March, 2013 four meetings of Shareholders Grievance Committee were held on 16th April, 2012, 11th July, 2012, 17th October, 2012 and 21st January, 2013.

Name of the Director	Position	Number of Meetings attended
Mr. S. Thirumalai	Chairman	3
Mr. R.V.K.M. Suryarau ¹	Member	4
Mr. Raymond S. Noronha	Member	4
Mr. N. Sai Sankar	Member	4
Mr. T. Lakshmanan	Member	4
Mr. Devraj Lahiri	Member	4

¹ Ceased to be a Director and Member from close of business hours on 31st March, 2013



Mr. M. Vaidyanathan, Assistant Company Secretary is the Compliance Officer.

Number of shareholders' complaints received and attended during the financial year:

Nature of complaints/queries	Received	Attended
Non-receipt of share certificates - transfers	4	4
Non-receipt of Annual Report	7	7
Non-receipt of dividend warrants	95	95
Letters from Stock Exchanges/SEBI	1	1

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.

IV. SUBSIDIARY COMPANY

The Company does not have any material unlisted subsidiary company as defined in Clause 49 of the Listing Agreement with the stock exchanges.

V. DISCLOSURES

A. Basis of related party transactions

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

The details of transactions with related parties were placed before the Audit Committee and the Committee has reviewed the same for the year ended 31st March, 2013.

The details of related party transactions are disclosed in Note No.30 - Notes on Financial Statements to the Accounts in the Annual Report.

B. Disclosure of accounting treatment

The Company has complied with the appropriate accounting policies and has ensured that they have been applied consistently. There have been no deviations from the treatment prescribed under the Companies (Accounting Standards) Rules, 2006 notified under Section 211 (3C) of the Companies Act, 1956. Significant accounting policies are provided elsewhere in the Annual Report.

C. Proceeds from public issues, rights issues, preferential issues, etc

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

D. Remuneration of Directors

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

**Details of remuneration paid/payable to the Directors for the financial year ended 31st March, 2013:**

₹

Name	Position	Salary	Benefits & Contributions to Provident/Pension & Other Funds	Performance Linked Bonus	Commission	Sitting Fees	Total
Mr. R.S. Noronha ¹	Chairman - Non-Executive Director	70,21,422	3,03,95,573	1,05,32,133	7,75,000	1,10,000	4,88,34,128
Mr. R.V.K.M. Suryarau ²	Independent Non-Executive Director	-	-	-	5,50,000	2,35,000	7,85,000
Mr. N. Sai Sankar ³	Managing Director	1,02,29,976	60,63,143	1,35,00,000	-	-	2,97,93,119
Mr. T. Lakshmanan	Independent Non-Executive Director	-	-	-	5,50,000	2,35,000	7,85,000
Mr. S. Thirumalai	Independent Non-Executive Director	-	-	-	5,50,000	2,00,000	7,50,000
Mr. Peter G. Henriques ⁴	Non-Executive Director	-	-	-	-	-	-
Mrs. Asha Nair ⁵	Independent Non-Executive Director	-	-	-	-	-	-
Mr. Devraj Lahiri	Wholtime Director	32,70,000	29,53,062	22,00,000	-	-	84,23,062

¹ Retired as Managing Director on 2nd September, 2012. Appointed as Non-Executive Director with effect from 3rd September, 2012 and as Non-Executive Chairman from 1st October, 2012.

² Ceased to be Chairman with effect from 30th September, 2012 and resigned as Director from close of business hours on 31st March, 2013

³ Appointed as Managing Director with effect from 3rd September, 2012

⁴ ₹38,000 Commission paid to British American Tobacco Company, U.K. represented by its nominee Mr. Peter G. Henriques. Waived entitlement to sitting fees with effect from 14th October, 2010.

⁵ ₹60,000 Sitting fees and ₹37,000 commission paid to United India Insurance Company Limited represented by its Director Mr. Milind Anna Kharat [upto 30th September, 2012] and Mrs. Asha Nair from 1st October, 2012.

Benefits include value of rent free accommodation, house rent allowance, leave travel allowance, reimbursement of medical expenses, insurance, provision of gas, electricity and club subscriptions etc.

The appointment of Executive Directors is governed by resolutions passed by the Board of Directors and the Members of the Company, which cover the terms and conditions of such appointment, read with the service rules of the Company. The notice period for Executive Directors is six months as per Article No.101 of Articles of Association of the Company. No significant material transactions have been made with the Non-Executive Directors vis-a-vis the Company.

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

Criteria for making payments to Non-Executive Directors

The Board periodically reviews the criteria for making payments to Non-Executive Directors and these are calculated as per the provisions of Companies Act, 1956 and the rules made thereunder.



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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	20,000
Audit Committee	15,000
Shareholders Grievance Committee	10,000
Committee of Directors	10,000

Members of the Company have approved payment of commission up to a ceiling of ₹25 lakhs for all Non-Executive Directors or such amount as may be determined by the Board within the ceiling of ₹25 lakhs to be divided as per Board's discretion with effect from 1st April, 2009 for each of the five financial years of the Company.

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

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

For the year ended 31st March, 2013 the number of shares held by Non-Executive Directors is as follows:

Mr. S. Thirumalai	25 equity shares of ₹10 each
-------------------	------------------------------

There are no convertible instruments issued by the Company and hence none held by the Non-Executive Directors during the year ended 31st March, 2013.

(A) Management

- The Management Discussion and Analysis is part of Directors' Report to the Members is provided elsewhere in the Annual Report.
- For the year ended 31st March, 2013, your Company's Board has obtained declarations from the senior management relating to any material, financial and commercial transactions where they have personal interest that may have a potential conflict with the interests of the Company at large.

(B) Shareholders Information

- The quarterly results are sent to the stock exchanges on which the Company's shares are listed so as to display the same on its own web-site. During the year there were no presentations made by the Company to analysts.
- To expedite the process of share transfers, your Board has delegated the power to Registrar and Transfer Agents - M/s. Karvy Computershare Private Limited.

VI. CEO/CFO CERTIFICATION

The CEO [Managing Director]/CFO [Vice President - Finance] certification for the year ended 31st March, 2013 has been attached at the end of this report. Similarly, the CEO/CFO have also given quarterly certification on financial results while placing the quarterly financial results before the Board in terms of Clause 41 of the Listing Agreement entered into with stock exchanges.

VII. ADOPTION OF MANDATORY AND NON-MANDATORY REQUIREMENTS OF CLAUSE 49

The Company has complied with all the mandatory requirements of Clause 49. As part of non-mandatory requirements, the Non-Executive Chairman is allowed to maintain a Chairman's office at the Company's expense and also allowed reimbursement of expenses incurred in performance of his duties. Other non-mandatory requirements are being reviewed for implementation.

**3. GENERAL BODY MEETINGS**

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

Year	Venue	Date	Time
2011-12	Hotel Taj Krishna, Banjara Hills, Hyderabad	12.7.2012	10.30. a.m.
2010-11	Hotel Taj Krishna, Banjara Hills, Hyderabad	14.7.2011	10.30. a.m.
2009-10	Hotel Taj Krishna, Banjara Hills, Hyderabad	16.7.2010	10.30. a.m.

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

Annual General Meeting held on 12th July, 2012

- No special resolutions were passed

Annual General Meeting held on 14th July, 2011

- No special resolutions were passed

Annual General meeting held on 16th July, 2010

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

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

4. MEANS OF COMMUNICATION

- The quarterly, half yearly and annual results are published in Business Standard and in a vernacular newspaper i.e., Andhra Prabha. The results are also posted on the Company's Website viz., www.vsthyd.com. Apart from the above, the Company also provides the above information to stock exchanges - BSE & NSE as per the requirements of Listing Agreement. During the year, there were no presentations made to institutional investors or to the analysts.
- There have been no instances of non-compliance by your Company and no penalties, strictures were imposed on the Company by stock exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

5. GENERAL SHAREHOLDER INFORMATION***Date, time and venue of the Annual General Meeting***

30th July, 2013 at 9.30 a.m. at Hotel Taj Krishna, Road No. 1, Banjara Hills, Hyderabad - 500 034, Andhra Pradesh.

Financial Calendar: 2013-14 (Tentative)

First quarter results	July, 2013
Second quarter and half yearly results	October, 2013
Third quarter results	January, 2014
Annual results	April, 2014



REPORT ON CORPORATE GOVERNANCE

VST Industries Limited

Dates of Book Closure

11th July, 2013 to 16th July, 2013 (both days inclusive)

Dividend Payment Date

14th August, 2013

Listing on Stock Exchanges with Stock Code

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

Listing fees for the year 2013-14 has been paid to the above stock exchanges.

