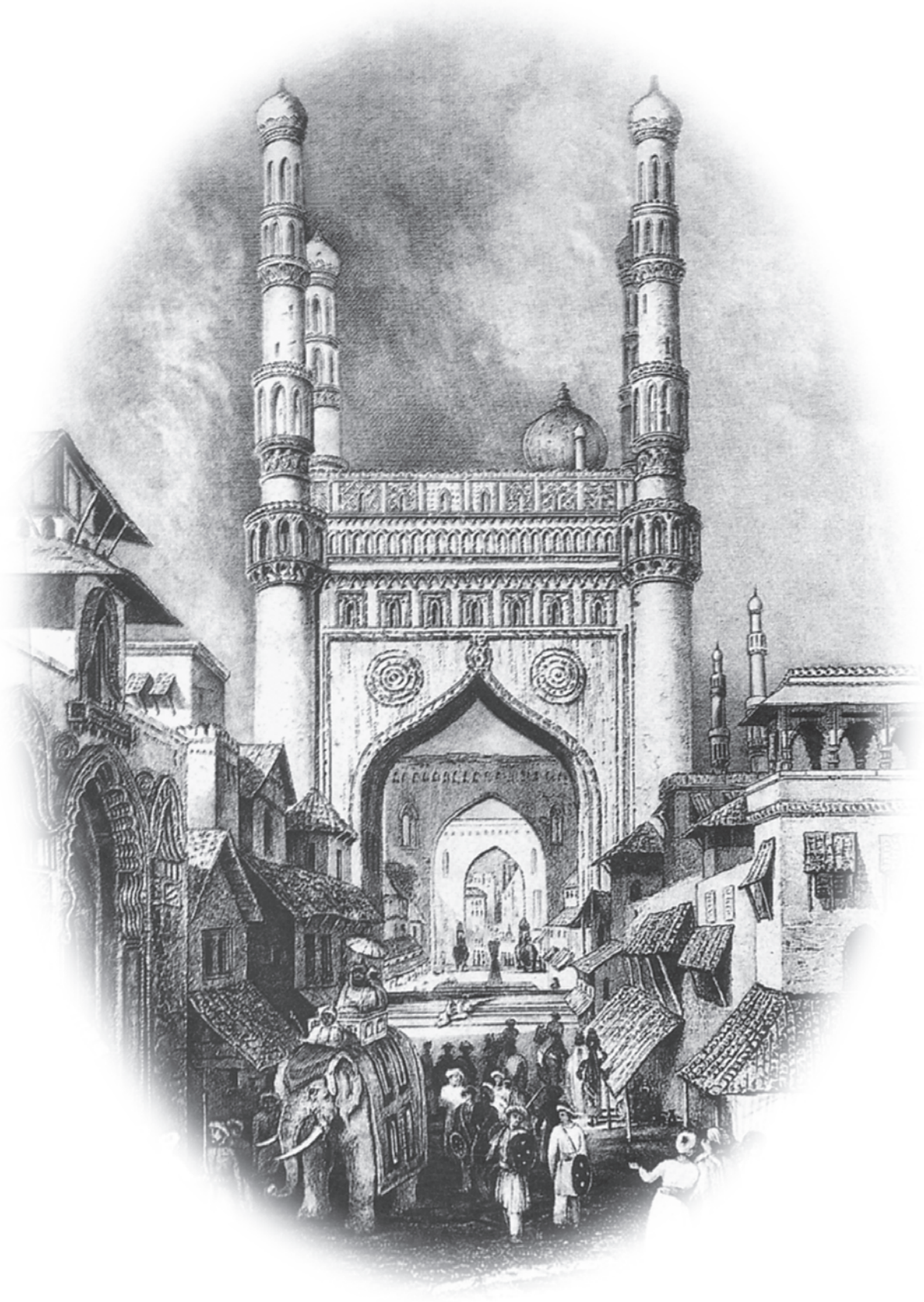


VST INDUSTRIES LIMITED

ANNUAL REPORT 2016-17



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BOARD OF DIRECTORS

Chairman
RAYMOND S. NORONHA

Managing Director
N. SAI SANKAR

Deputy Managing Director
DEVRAJ LAHIRI

Non-Executive Directors
S. THIRUMALAI
MUBEEN RAFAT
RAMAKRISHNA V. ADDANKI

Chief Financial Officer
ANISH GUPTA

Company Secretary
PHANI K. MANGIPUDI

Auditors
B S R & Associates LLP
Chartered Accountants
Hyderabad - 500 034

Registered Office
1-7-1063/1065, Azamabad,
Hyderabad - 500 020, Telangana
Telephone : +91 40 2768 8000
Fax : +91 40 2761 5336
Email : investors@vstind.com
Website : www.vsthyd.com
CIN : L29150TG1930PLC000576