Market Price Data: High/Low during each month in the last financial year (2012-13)

₹

Period	¹ BSE Limited		² National Stock Exchange of India Limited	
	High	Low	High	Low
April, 2012	2015.00	1456.00	2340.00	1420.05
May, 2012	2025.00	1715.00	1996.50	1700.00
June, 2012	1910.00	1710.00	1898.00	1731.15
July, 2012	1825.00	1585.00	1822.00	1592.10
August, 2012	1825.00	1637.00	1822.95	1655.15
September, 2012	1785.00	1600.00	1779.90	1635.00
October, 2012	1874.00	1750.00	1879.00	1740.00
November, 2012	1919.90	1750.00	1919.95	1752.55
December, 2012	1960.00	1795.20	1963.60	1773.00
January, 2013	1950.45	1685.50	1960.00	1705.10
February, 2013	1825.00	1590.00	1811.00	1585.00
March, 2013	1755.00	1481.00	1763.85	1451.00

¹ Source: www.bseindia.com

² Source: www.nseindia.com

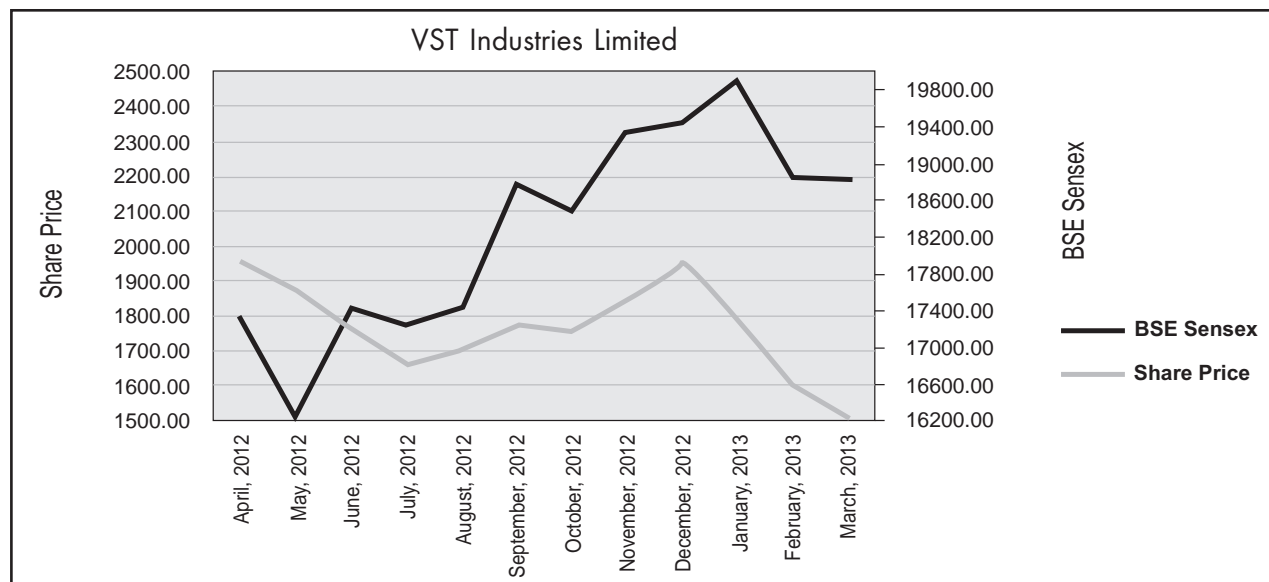


REPORT ON CORPORATE GOVERNANCE

VST Industries Limited

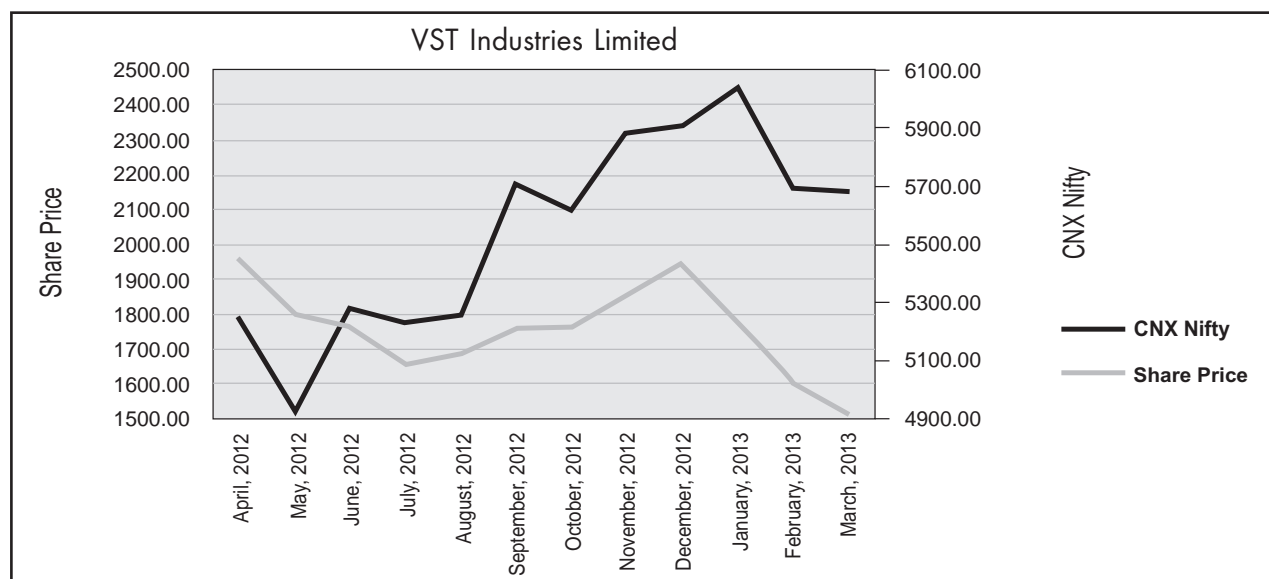
Performance in comparison with BSE Sensex

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



Performance in comparison with CNX Nifty

(based on closing price/CNX Nifty) [Source: www.nseindia.com]



CONTACT INFORMATION

Registered Office

VST Industries Limited
1-7-1063/1065, Azamabad
Hyderabad - 500 020
Phone: +91 40 2761 0460
Fax : +91 40 2761 5336
Email : investors@vstind.com

Mr. Nitesh Bakshi
Company Secretary

Mr. M. Vaidyanathan
Assistant Company Secretary &
Compliance Officer

**Registrar and Transfer Agents**

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

Karvy Computershare Private Limited
Plot No.17 to 24, Vittal Rao Nagar,
Madhapur, Hyderabad - 500 081, Andhra Pradesh
Phone : +91 40 4465 5208, 4465 5269
Fax : +91 40 2342 0814
Email : einward.ris@karvy.com
Contact Person: Mr. M.S. Madhusudhan - General Manager
Mr. R. Chandra Sekher - Senior Manager [Registrar in Securities]

Share Transfer System

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

Requests for dematerialisation of shares are processed and confirmation is given to the respective depositories i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within 2 working days from the date of receipt of request. There are no pending share transfers as at 31st March, 2013.

Reconciliation of Share Capital Audit

For each quarter of the financial year 2012-13, a qualified Company Secretary in Practice has carried out audit under Regulation 55A of SEBI (Depositories and Participants) Regulations, 1996, as amended to reconcile the total admitted capital with NSDL and CDSL and total issued and listed capital. The audit report confirms that the total issued/paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL and the same is filed with BSE & NSE.

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

Categories of shareholding as on 31st March, 2013

Category	Number of Shares Held	Percentage of Shareholding
Promoters and associates	49,65,902	32.16
Foreign Institutional Investors	14,81,149	9.59
Insurance companies	5,35,648	3.47
Mutual Funds	17,97,341	11.64
Nationalised banks and other banks	17,593	0.11
NRIs and OCBs	1,18,928	0.77
Bodies corporate	41,37,914	26.80
Indian public and others	23,87,445	15.46
TOTAL	1,54,41,920	100.00

**Distribution of shareholding as on 31st March, 2013**

Slab	No. of Shares	%	No. of Shareholders	%
1 - 500	9,54,434	6.18	11,648	92.44
501 - 1000	3,73,137	2.42	514	4.08
1001 - 2000	2,97,671	1.93	213	1.69
2001 - 3000	2,14,334	1.39	87	0.69
3001 - 4000	1,10,079	0.71	31	0.24
4001 - 5000	71,215	0.46	16	0.13
5001 - 10000	2,38,117	1.54	35	0.28
10001 and above	1,31,82,933	85.37	57	0.45
Total	1,54,41,920	100.00	12,601	100.00
Physical Mode	7,81,791	5.06	3,972	31.52
Demat Mode	1,46,60,129	94.94	8,629	68.48

Dematerialisation of shares and liquidity

With effect from 26th June, 2000, trading in the Company's shares was made compulsory in the dematerialised form. The Company's shares are available for trading in the depository systems of both National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

As at 31st March, 2013, 1,46,60,129 Equity shares of the Company constituting 94.94% 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 2013-14 has been paid to NSDL and CDSL, the Depositories.

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

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

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

Plant Location

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

6. AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

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



SHAREHOLDER REFERENCER

Pursuant to Section 205A(5) of the Companies Act, 1956, unclaimed dividends upto and including for the financial year 1994-95 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed their dividend warrant(s) relating to financial year(s) upto and including the financial year 1994-95 are requested to claim the amounts from the Registrar of Companies, Andhra Pradesh, 2nd Floor, Kendriya Sadan, No. 3-5-998, Sultan Bazar, Hyderabad - 500 095 in the prescribed form, which can be furnished by the Company's Registrar on request. However, no claim shall lie either with the Company or Investor Education and Protection Fund (IEPF), in terms of Section 205C of Companies Act, 1956, in respect of the unclaimed dividend transferred to IEPF for the financial year 1995-96 and thereafter. The dividend for the financial year 2003-04 viz., Dividend No. 170 has been transferred to Investor Education and Protection Fund Account on 30th August, 2012.

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

Financial Year	Dividend No.	Date of Declaration	Total Amount of Dividend ₹	Unclaimed Dividend as on 31.03.2013 ₹	Due for transfer to IEPF on
2005-06	171	27.07.2006	19,30,24,000	25,04,426	31.08.2013
2006-07	172	18.07.2007	30,88,38,400	37,98,500	23.08.2014
2007-08	173	17.07.2008	30,88,38,400	37,43,460	22.08.2015
2008-09	174	16.07.2009	46,32,57,600	56,88,990	21.08.2016
2009-10	175	16.07.2010	46,32,57,600	61,03,890	21.08.2017
2010-11	176	14.07.2011	69,48,86,400	66,03,750	18.08.2018
2011-12	177	12.07.2012	1,00,37,24,800	1,18,80,115	16.08.2019

Members who have not so far encashed their dividend warrant(s) or have not received the same are requested to seek issue of duplicate warrant(s) by writing to the Company's Registrar confirming non-encashment/non-receipt of dividend warrant(s). Once the unclaimed dividend is transferred to Investor Education and Protection Fund, no claim shall lie in respect thereof against the Fund or the Company.

BANK DETAILS

Members holding shares in physical form are requested to notify 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.



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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:

National Securities Depository Limited

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

Central Depository Services (India) Limited

Phiroze Jeejeebhoy Towers,
17th Floor, Dalal Street,
Mumbai - 400 001
Phone : +91 22 2272 3333, 2272 3224
Fax : +91 22 2272 3199, 2272 2072
Email : investors@cdslindia.com
Website : www.cdslindia.com

INVESTOR GRIEVANCES

As required under Clause 47(f) of Listing Agreement with stock exchanges, your Company has created exclusive Email ID for redressal of investor grievances. The Members can send their queries to the Email ID: investors@vstind.com

NOMINATION FACILITY

The Companies (Amendment) Act, 1999 has introduced through Section 109A, the facility of nomination to Members which is mainly useful for Members holding the shares in single name. In cases where the shares are held in joint names, the nomination will be effective only in the event of the death of all the holders. Members are advised to avail of this facility by submitting the nomination in Form 2B which could be obtained from Registrars and Transfer Agents - Karvy Computershare Private Limited or can be downloaded from the Company's website www.vsthyd.com under the section Investor Relations.

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

DETAILS OF UNCLAIMED SHARES

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

Particulars	No. of shareholders	No. of shares
Outstanding at the beginning of the year - 1st April, 2012	276	29,463
Members to whom shares were transferred - through rematerialisation	1	3
Outstanding shares lying at the end of the year - 31st March, 2013	275	29,460

The Members who have not claimed the shares still from the above returned undelivered cases are requested to contact the Registrars and Transfer Agents - Karvy Computershare Private Limited.



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

We, N. Sai Sankar, Managing Director and Anish Gupta, Vice President - Finance of VST Industries Limited, to the best of our knowledge and belief, certify that:

1. We have reviewed the Balance Sheet and Profit and Loss Account and notes on accounts as well as the Cash Flow Statement for the year ended 31st March, 2013.
2. To the best of our knowledge and belief,
 - i. these statements do not contain any untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. the financial statements and other financial information included in this report present a true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws and regulations.
3. To the best of our knowledge and belief, there are no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
4. We accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and steps taken or proposed to be taken for rectifying these deficiencies.
5. We have indicated to the Company's Auditors and the Audit Committee of the Company's Board of Directors that during the year :
 - i. there are no significant changes in internal control over financial reporting;
 - ii. there are no significant changes in accounting policies; and
 - iii. there are no frauds, whether or not material that involves management or other employees who have significant role in the Company's internal control system over financial reporting.

N. SAI SANKAR
Managing Director

ANISH GUPTA
Vice President - Finance

Hyderabad, 18th April, 2013.



INDEPENDENT AUDITORS' REPORT

To the Members of
VST Industries Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of VST Industries Limited (the "Company"), which comprise the Balance Sheet as at 31st March, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

2. The Company's management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of 'the Companies Act, 1956' of India (the "Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend

on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2013;
 - (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. As required by 'the Companies (Auditor's Report) Order, 2003', as amended by 'the Companies (Auditor's Report) (Amendment) Order, 2004', issued by the Central

**INDEPENDENT AUDITORS' REPORT**

Government of India in terms of sub-section (4A) of Section 227 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

8. As required by Section 227(3) of the Act, we report that:

- (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;

(d) In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Act;

(e) On the basis of written representations received from the Directors as on 31st March, 2013, and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

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

N. K. VARADARAJAN
Partner
Membership No. 90196

Hyderabad, 18th April, 2013.



ANNEXURE TO INDEPENDENT AUDITORS' REPORT

[Referred to in paragraph 7 of the Independent Auditors' Report of even date to the Members of VST Industries Limited on the financial statements as of and for the year ended 31st March, 2013]

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
 - (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies have been noticed on such verification.
 - (c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
 - ii. (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
 - (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
 - iii. The Company has not granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Therefore, the provisions of Clause 4 (iii) [(b), (c), (d), (f) and (g)] of the said Order are not applicable to the Company.
 - iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods.
- Further on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- v. According to the information and explanations given to us, there have been no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Act. Accordingly, the question of commenting on transactions made in pursuance of such contracts or arrangements does not arise.
 - vi. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA or any other relevant provisions of the Act and the 'Companies (Acceptance of Deposits) Rules, 1975' with regard to the deposits accepted from the public. According to the information and explanations given to us, no Order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.
 - vii. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
 - viii. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
 - ix. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty and other material statutory dues as applicable with the appropriate authorities.



ANNEXURE TO INDEPENDENT AUDITORS' REPORT

VST Industries Limited

(b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax, sales tax, wealth tax, service tax, customs duty and excise duty as at 31st March, 2013 which have not been deposited on account of a dispute are as follows:

Name of the statute	Nature of dues	Amount ₹ in Lakhs	Period to which the amount relates	Forum where the dispute is pending
The Central Excise Act, 1944	Excise duty on Printed Gay Wrappers	360.58	April 1996 to September 2012	Hon'ble Supreme Court of India
	Service tax credit ineligibility	3.01	April 2008	Customs, Excise & Service Tax Appellate Tribunal
	Excise duty on Tobacco Refuse	820.99	January 2005 to October 2011	Customs, Excise & Service Tax Appellate Tribunal

- x. The Company has no accumulated losses as at the end of the financial year and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- xi. As the Company does not have any borrowings from any financial institution or bank nor has it issued any debentures as at the balance sheet date, the provisions of Clause 4(xi) of the Order are not applicable to the Company.
- xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of Clause 4(xii) of the Order are not applicable to the Company.
- xiii. As the provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company, the provisions of Clause 4(xiii) of the Order are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Order are not applicable to the Company.
- xv. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year. Accordingly, the provisions of Clause 4(xv) of the Order are not applicable to the Company.
- xvi. The Company has not raised any term loans. Accordingly, the provisions of Clause 4(xvi) of the Order are not applicable to the Company.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that the no funds raised on short-term basis have been used for long-term investment.
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act, during the year. Accordingly, the provisions of Clause 4(xviii) of the Order are not applicable to the Company.
- xix. The Company has not issued any debentures during the year and does not have any debentures outstanding as at the beginning of the year and at the year end. Accordingly, the provisions of Clause 4(xix) of the Order are not applicable to the Company.
- xx. The Company has not raised any money by public issues during the year. Accordingly, the provisions of Clause 4(xx) of the Order are not applicable to the Company.
- xxi. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the management.

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

N. K. VARADARAJAN
Partner

Hyderabad, 18th April, 2013. Membership No. 90196



BALANCE SHEET AS AT 31ST MARCH, 2013

VST Industries Limited

₹ in Lakhs

	Notes	2013	2012
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital	2	1544.19	1544.19
(b) Reserves and Surplus	3	<u>28866.63</u>	<u>27475.02</u>
		30410.82	29019.21
2. Non-Current Liabilities			
(a) Long-Term Provisions	4	22.12	49.99
3. Current Liabilities			
(a) Trade Payables	5	5450.94	4702.79
(b) Other Current Liabilities	6	27181.92	25676.21
(c) Short-Term Provisions	7	<u>11291.42</u>	<u>11665.54</u>
		43924.28	42044.54
TOTAL		<u>74357.22</u>	<u>71113.74</u>
II. ASSETS			
1. Non-Current Assets			
(a) Fixed Assets			
i) Tangible Assets	8A	17516.57	16340.66
ii) Intangible Assets	8B	-	-
iii) Capital Work-in-Progress		<u>6.03</u>	<u>12.43</u>
		17522.60	16353.09
(b) Non-Current Investments	9	325.57	2174.03
(c) Deferred Tax Assets (Net)	10	856.64	1153.47
(d) Long-Term Loans and Advances	11	1076.38	639.45
(e) Other Non-Current Assets	12	1.27	0.82
2. Current Assets			
(a) Current Investments	13	19548.46	20200.00
(b) Inventories	14	25336.80	23825.09
(c) Trade Receivables	15	2369.45	1262.11
(d) Cash and Bank Balances	16	4727.22	3597.45
(e) Short-Term Loans and Advances	17	2253.76	1806.30
(f) Other Current Assets	18	<u>339.07</u>	<u>101.93</u>
		54574.76	50792.88
TOTAL		<u>74357.22</u>	<u>71113.74</u>

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

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

For LOVELOCK & LEWES
Firm Registration No. 301056E
Chartered Accountants

N.K. VARADARAJAN
Partner
Membership No. 90196

Hyderabad, 18th April, 2013.