Registrar & Transfer Agents
Karvy Computershare Private Limited
Karvy Selenium Tower B, Plot No. 31 & 32,
Financial District, Nanakramguda, Gachibowli,
Hyderabad - 500 032, Telangana
Telephone : +91 40 6716 2222
Fax : +91 40 2342 0814
Email : einward.ris@karvy.com
Website : www.karvy.com

NOTICE OF MEETING

NOTICE is hereby given that the Eighty Sixth Annual General Meeting of VST INDUSTRIES LIMITED will be held at Hotel Taj Krishna, Road No. 1, Banjara Hills, Hyderabad - 500 034 on **Wednesday, 2nd August, 2017 at 9.30 a.m.** for transacting the following business:

ORDINARY BUSINESS

1. To consider and adopt the Audited Financial Statements of the Company for the year ended 31st March, 2017, and the Reports of the Board of Directors and Auditors.
2. To declare a Dividend on the Equity Shares for the year ended 31st March, 2017.
3. To appoint a Director in place of Mr. Ramakrishna V. Addanki (DIN: 07147591) who retires by rotation and being eligible, offers himself for re-appointment.
4. To ratify the appointment of M/s. B S R & Associates LLP, Chartered Accountants (ICAI Firm Registration Number 116231W/W-100024), as the Statutory Auditors of the Company and to authorise the Board of Directors to fix their remuneration.

By Order of the Board

PHANI K. MANGIPUDI
Company Secretary

Dated this 18th day of April, 2017.
Azamabad, Hyderabad - 500 020

NOTES

1. In accordance with Section 102 of the Companies Act, 2013, Statement setting out the material facts in respect of Special Business is to be annexed to the Notice of the Meeting. There are no items of Special Business to be considered at this Meeting.

2. **A Member entitled to attend and vote at the Annual General Meeting (AGM) is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member of the Company. The instrument of proxy in order to be effective, must be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the Meeting.**

   A person can act as a proxy on behalf of Members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A Member holding more than ten per cent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or Member.

3. The Register of Members of the Company shall remain closed from Wednesday, 26th July, 2017 to Wednesday, 2nd August, 2017 (both days inclusive) for payment of dividend, if declared.

   Valid transfer of shares received at the office of Registrar and Transfer Agents of the Company, M/s. Karvy Computershare Private Limited, before the close of business hours on 25th July, 2017 will be registered in time for the transferees to become eligible for dividend, if declared.

   Dividend, if declared, will be paid on or before 31st August, 2017 to those Members whose names appear in the Register of Members of the Company on 2nd August, 2017 or to their mandatees, subject however to the provisions of Section 126 of the Companies Act, 2013 or any amendment thereto or re-enactment thereof. In respect of dematerialised shares, the dividend will be payable on the basis of beneficial ownership as on 25th July, 2017, as per details to be furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for this purpose.

4. Corporate members are requested to send, a duly certified copy of the board resolution pursuant to Section 113 of the Companies Act, 2013 authorising their representative to attend and vote on their behalf at the AGM.

5. Brief profile of the Director proposed to be re-appointed is given in the Directors' Report. None of the Directors is related to one another.

6. Members holding shares in physical form should inform the Company's Registrar and Transfer Agents, M/s. Karvy Computershare Private Limited of any change in their registered address, mandate/bank details/e-mail address. Similarly, Members holding shares in electronic form should inform their Depository Participants (DP) of any change in their registered address, mandate/bank details/e-mail address.

7. The shares of the Company are under compulsory demat trading. Members holding shares in physical form are requested to convert their shares into dematerialised form in their own interest and for their convenience.

8. SEBI has directed listed companies to use electronic payment modes such as NEFT, RTGS, ECS etc. for payment to the investors. Members are requested to update their bank details such as MICR, IFSC code etc., with the Registrar and Transfer Agents, M/s. Karvy Computershare Private Limited by submitting a cancelled cheque, while Members holding shares in electronic form are requested to update such bank details with their respective Depository Participants.

9. Members who have multiple folios in identical names or joint names in the same order are requested to intimate the Registrar and Transfer Agents, M/s. Karvy Computershare Private Limited about these folios to enable consolidation of all such shareholdings into one folio.

10. The Securities and Exchange Board of India (SEBI) vide Circular ref no. MRD/DoP/CIR-05/2007 dated April 27, 2007, made PAN the sole identification number for all participants transacting in the securities market, irrespective of the amount of transaction. In continuation of the aforesaid circular, it is hereby clarified

that for securities market transactions and off market/ private transactions involving transfer of shares of listed companies in physical form, it shall be mandatory for the transferee(s) to furnish copy of PAN card to the Company/Registrar and Share Transfer Agent for registration of such transfer of shares.

11. Members holding shares in single name and physical form are advised to make nomination in respect of their shareholding in the Company. The Nomination Form SH 13 prescribed under the Companies Act, 2013 can be obtained from the Registrar and Transfer Agents or can be downloaded from the Company's website www.vsthyd.com.