On behalf of the Board,

R. S. NORONHA Chairman

N. SAI SANKAR Managing Director

NITESH BAKSHI Company Secretary

Hyderabad, 18th April, 2013.



STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2013

VST Industries Limited

₹ in Lakhs

	Notes	2013	2012
I. Revenue from operations			
Sales (Gross)	19	162108.86	159845.92
Less: Excise Duty		95739.06	91833.16
Sales (Net)		66369.80	68012.76
Other Operating Income	20	497.72	430.17
		66867.52	68442.93
II. Other Income	21	2625.31	2572.01
III. Total Revenue (I+II)		69492.83	71014.94
IV. Expenses			
Cost of Materials Consumed	22	32419.55	30473.42
Changes in Inventories of Finished Goods and Work-in-Progress	23	(360.77)	344.46
Employee Benefits Expense	24	6342.75	6195.38
Depreciation and Amortisation Expense	25	2249.85	2482.66
Other Expenses	26	10435.80	10453.21
Total Expenses		51087.18	49949.13
V. Profit before Tax Expense (III-IV)		18405.65	21065.81
VI. Tax Expense			
Current tax	27	5484.00	6580.22
Deferred tax		296.83	234.73
		5780.83	6814.95
VII. Profit after Tax Expense (V-VI)		12624.82	14250.86
Basic and diluted Earnings per Share (Face Value ₹10 each) - ₹	28	81.76	92.29

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

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

For LOVELOCK & LEWES
Firm Registration No. 301056E
Chartered Accountants

N.K. VARADARAJAN
Partner
Membership No. 90196

Hyderabad, 18th April, 2013.

On behalf of the Board,

R. S. NORONHA Chairman

N. SAI SANKAR Managing Director

NITESH BAKSHI Company Secretary

Hyderabad, 18th April, 2013.



₹ in Lakhs

Hyderabad, 18th April, 2013.



NOTES ON THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION OF ACCOUNTS

The financial statements have been prepared on the basis of going concern, under the historic cost convention, except for certain, tangible assets which are being carried at revalued amounts. These financial statements have been prepared to comply in all material aspects with applicable accounting principles in India, the applicable Accounting standards notified under Section 211 (3C) of the Companies Act, 1956 ("the Act") and the relevant provisions of the Act.

USE OF ESTIMATES

The preparation of financial statements, require estimates and assumptions to be made that affect the reported amounts of assets and liabilities as on the date of the financial statements and reported amount of revenues and expenses during the reported period. The estimates made are based on the principles of prudence and reasonableness, however, actual results could differ from these estimates. Any revision to such accounting estimates is recognised prospectively in the current and future periods.

FIXED ASSETS

TANGIBLE ASSETS

Tangible assets are stated at historical cost, net of accumulated depreciation and accumulated impairment loss, if any, except so far as they relate to the revaluation of land and buildings. Historical cost is inclusive of freight, installation cost, duties and taxes, interest on specific borrowings utilised for financing the assets and other incidental expenses.

Depreciation is provided on plant and machinery on straight line basis at the rates specified in Schedule XIV of the Act. On other assets, depreciation is provided on straight line basis at rates determined based on estimated useful life of assets. Such rates adopted being higher than the Schedule XIV rates as given below:

	Rate of Depreciation %
Buildings Freehold	5
Leasehold Property	5
Furniture and Fixtures	15 - 25
Office Equipment	15 - 25
Motor Vehicles etc.	25

Accelerated depreciation is provided based on technical evaluation of estimated useful life of an asset. All assets costing less than ₹5,000 are fully depreciated in the year of purchase.

Depreciation on the revalued assets is calculated on the revalued costs and the Revaluation Reserve is adjusted with the difference between the depreciation calculated on such revalued costs and historic costs.

INTANGIBLE ASSETS

Intangible assets are stated at cost net of accumulated amortisation and accumulated impairment loss, if any. Computer software (including license fees and cost of implementation/system integration services) is capitalised where it is expected to provide future enduring economic benefits. Cost of upgradation/enhancements is charged off as revenue expenditure unless they bring similar significant additional benefits. Intangible assets are amortised on a straight line basis over their estimated useful life. Useful life is determined based on the period of the underlying contract and the period of time the intangible asset is expected to be used i.e.

Rights on time share - over 20 years

Computer software - over 4 years

IMPAIRMENT OF ASSETS

All the fixed assets are assessed for any indication of impairment, at the end of each financial year. On such indication, the impairment loss, being the excess of carrying value over the recoverable value of the assets, is charged to the statement of profit and loss in the respective financial years. The impairment loss recognised in the prior years is reversed in cases where the recoverable value exceeds the carrying value, upon re-assessment in the subsequent years.

INVESTMENTS

Long-term investments are valued at cost net of provision, for permanent diminution, if any. Current investments are stated at lower of cost and net realisable value.

INVENTORIES

Inventories are valued at lower of cost and net realisable value. Cost is computed on weighted average method. Cost includes purchase cost net of CENVAT credit availed and attributable expenses.

Consumption and/or other stock diminution is accounted for at the aforesaid weighted average cost. In the case of finished goods, cost comprises of material, direct labour, applicable overhead expenses, applicable excise duty and taxes paid/payable thereon.

Obsolete, slow moving and defective inventories are identified at the time of physical verification of inventories and where necessary, provision is made for such inventories.



NOTES ON THE FINANCIAL STATEMENTS

Goods in transit/with third parties are valued at cost which represents the costs incurred upto the stage at which the goods are in transit/with third parties.

REVENUE RECOGNITION

Sales are recognised when the property in the goods is transferred and are recorded net of trade discounts, rebates and value added tax. Sales are inclusive of excise duty.

Interest income is recognised on a time proportion basis taking into account the amount outstanding and rate of interest applicable. Dividend income from investments is recognised in the year in which the right to receive dividend is established.

EMPLOYEE BENEFITS

Contribution to various recognised provident funds, approved pension and gratuity funds and contributions to secured retiral benefits are charged to revenue. Liability for gratuity and leave encashment is determined on the basis of actuarial valuation as at the end of the accounting period. Payments under Voluntary Retirement Scheme are charged to revenue on accrual basis in the year in which they become due for payment.

LEASES

Assets acquired by way of finance lease are capitalised at the lower of the fair value and the present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between finance charge and reduction of the lease liability based on the implicit rate of return. Finance charges are charged in the Statement of Profit and Loss.

Lease rentals paid in respect of operating leases are charged to the Statement of Profit and Loss.

RESEARCH AND DEVELOPMENT

Revenue expenditure on Research and Development is recognised in the Statement of Profit and Loss in the year it is incurred. Capital expenditure on research and development is included under fixed assets.

TAXES ON INCOME

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised on timing differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods, subject to consideration of prudence. Deferred tax

assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

FOREIGN EXCHANGE TRANSACTIONS

The transactions in foreign currency are accounted for at the exchange rate prevailing on the date of the transaction. Gains and losses resulting from the settlement of such transactions and from translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit and Loss.

The Company uses foreign exchange forward contracts and currency options to hedge risks associated with movements in foreign exchange rates. The use of these foreign exchange forward contracts and currency options is to reduce the risk or cost to the Company and are not meant for trading or speculation purposes.

Effective 1st April, 2012, the Company adopted Accounting Standard 30, "Financial Instruments: Recognition and Measurement" issued by the Institute of Chartered Accountants of India to the extent the adoption does not contradict with existing accounting standards and other authoritative pronouncements of the Company Law and other regulatory requirements.

Foreign exchange forward contracts and currency options that are designated as cash flow hedges and qualify for hedge accounting are fair valued at each reporting date and the resultant gain or loss is recognised directly in Shareholders' Funds under 'Cash Flow Hedge Reserve Account' to the extent considered highly effective and are reclassified into the Statement of Profit and Loss upon occurrence of the hedged transactions.

Gain or loss on derivative instruments that are either not designated as cash flow hedges or designated as cash flow hedges to the extent considered ineffective is recognised in the Statement of Profit and Loss.

If the hedged transaction is no longer expected to occur, the net cumulative gain or loss on the hedging instrument recognised in Shareholders' Funds under Cash Flow Hedge Reserve is transferred to the Statement of Profit and Loss.

PROPOSED DIVIDEND

Dividend (including related income tax thereon), proposed by the Directors, is provided for in the books of account, pending approval at the Annual General Meeting.



NOTES ON THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

	2013	2012																				
2. SHARE CAPITAL																						
a) AUTHORISED																						
5,00,00,000 Ordinary Shares of ₹10 each	5000.00	5000.00																				
50,00,000 Cumulative Redeemable Preference Shares of ₹100 each	5000.00	5000.00																				
	<u>10000.00</u>	<u>10000.00</u>																				
b) ISSUED AND SUBSCRIBED																						
1,54,41,920 Ordinary Shares of ₹10 each fully paid up	<u>1544.19</u>	<u>1544.19</u>																				
c) There was no movement in number of Ordinary Shares during the year.																						
d) Details of shareholders holding more than 5% of Ordinary Shares:																						
<table><tr><th>Name of the Shareholders</th><th>No. Lakhs</th><th>% holding</th><th>No. Lakhs</th><th>% holding</th></tr><tr><td>Bright Star Investments Private Limited</td><td>40.07</td><td>25.95</td><td>40.07</td><td>25.95</td></tr><tr><td>The Raleigh Investment Company Limited</td><td>36.20</td><td>23.45</td><td>36.20</td><td>23.45</td></tr><tr><td>Tobacco Manufacturers (India) Limited</td><td>12.79</td><td>8.28</td><td>12.79</td><td>8.28</td></tr></table>	Name of the Shareholders	No. Lakhs	% holding	No. Lakhs	% holding	Bright Star Investments Private Limited	40.07	25.95	40.07	25.95	The Raleigh Investment Company Limited	36.20	23.45	36.20	23.45	Tobacco Manufacturers (India) Limited	12.79	8.28	12.79	8.28		
Name of the Shareholders	No. Lakhs	% holding	No. Lakhs	% holding																		
Bright Star Investments Private Limited	40.07	25.95	40.07	25.95																		
The Raleigh Investment Company Limited	36.20	23.45	36.20	23.45																		
Tobacco Manufacturers (India) Limited	12.79	8.28	12.79	8.28																		
e) RIGHTS, PREFERENCES AND RESTRICTIONS ATTACHED TO ORDINARY SHARES																						
The Company has only one class of Ordinary Shares outstanding, having a par value of ₹10 each, that rank pari passu in all respects including voting rights and entitlement to dividend.																						
3. RESERVES AND SURPLUS																						
CAPITAL REDEMPTION RESERVE	1000.25	1000.25																				
REVALUATION RESERVE																						
As at the commencement of the year	379.08	389.12																				
Transfer to Statement of Profit and Loss																						
- Depreciation & Amortisation expense (Refer Note 25)	<u>9.06</u>	<u>10.04</u>																				
370.02		379.08																				
GENERAL RESERVE																						
As at the commencement of the year	15890.29	14440.29																				
Add: Transfer from surplus balance in the Statement of Profit and Loss	<u>1265.00</u>	<u>1450.00</u>																				
17155.29		15890.29																				
CASH FLOW HEDGE RESERVE	67.27	-																				
(Created in current year - Refer Note 35)																						
SURPLUS IN THE STATEMENT OF PROFIT AND LOSS																						
As at the commencement of the year	10205.40	9070.08																				
Add: Profit after Tax Expense for the year	<u>12624.82</u>	<u>14250.86</u>																				
Profit available for appropriation	22830.22	23320.94																				
Less: Appropriations																						
Transfer to General Reserve	1265.00	1450.00																				
Dividend on																						
Ordinary Shares for the year - Final (Proposed)	9651.20	10037.25																				
Dividend Tax thereon	<u>1640.22</u>	<u>1628.29</u>																				
10273.80		10205.40																				
<u>28866.63</u>		<u>27475.02</u>																				



NOTES ON THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

	2013	2012
4. LONG-TERM PROVISIONS		
Provision for Employee Benefits (Funded)		
- Gratuity	22.12	49.99
	<u>22.12</u>	<u>49.99</u>
5. TRADE PAYABLES		
Payables for Goods and Services	5450.94	4702.79
	<u>5450.94</u>	<u>4702.79</u>
Micro and small enterprises		
There are no micro and small enterprises, to whom the Company owes dues, which are outstanding as at 31st March, 2013 (31st March, 2012 - Nil). This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.		
6. OTHER CURRENT LIABILITIES		
Advances from Customers	12396.23	11444.06
Liability under State and Central Acts, etc.	14194.85	13312.83
Unpaid/Unclaimed Dividends	403.23	317.47
Unclaimed/Unencashed Matured Deposits	-	0.08
Preference Share Redemption Account	0.18	0.18
Security Deposits	3.05	3.05
Other Liabilities	184.38	598.54
	<u>27181.92</u>	<u>25676.21</u>
There is no amount due and outstanding to be credited to Investor Education and Protection Fund as at the year end.		
Liability under State and Central Acts includes an amount of ₹12810.58 Lakhs (2012 - ₹11120.18 Lakhs) relating to matters pending before various judicial forums in respect of which the date of expected settlement is not ascertainable.		
7. SHORT-TERM PROVISIONS		
Proposed Dividend on Ordinary Shares*	9651.20	10037.25
Dividend Tax thereon	1640.22	1628.29
	<u>11291.42</u>	<u>11665.54</u>
*An amount of ₹62.5 (2012 - ₹65.0) per Ordinary Share is proposed to be declared as dividend for the year.		



NOTES ON THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

8. FIXED ASSETS	Gross Block			Accumulated Depreciation & Amortisation				Net Block	
	Cost/ Revaluation as at 1st April, 2012	Additions	Disposals	Balance as at 1st April, 2012	Depreciation for the year	Adjustment on Disposals	Balance as at 31st March, 2013	Balance as at 31st March, 2013	Balance as at 31st March, 2012
A. Tangible assets									
Land	976.30	-	-	976.30	-	-	-	976.30	976.30
Buildings Freehold	1098.41	-	11.38	1087.03	41.55	11.38	424.42	662.61	704.16
Leasehold Property	1220.40	-	-	1220.40	17.04	-	1124.16	96.24	113.28
Plant & Equipments	28962.13	3282.79	1217.57	31027.35	2088.05	1199.68	15572.53	15454.82	14277.97
Furniture & Fixtures	451.60	6.50	36.27	421.83	19.65	35.34	377.89	43.94	58.02
Motor Vehicle	351.77	156.40	56.02	452.15	58.06	53.35	232.92	219.23	123.56
Office Equipment	298.38	10.62	6.36	302.64	34.56	6.36	239.21	63.43	87.37
Total Tangible assets	33358.99	3456.31	1327.60	35487.70	2258.91	1306.11	17971.13	17516.57	16340.66
B. Intangible assets									
Goodwill & Trade Marks	5.81	-	-	5.81	-	-	5.81	-	-
Computer Software	55.35	-	3.53	51.82	-	3.53	51.82	-	-
Time Share Rights	172.00	-	-	172.00	-	-	172.00	-	-
Total Intangible assets	233.16	-	3.53	229.63	-	3.53	229.63	-	-
Per Balance Sheet 31st March, 2013	33592.15	3456.31	1331.13	35717.33	2258.91	1309.64	18200.76	17516.57	16340.66
Per Balance Sheet 31st March, 2012	30362.34	3595.07	365.26	33592.15	2492.70	361.47	17251.49		

Leasehold property include Buildings on Leasehold Land cost ₹561.86 Lakhs (2012 - ₹561.86 Lakhs), Depreciation ₹500.62 Lakhs (2012 - ₹488.51 Lakhs).



NOTES ON THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

	2013	2012
9. NON-CURRENT INVESTMENTS		
Other than Trade - at cost		
Investment in Equity Instruments		
QUOTED		
Duncan Industries Limited		
462 Equity Shares of ₹10 each fully paid up	0.04	0.04
Godfrey Phillips India Limited		
200 Equity Shares of ₹10 each fully paid up	0.01	0.01
GTC Industries Limited		
50 Equity Shares of ₹10 each fully paid up	0.01	0.01
Housing Development Finance Corporation Limited		
6,000 Equity Shares of ₹2 each fully paid up	0.08	0.08
HDFC Bank Limited		
2,500 Equity Shares of ₹2 each fully paid up	0.05	0.05
	<u>0.19</u>	<u>0.19</u>
UNQUOTED		
Andhra Pradesh Gas Power Corporation Limited		
1,39,360 Shares of ₹10 each fully paid up	220.38	220.38
Twin Towers Premises Co-operative Society Limited		
10 Shares of ₹50 each fully paid up		
(Cost ₹500, Previous Year - ₹500)		
Tobacco Institute of India - (Limited by Guarantee Maximum Contribution ₹10.00 Lakhs)		
ITC Classic Real Estate Finance Limited		
50,00,000 Equity Shares of ₹10 each fully paid up		
ITC Agrotech Finance and Investments Limited		
23,82,500 Equity Shares of ₹10 each fully paid up		
	<u>220.38</u>	<u>220.38</u>
Investment in Government/Trust Securities		
National Savings Certificate cost ₹500 (Previous Year - ₹500)		
Lodged with Government Authority		
Investment in Debentures or Bonds		
India Infrastructure Finance Company Limited		
1,350 6.85% Tax Free Bonds of ₹1,00,000 each fully paid up	-	1348.46
500 6.85% Tax Free Bonds - Series II of ₹1,00,000 each fully paid up	-	500.00
(Disclosed under head 'Current Investments' as residual maturity is less than 12 months)		
ITC Agrotech Finance and Investments Limited		
25,00,000 Floating Rate Unsecured Optionally Fully Convertible Debentures		
of ₹100 each fully paid up		
	<u>-</u>	<u>1848.46</u>
Investment in Mutual Funds		
HDFC - Top 200 Fund		
50,000 units of ₹10 each fully paid up	5.00	5.00
Sundaram Energy Opportunities Fund - Growth		
10,00,000 units of ₹10 each fully paid up	100.00	100.00
	<u>105.00</u>	<u>105.00</u>
Total of Investments	<u>325.57</u>	<u>2174.03</u>
Aggregate amount of Quoted Investments	0.19	0.19
(Market Value - ₹70.53 Lakhs (Previous Year - ₹59.87 Lakhs)		
Aggregate amount of Other Investments	325.38	2173.84