12. Members are requested to refer to the 'Shareholder Referencer' of the Report on Corporate Governance which *inter-alia* contains details regarding unclaimed dividend.

13. Members are requested to bring their copy of the Annual Report to the Meeting.

14. For the convenience of Members and for proper conduct of the Meeting, entry to the venue of the Meeting will be regulated by Attendance Slip, which is enclosed with this Notice. Members are requested to sign at the place provided on the Attendance Slip and hand it over at the entrance to the venue.

15. The documents referred to in this Notice are open for inspection at the Registered Office of the Company on all working days, except Saturdays, between 11.00 a.m. and 1.00 p.m. up to the date of AGM.

16. Pursuant to Section 108 of Companies Act, 2013 read with Rule 20 of Companies (Management and Administration) Rules, 2014 as substituted by the Companies (Management and Administration) Amendment Rules, 2015 and Clause 44 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is pleased to offer voting by electronic means to the Members to cast their votes electronically on all items of business set forth in this Notice. The detailed instructions for e-voting are given as a separate attachment to this Notice.

17. The facility for voting, either through electronic voting system or ballot or polling paper shall also be made available at the Meeting and Members attending the Meeting who have not already cast their vote by remote e-voting shall be able to exercise their right at the Meeting.

18. The Members who have cast their vote by remote e-voting prior to the Meeting may also attend the Meeting but shall not be entitled to cast their vote again.

    The Company has appointed Mr. Tumuluru Krishnamurty or failing him Mr. B.V. Saravana Kumar, Company Secretaries in Practice, who in the opinion of the Board are duly qualified persons, as a Scrutinizer who will scrutinize the electronic voting process in a fair and transparent manner. The Scrutinizer shall within a period of three days from the date of conclusion of the Meeting, submit his report of the votes cast in favour or against, if any, to the Chairman of the Company and the result of the same will be disclosed forthwith. The Company has appointed M/s. Karvy Computershare Private Limited as the Agency for the purpose of facilitating the electronic voting.

19. Pursuant to Section 101 and Section 136 of the Companies Act, 2013 read with the Companies (Management and Administration Rules), 2014 and any amendment thereof, companies can serve Annual Reports and other communications through electronic mode to those Members who have registered their e-mail address with the Company or as provided by the Depository. Members who have not registered their e-mail address with the Company are requested to submit their request with their valid e-mail address to M/s. Karvy Computershare Private Limited. Members holding shares in demat form are requested to register/update their e-mail address with their Depository Participant(s) directly. The Members will be entitled to a physical copy of the Annual Report for the financial year 2016-17, free of cost, upon sending a written request either to the Company or to the Registrar & Transfer Agents.

By Order of the Board

PHANI K. MANGIPUDI
Company Secretary

Dated this 18th day of April, 2017.
Azamabad, Hyderabad - 500 020

INSTRUCTIONS FOR REMOTE E-VOTING

1. Use the following URL for e-voting from Karvy website: https://evoting.karvy.com
2. Members of the Company holding shares either in physical form or in dematerialized form, as on 25th July, 2017, the cut off date (Record Date), may cast their vote electronically.
3. Enter the login credentials (i.e. user ID and password mentioned in the Attendance Slip enclosed with this Notice). Your Folio No./DP ID Client ID will be your user ID.
4. After entering the details appropriately, click on LOGIN.
5. You will reach the password change menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. The system will prompt you to change your password and update any contact details like mobile, email etc on first login. You may also enter the secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
6. You need to login again with the new credentials.
7. On successful login, the system will prompt you to select the EVENT i.e. VST Industries Limited.
8. On the voting page, enter the number of shares as on the cut off date under FOR/AGAINST or alternately you may enter partially any number in FOR and partially in AGAINST but the total number in FOR/AGAINST taken together should not exceed the total shareholding. You may also choose the option ABSTAIN.
9. Members holding multiple folios/demat account shall choose the voting process separately for each folio/ demat account.
10. Cast your vote by selecting an appropriate option and click on SUBMIT. A confirmation box will be displayed. Click OK to confirm else CANCEL to modify. Once you confirm, you will not be allowed to modify your vote. During the voting period, Members can login any number of times till they have voted on the Resolution.
11. Once the vote on the Resolution is cast by the Member, he/she shall not be allowed to change it subsequently.
12. The Portal will be open for voting from 9.00 a.m. on 29th July, 2017 and closes at 5.00 p.m. on 1st August, 2017.
13. Members of the Company who have purchased their shares after the dispatch of the Notice but before the cut off date (25th July, 2017) may contact M/s. Karvy Computershare Private Limited at Telephone No. 1800 345 4001 (toll free) to obtain login ID and password.
14. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for shareholders and e-voting User Manual for shareholders available at the download section of https://evoting.karvy.com or contact M/s. Karvy Computershare Private Limited at Telephone No. 1800 345 4001 (toll free).