NOTES ON THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

	2013	2012
10. DEFERRED TAX ASSET - NET		
Deferred tax asset		
On employees' separation and retirement	80.53	161.06
On State and Central Taxes, etc.	2188.80	2146.87
On other timing differences	38.35	38.35
	<u>2307.68</u>	<u>2346.28</u>
Deferred tax liability		
On fiscal allowances on fixed assets	1451.04	1192.81
	<u>856.64</u>	<u>1153.47</u>
11. LONG-TERM LOANS AND ADVANCES		
(Considered Good)		
Secured		
Loans to Employees	43.38	55.79
Unsecured		
Capital Advances	886.30	521.38
Security Deposits	37.81	24.47
Advances recoverable in cash or in kind or for value to be received	101.16	19.91
Loans to Employees	7.73	17.90
	<u>1076.38</u>	<u>639.45</u>
12. OTHER NON-CURRENT ASSETS		
(Unsecured, Considered Good)		
Balances with Banks		
- On Term Deposits with original maturity of more than 12 months	1.27	0.82
Lodged with Government Authorities	<u>1.27</u>	<u>0.82</u>



NOTES ON THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

	2013	2012
13. CURRENT INVESTMENTS		
Other than Trade and Unquoted - at lower of cost and fair value		
Investments in Debentures or Bonds		
India Infrastructure Finance Company Limited		
1,350 6.85% Tax Free Bonds of ₹1,00,000 each fully paid up	1348.46	-
500 6.85% Tax Free Bonds - Series II of ₹1,00,000 each fully paid up	500.00	-
	<u>1848.46</u>	<u>-</u>
Investment in Mutual Funds		
Birla Sun Life Savings Fund - Growth Regular Plan		
2,45,014 (2012 - 7,80,879) units of ₹100 each fully paid up	500.00	1500.00
Birla Sun Life Savings Fund - Growth Direct Plan		
11,18,609 (2012 - Nil) units of ₹100 each fully paid up	2500.00	-
Birla Sun Life FTP Series EQ Growth		
Nil (2012 - 50,00,000) units of ₹10 each fully paid up	-	500.00
Birla Sun Life Short Term FMP Series 29 Dividend Payout		
Nil (2012 - 50,00,000) units of ₹10 each fully paid up	-	500.00
Birla Sun Life Short Term FMP Series 30 Dividend Payout		
Nil (2012 - 1,25,00,000) units of ₹10 each fully paid up	-	1250.00
DSP BlackRock Liquidity Fund - Direct Plan - Growth		
35,775 (2012 - Nil) units of ₹1,000 each fully paid up	600.00	-
DSP BlackRock FMP - Series42 - 3M - Dividend Payout		
Nil (2012 - 50,00,000) units of ₹10 each fully paid up	-	500.00
HDFC Floating Rate Income Fund - STP - Direct Plan - Wholesale Option - Growth		
24,98,201 (2012 - Nil) units of ₹10 each fully paid up	500.00	-
HDFC Liquid Fund - Direct Plan - Growth		
64,91,511 (2012 - Nil) units of ₹10 each fully paid up	1500.00	-
HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Growth		
Nil (2012 - 42,57,620) units of ₹10 each fully paid up	-	1000.00
HDFC FMP 92D March 2012 (1) - Dividend - Series XIX Option - Payout		
Nil (2012 - 1,00,00,000) units of ₹10 each fully paid up	-	1000.00
HDFC FMP 92D March 2012 (2) - Dividend - Series XXI		
Nil (2012 - 1,00,00,000) units of ₹10 each fully paid up	-	1000.00
HDFC FMP 370D March 2012 (1) - Growth - Series XXI		
Nil (2012 - 50,00,000) units of ₹10 each fully paid up	-	500.00
ICICI Prudential Flexible Income - Regular Plan - Growth		
5,83,995 (2012 - 8,34,163) units of ₹100 each fully paid up	1000.00	1500.00



NOTES ON THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

	2013	2012
CURRENT INVESTMENTS (Contd.)		
ICICI Prudential Flexible Income - Direct Plan - Growth 11,42,814 (2012 - Nil) units of ₹100 each fully paid up	2500.00	-
ICICI Prudential Liquid Super Institutional Plan - Growth Nil (2012 - 4,73,124) units of ₹100 each fully paid up	-	750.00
ICICI Prudential Interval Fund II Quarterly Interval Plan Institutional Dividend Nil (2012 - 1,50,00,000) units of ₹10 each fully paid up	-	1500.00
ICICI Prudential FMP Series 62 - 1Year Plan G Cumulative Nil (2012 - 50,00,000) units of ₹10 each fully paid up	-	500.00
IDFC Ultra Short Term Fund - Direct Plan - Growth 1,22,86,295 (2012 - Nil) units of ₹10 each fully paid up	2000.00	-
IDFC Ultra Short Term Fund - Growth Nil (2012 - 33,74,001) units of ₹10 each fully paid up	-	500.00
IDFC Fixed Maturity Quarterly Series 70 Dividend Nil (2012 - 1,00,00,000) units of ₹10 each fully paid up	-	1000.00
IDFC Fixed Maturity Quarterly Series 71 Dividend Nil (2012 - 60,00,000) units of ₹10 each fully paid up	-	600.00
Reliance Money Manager Fund - Growth Plan 74,716 (2012 - 74,716) units of ₹1,000 each fully paid up	1000.00	1000.00
Reliance Money Manager Fund - Direct Growth Plan 1,56,046 (2012 - Nil) units of ₹1,000 each fully paid up	2500.00	-
Reliance Liquidity Fund - Growth Option Nil (2012 - 61,91,950) units of ₹10 each fully paid up	-	1000.00
Reliance Quarterly Interval Fund - Series III - Institutional Dividend Plan Nil (2012 - 99,87,117) units of ₹10 each fully paid up	-	1000.00
Reliance Fixed Horizon Fund - XXI - Series 9 - Growth Plan Nil (2012 - 50,00,000) units of ₹10 each fully paid up	-	500.00
Tata Floater Fund - Plan A - Growth 99,694 (2012 - 1,72,523) units of ₹1,000 each fully paid up	1600.00	2600.00
UTI Floating Rate Fund - STP - Regular Plan - Direct Plan - Growth 52,991 (2012 - Nil) units of ₹1,000 each fully paid up	1000.00	-
UTI Treasury Advantage Fund - Institutional Plan - Direct Plan - Growth 31,649 (2012 - Nil) units of ₹1,000 each fully paid up	500.00	-
	<u>17700.00</u>	<u>20200.00</u>
Aggregate amount of unquoted investments	<u>19548.46</u>	<u>20200.00</u>



NOTES ON THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

	2013	2012
14. INVENTORIES (At lower of cost and net realisable value)		
Stores and Spare Parts	45.27	54.64
Raw Materials including packing materials	20659.31	19788.29
Finished Goods	4044.96	3723.77
Work-in-Progress	587.26	258.39
	<u>25336.80</u>	<u>23825.09</u>
15. TRADE RECEIVABLES (Unsecured, Considered Good) Receivables outstanding for a period not exceeding six months from the date they are due for payment		
	<u>2369.45</u>	<u>1262.11</u>
	<u>2369.45</u>	<u>1262.11</u>
16. CASH AND BANK BALANCES Cash and cash equivalents Cash including cheques on hand Balances with Banks - On Current Accounts - On Term Deposits [#] Other Bank Balances* - On Unclaimed Ordinary Dividend Account - On Preference Share Redemption Account		
	0.53	2.19
	823.28	776.61
	<u>3500.00</u>	<u>2501.00</u>
	4323.81	3279.80
	403.23	317.47
	<u>0.18</u>	<u>0.18</u>
	<u>4727.22</u>	<u>3597.45</u>
[#] These can be withdrawn at any point of time without prior notice or exit costs on the principal amount. [*] The Company can utilise these balances only towards settlement of respective liabilities.		
17. SHORT-TERM LOANS AND ADVANCES (Considered Good) Secured Loans to Employees Unsecured Loans to Employees Advances recoverable in cash or in kind or for value to be received Prepaid Expenses Taxation (Net of provisions) Balance with Statutory/Government Authorities		
	12.33	9.79
	9.59	11.78
	1138.84	493.97
	208.96	161.74
	658.18	935.88
	<u>225.86</u>	<u>193.14</u>
	<u>2253.76</u>	<u>1806.30</u>
18. OTHER CURRENT ASSETS (Unsecured, Considered Good) Interest accrued on Loans, Deposits and Investments Others		
	23.94	25.56
	<u>315.13</u>	<u>76.37</u>
	<u>339.07</u>	<u>101.93</u>



₹ in Lakhs

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NOTES ON THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

	2013	2012
23. CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS		
(a) (Increase)/Decrease in Finished Goods		
Opening Stock	3723.77	5210.37
Closing Stock	<u>4044.96</u>	<u>3723.77</u>
	(321.19)	1486.60
(b) Increase/(Decrease) in Excise Duties on Finished Goods		
Opening Stock	3013.28	4195.85
Closing Stock	<u>3302.57</u>	<u>3013.28</u>
	289.29	(1182.57)
(c) (Increase)/Decrease in Work-in-Progress		
Opening	258.39	298.82
Closing	<u>587.26</u>	<u>258.39</u>
	(328.87)	40.43
	<u>(360.77)</u>	<u>344.46</u>
24. EMPLOYEE BENEFITS EXPENSE		
Salaries, Wages and Bonus*	5343.61	5283.97
Contributions to Provident, Gratuity and Other Retiral Funds	738.30	701.09
Workmen and Staff Welfare Expenses	<u>260.84</u>	<u>210.32</u>
	<u>6342.75</u>	<u>6195.38</u>
*This includes remuneration of ₹2.70 Lakhs to a Wholetime Director, subject to Shareholders' approval.		
25. DEPRECIATION AND AMORTISATION EXPENSE		
Depreciation of tangible assets	2258.91	2487.33
Amortisation of intangible assets	<u>-</u>	<u>5.37</u>
	2258.91	2492.70
Less: Recoupment from Revaluation Reserve	<u>9.06</u>	<u>10.04</u>
	<u>2249.85</u>	<u>2482.66</u>



NOTES ON THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

	2013	2012
26. OTHER EXPENSES		
Insurance	133.82	99.19
Consumption of Stores and Spare Parts	366.83	290.99
Power and Fuel	536.31	392.01
Rent	257.48	263.29
Repairs - Buildings	24.49	20.89
- Machinery	74.23	59.77
- Others	22.06	25.02
Rates and Taxes	1496.31	1226.97
Outward Freight	1187.35	1377.80
Sales Promotion/Advertising	1996.74	1688.93
Distribution Expenses	2169.26	1956.73
Loss on Exchange (Net)	177.29	714.72
Miscellaneous	1924.07	2271.62
Payment to Auditors (See details below)	36.16	33.08
Directors' Sitting Fees & Commission	33.40	32.20
	<u>10435.80</u>	<u>10453.21</u>
Payment to Auditors		
Audit fees	24.00	22.00
Tax Audit fees	2.00	2.00
Limited Reviews	6.00	6.00
Fees for Certification	3.25	2.75
Reimbursement of Expenses	0.91	0.33
	<u>36.16</u>	<u>33.08</u>
27. Current Tax includes ₹Nil (2012 - ₹110.70 Lakhs) towards prior year tax.		
28. EARNINGS PER SHARE		
Earnings per Share is computed as under:		
(a) Profit after Tax Expense (₹ in Lakhs)	12624.82	14250.86
(b) Weighted average number of Ordinary Shares	1,54,41,920	1,54,41,920
(c) Basic and diluted Earnings per Share (Face Value per Share - ₹10) - ₹	81.76	92.29
29. SEGMENT REPORTING		
The Company's business activity primarily falls within a single primary business segment viz. Tobacco and related products and hence no business segment information is provided. Geographical segments considered for disclosure mainly consists of sales within India and sales outside India, information in respect thereof is as under:		
(a) Sales within India	149905.95	144162.56
(b) Sales outside India	12202.91	15683.36
	<u>162108.86</u>	<u>159845.92</u>
The entire activity pertaining to sales outside India is carried out from India, hence all segment assets are considered entirely to be in India.		



NOTES ON THE FINANCIAL STATEMENTS

VST Industries Limited

₹ in Lakhs

	2013	2012
30. RELATED PARTY TRANSACTIONS DURING THE YEAR		
(a) Company having significant influence		
British American Tobacco Group		
Nature of transactions		
Sales - Goods	197.33	1091.88
Other receipts - Services, etc.	-	65.56
Other payments - Services, etc.	1.00	0.70
- Dividends Paid	3227.84	2234.66
Outstanding as at the year end - Receivable	-	92.04
(b) Remuneration to Key Managerial Personnel		
Mr. Raymond S. Noronha (upto 2nd September, 2012)	479.49	501.27
Mr. N. Sai Sankar	297.93	293.41
Mr. Devraj Lahiri (with effect from 1st August, 2011)	84.23	48.96
31. EXPENDITURE ON R&D		
On capital account	-	4.26
On revenue account	232.32	376.06
	<u>232.32</u>	<u>380.32</u>
32. CONTINGENT LIABILITIES AND COMMITMENTS		
(a) Contingent Liabilities		
Claims against the Company not acknowledged as debts ₹3450.59 Lakhs (2012 - ₹3188.08 Lakhs).		
These comprise -		
(i) Tax demands disputed by the Company relating to disallowances/additions of fiscal benefits, pending before various judicial forums, aggregating to ₹3446.34 Lakhs (2012 - ₹3174.71 Lakhs).		
(ii) Other matters relating to labour cases, etc. aggregating to ₹4.25 Lakhs (2012 - ₹13.37 Lakhs).		
(b) Commitments		
Estimated amount of contracts remaining to be executed on capital account (not provided for) - ₹4277.23 Lakhs (2012 - ₹2371.12 Lakhs).		
33. FUTURE LEASE OBLIGATIONS		
The Company has entered into various operating lease agreements and the amounts paid under such agreements have been charged to revenue as rent under Note 26. All these agreements are cancellable in nature.		



NOTES ON THE FINANCIAL STATEMENTS

VST Industries Limited

34. DISCLOSURES REGARDING DERIVATIVE INSTRUMENTS

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 information on such derivative instruments is as follows:

(a) Forward exchange contracts outstanding as at year end

In Lakhs

		31.03.2013		31.03.2012	
Currency Pair	Currency	Buy	Sell	Buy	Sell
USD/INR	INR	-	2842.33	-	3599.99

(b) Foreign exchange currency exposure recognised by the Company that have not been hedged by a derivative instrument or otherwise as at year end:

₹ in Lakhs

		31.03.2013		31.03.2012	
Currency Pair	Currency	Buy	Sell	Buy	Sell
USD/INR	INR	6.33	2379.93	-	1245.42
EUR/INR	INR	162.08	-	529.70	-
GBP/INR	INR	-	-	42.57	-

35. HEDGE ACCOUNTING

Effective 1st April, 2012, the Company has adopted Accounting Standard (AS) 30, "Financial Instruments - Recognition and Measurement" issued by the Institute of Chartered Accountants of India to the extent the adoption does not contradict with existing Accounting Standards and other authoritative pronouncements of the Company Law and other regulatory requirements. Accordingly, change in fair value of derivative financial instruments (comprising of foreign currency forward contracts) that are designated as effective cash flow hedges, is recognised directly in the shareholders' fund and is reclassified in the Statement of Profit and Loss upon occurrence of the hedged transaction. Had the Company not adopted the principles of hedge accounting set out in AS 30, the net assets of the Company would have been lower by ₹67.27 Lakhs without impacting on the profits for the year.

36. EMPLOYEE BENEFITS

(a) The Employee Benefit Schemes are as under:

(i) Provident Fund

Eligible employees of the Company receive benefits under the Provident Fund which are defined contribution/benefit plans wherein both the Company and the employees make monthly contributions equal to a specified percentage of the covered employees' salary. These contributions are made to the Funds administered and managed by the Government of India/ Company's own Trust. The Company's own trust plan envisages guarantee of interest at the rate notified by the Provident Fund authority. The Company's contributions along with interest shortfall, if any, are charged to revenue in the year they are incurred. Expenditure for the year amounted to ₹173.85 Lakhs (2012 - ₹178.52 Lakhs).

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

		2013	2012
Central government securities	(%)	35.0	31.3
State government securities	(%)	20.8	15.6
High quality corporate bonds	(%)	43.3	52.9
Cash and cash equivalent	(%)	0.9	0.2

(ii) Gratuity

In accordance with 'the Payment of Gratuity Act, 1972' of India, the Company provides for gratuity, a defined retirement benefit plan (the 'Gratuity Plan') covering eligible employees. Liabilities with regard to such Gratuity Plan are determined by actuarial valuation and are charged to revenue in the period determined. The Gratuity Plan is a funded Plan administered by Company's own Trust which has subscribed to 'Group Gratuity Scheme' of Life Insurance Corporation of India.

(iii) Pension Fund

The Company has a defined contribution pension scheme to provide pension to the eligible employees. The Company makes monthly contributions equal to a specified percentage of the covered employees' salary. These contributions are administered



NOTES ON THE FINANCIAL STATEMENTS

VST Industries Limited

by the Company's own Trust which has subscribed to 'Group Pension Scheme' of Life Insurance Corporation of India. The Company's contributions are charged to revenue in the period they are incurred - ₹102.18 Lakhs (2012 - ₹110.08 Lakhs).

In addition to the above, the Company has a funded defined benefit pension scheme for its employees in the workmen category. Liabilities with regard to such defined benefit plan are determined by actuarial valuation and are charged to revenue in the period determined. The plan is administered by the Company's own Trust which has subscribed to 'Group Pension Scheme' of Life Insurance Corporation of India.

(iv) Leave Encashment

The accrual for unutilised leave is determined for the entire available leave balance standing to the credit of the employees at period-end. The value of such leave balance eligible for carry forward, is determined by actuarial valuation and charged to revenue in the period determined. The scheme is fully funded by way of subscription to the 'Leave Encashment Scheme' of Life Insurance Corporation of India.

(b) The following table sets out the status of the Retirement and Other Defined Benefit Plans as required under the Standard:

₹ in Lakhs

	Gratuity		Pension		Leave Encashment	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012	31.03.2013	31.03.2012
Projected benefit obligation at the beginning of the year	2280.44	1888.76	115.27	116.72	545.63	498.20
Current Service Cost	150.26	139.13	7.74	7.29	27.02	30.57
Interest cost	173.76	136.23	9.15	9.28	35.61	34.86
Actuarial (Gain)/Loss	188.20	142.54	(7.75)	(16.64)	87.50	107.07
Less: Benefits Paid	216.83	26.22	1.74	1.38	200.95	125.07
Past Service Cost	-	-	-	-	-	-
Projected benefit obligation at the end of the year	2575.83	2280.44	122.67	115.27	494.81	545.63
Fair value of Plan Assets at the beginning of the year	2230.45	1858.43	138.52	127.18	545.98	537.09
Expected return on Plan Assets	191.36	155.96	11.52	10.63	41.63	43.33
Actuarial Gain	8.74	21.95	1.21	2.09	6.05	6.73
Employer Contributions	339.99	220.33	-	-	11.00	-
Less: Benefits Paid	216.83	26.22	1.74	1.38	109.81	41.17
Fair value of Plan Assets at the end of the year	2553.71	2230.45	149.51	138.52	494.85	545.98
Amounts recognised in the Balance Sheet						
Projected benefit obligation at the end of the year	2575.83	2280.44	122.67	115.27	494.81	545.63
Fair value of Plan Assets at end of the year	2553.71	2230.45	149.51	138.52	494.85	545.98
Asset/(Liability) recognised in the Balance Sheet	(22.12)	(49.99)	26.84	23.25	0.04	0.35
Cost of retirement and other benefits for the year						
Current Service cost	150.26	139.13	7.74	7.29	27.02	30.57
Interest Cost	173.76	136.23	9.15	9.28	35.61	34.86
Expected return on Plan Assets	(191.36)	(155.96)	(11.52)	(10.63)	(41.63)	(43.33)
Net actuarial (Gain)/Loss recognised in the year	179.46	120.59	(8.96)	(18.73)	81.45	100.34
Past Service Cost	-	-	-	-	-	-
Net Cost recognised in the Statement of Profit and Loss	312.12	239.99	(3.59)	(12.79)	102.45	122.44
Actuarial assumptions						
Discount Rate (%)	8.00	8.00	8.00	8.00	8.00	8.00
Expected Return on Plan Assets (%)	8.00	8.00	8.00	8.00	8.00	8.00

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

Investment details of the plan assets

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



NOTES ON THE FINANCIAL STATEMENTS

VST Industries Limited

	2013		2012	
	₹ in Lakhs	%	₹ in Lakhs	%
37. VALUE OF RAW MATERIALS, SPARE PARTS AND COMPONENTS CONSUMED				
Raw Materials				
Imported	838.65	2.6	974.54	3.2
Indigenous	31580.90	97.4	29498.88	96.8
	<u>32419.55</u>	<u>100.0</u>	<u>30473.42</u>	<u>100.0</u>
Stores and Spare Parts				
Imported	55.28	15.1	29.91	10.3
Indigenous	311.55	84.9	261.08	89.7
	<u>366.83</u>	<u>100.0</u>	<u>290.99</u>	<u>100.0</u>
38. EXPORTS AND IMPORTS				
Export of goods (F.O.B. Value)	<u>12129.05</u>		<u>15574.95</u>	
Imports (C.I.F. Value)				
Raw Materials	716.12		845.90	
Spare Parts	64.30		58.85	
Capital Goods	2203.74		2613.12	
	<u>2984.16</u>		<u>3517.87</u>	
39. EXPENDITURE IN FOREIGN CURRENCY				
Miscellaneous - Travelling, Advertisement and Subscriptions etc.	<u>53.64</u>		<u>167.68</u>	
40. DIVIDEND PAID TO NON-RESIDENT SHAREHOLDERS IN FOREIGN CURRENCY				
FINAL				
Amount of dividend	3227.84		2234.66	
Number of Non-Resident Shareholders		3		3
Number of Shares held		49,65,902		49,65,902
The year to which the dividend relate (year ended)		31-03-2012		31-03-2011
41. COMPARATIVE FIGURES				
The Comparative figures for the previous year have been re-arranged to conform with the current year presentation of the accounts.				
On behalf of the Board,				
For LOVELOCK & LEWES Firm Registration No. 301056E Chartered Accountants		R. S. NORONHA		Chairman
N.K. VARADARAJAN Partner Membership No. 90196		N. SAI SANKAR		Managing Director
		NITESH BAKSHI		Company Secretary
Hyderabad, 18th April, 2013.		Hyderabad, 18th April, 2013.		



Operating Results 2004-2013

₹ in Lakhs

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
REVENUE FROM OPERATION (GROSS)	63184	68155	71648	72523	77344	101735	112542	139964	160276	162607
EXCISE DUTY	34416	37317	40411	38903	43347	62366	65325	81811	91833	95739
OPERATING PROFIT	6481	8873	9938	8053	8413	9535	7018	14257	20977	18031
OTHER INCOME	1116	1420	2284	1580	1578	694	3326	1711	2572	2625
DEPRECIATION	879	951	1024	1148	1372	1582	1787	2442	2483	2250
FINANCE COST	132	61	8	9	13	13	3	-	-	-
PROFIT BEFORE TAX & EXTRAORDINARY ITEM	6586	9281	11190	8476	8606	8634	8554	13526	21066	18406
PROFIT AFTER TAX & EXTRAORDINARY ITEM	2857	5402	4310	5509	5835	6182	6205	9501	14251	12625
DIVIDEND*	1045	2203	2201	3613	3613	5420	5402	8076	11666	11291
EARNINGS IN FOREIGN EXCHANGE (FOB VALUE)	4793	5259	4527	4690	6075	10842	15499	15040	15575	12129

Sources and Application of Funds 2004-2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
SOURCES										
EQUITY CAPITAL	1544	1544	1544	1544	1544	1544	1544	1544	1544	1544
RESERVES	12359	15544	17633	19479	21649	22401	23194	24900	27475	28867
BORROWINGS	598	-	-	-	-	-	-	-	-	-
NET CAPITAL EMPLOYED	14501	17088	19177	21023	23193	23945	24738	26444	29019	30411
APPLICATION										
GROSS FIXED ASSETS	13862	15360	17768	19551	23345	25463	27807	30369	33604	35724
DEPRECIATION	7290	7983	8865	9843	11173	12377	13867	15120	17251	18201
NET FIXED ASSETS	6572	7377	8903	9708	12172	13086	13940	15249	16353	17523
NET OTHER ASSETS (INCL. INVESTMENTS & DEFERRED TAX)	7929	9711	10274	11315	11021	10859	10798	11195	12666	12888
NET ASSETS EMPLOYED	14501	17088	19177	21023	23193	23945	24738	26444	29019	30411

Performance Ratios 2004-2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EARNINGS PER SHARE (₹)	18.5	35.0	27.9	35.7	37.8	40.0	40.2	61.5	92.3	81.8
DIVIDEND PER SHARE (₹)	6.0	12.5	12.5	20.0	20.0	30.0	30.0	45.0	65.0	62.5
RETURN ON NET CAPITAL EMPLOYED (%)	19.7	31.6	22.5	26.2	25.2	25.8	25.1	35.9	49.1	41.5
RETURN ON NET WORTH (%)	20.5	31.6	22.5	26.2	25.2	25.8	25.1	35.9	49.1	41.5
DEBT/EQUITY (%)	4.3	-	-	-	-	-	-	-	-	-

* Includes Income Tax on Dividend.

ATTENDANCE SLIP**VST INDUSTRIES LIMITED**

Registered Office: AZAMABAD, HYDERABAD - 500 020.

DP ID

Client ID/
Folio No.

No. of Shares

NAME & ADDRESS OF THE REGISTERED SHAREHOLDER

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company.

I hereby record my presence at the 82ND ANNUAL GENERAL MEETING of the Company held on **Tuesday, 30th July, 2013** at **9.30 a.m.** at Hotel Taj Krishna, Road No.1, Banjara Hills, Hyderabad - 500 034._____
SIGNATURE OF MEMBER/PROXY**Note: Please complete this and hand it over at the entrance of the hall.****FORM OF PROXY****VST INDUSTRIES LIMITED**

Registered Office: AZAMABAD, HYDERABAD - 500 020.

DP ID

Client ID/
Folio No.

No. of Shares

NAME & ADDRESS OF THE REGISTERED SHAREHOLDER

I / We _____ of _____
in the district of _____ being a member/members of VST INDUSTRIES LIMITED hereby appoint
_____ of _____
in the district of _____ or failing him/her _____
of _____ in the district of _____
as my/our proxy to vote for me/us on my/our behalf at the 82ND ANNUAL GENERAL MEETING of the Company to be held
on **Tuesday, 30th July, 2013 at 9.30 a.m.** and at any adjournment thereof.

Signed this _____ day of _____ 2013.




Signature

Affix a
15 paise
Revenue
Stamp**NOTE: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.**



VST Industries Limited

FORM A

1	Name of the Company	VST Industries Limited
2	Annual financial statements for the year ended	31 st March, 2013
3	Type of Audit observation	Un-qualified
4	Frequency of observation	Not applicable
5	To be signed by – <ul style="list-style-type: none">• Managing Director• Vice-President – Finance• Auditor of the Company• Audit Committee Chairman	<p>N. L. Lauha</p> <p></p> <p>FOR LOVELOCK & LEWES Firm Registration NO: 301056E</p> <p> 18/4/2013</p> <p>N.K. VARADARAJAN PARTNER Membership NO: 90196</p> <p></p>