AGM Venue - Route Map

Hotel Taj Krishna, Road No. 1, Banjara Hills, Hyderabad - 500 034

Landmark: Between GVK One & City Center Mall

The Directors of your Company have pleasure in presenting before you the Annual Report together with the Audited Statements of Accounts for the year ended 31st March, 2017.

Financial Results

		₹ Lakhs
	2016-17	2015-16
Revenue from Operations	**228239**	205878
Net Profit after Tax	**16721**	15311
Profit brought forward from previous year	**12595**	11758
Balance available for Appropriation	**29316**	27069
Amount transferred to General Reserve	**835**	1525
Dividend proposed*	**–**	10809
Corporate Dividend Tax (Net)*	**–**	2140
Surplus in the Statement of Profit and Loss	**28481**	12595

*(Refer Note 7 in the Notes on Financial Statements)

KEY RATIOS

Earnings per Share (₹)	**108.28**	99.15
Dividend per Share (₹)	**75.00**	70.00

- **Value creation during the decade has been Compounded Annual Growth Rate (CAGR), 11.1% in Earnings Per Share (EPS) and 13.3% in Dividend Per Share (DPS).**

DIVIDEND

The Directors are pleased to recommend a dividend of ₹75 per equity share of ₹10 each in the paid up equity share capital of the Company, for consideration and approval of Members at the Annual General Meeting (AGM). It is proposed to carry forward an amount of ₹835 lakhs to General Reserve.

Pursuant to Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, top five hundred listed entities, based on market capitalisation, are required to formulate a Dividend Distribution Policy. The Board has approved and adopted a Dividend Distribution Policy and the same is disclosed on the Company's website at: http://www.vsthyd.com/i/Dividend-Distribution-Policy.pdf.

MATERIAL CHANGES AND COMMITMENTS

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

SHARE CAPITAL

The paid up Equity Share Capital as on 31st March, 2017 was ₹1544.19 lakhs. The Company has neither issued shares with differential rights as to dividend, voting or otherwise nor issued shares (including sweat equity shares) to the employees or Directors of the Company, under any Scheme.

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

INDUSTRY STRUCTURE & DEVELOPMENT

The trend of year-on-year tax hike continues with an excise increase of 10% across segments announced in the Union Budget presented in February 2016. Arbitrary increases in state taxes (VAT) witnessed in Assam, Rajasthan & Chhattisgarh posed a challenge to legal players.

Fifth successive year of tax increase led to companies adopting a strategy of conservative price hikes to ensure minimal decline in volumes. On the other hand legitimate stakeholders continue to be under pressure through the increasing presence of non-duty paid cigarettes. Legal cigarettes cost, on an average, seven times more than non-duty paid cigarettes.

New pictorial warning covering 85% on both front & back panels replaced 40% warning on front panel in April 2016. The government has made it mandatory to change the graphic every 12 months. Other regulations including sale of loose cigarettes & selling restrictions continue to operate in some

large states such as Uttar Pradesh, Tamil Nadu & Kerala.

Regulatory pressures including taxation are likely to continue as policies in India get increasingly aligned with FCTC (Framework Convention on Tobacco Control) directives.

COMPANY PERFORMANCE

Your Company largely operates in the value segment. Recurrent tax hikes & growth of non-duty paid cigarettes affect your Company disproportionately. Concerted efforts are underway to premiumise the portfolio & build price resilience.

Your Company's strategy of portfolio expansion through relevant differentiation has culminated in establishing higher priced trademarks such as Editions King size & Total 69mm in the last two years. Your Company's existing trademarks such as Special & Red Charms have also delivered a strong performance in key markets.

Your Company is focused on developing a robust brand portfolio appealing to varying consumer preferences across socio economic profiles. It is also your Company's ongoing endeavor to increase geographic presence through necessary investments in distribution infrastructure.

MARKET SCENARIO

Cigarette volumes of your Company during 2016-17 stood at 7283 mns compared to 7332 mns in 2015-16. Your Company has largely retained its volume base in spite of another year of double digit excise hike.

LEAF TOBACCO

Your Company has recorded leaf sales turnover of ₹274 crore in the year 2016-17, leveraging its expertise in all varieties of tobacco. Your Company is continuing domestic sales in addition to exports for maximizing turnover and profits.

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

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

Your Company's leaf tobacco function continues to be certified by Registro Italiano Navale, Genova, Italy for SA8000 reflecting Company's resolve to follow best international practices in its operations. Your Company's Vice President, Leaf was honored with Ambedkar Ratna award by Kalpana Saroj foundation in Mumbai and Mahatma Gandhi Samman award by NRI Welfare Society of India in House of Lords, London. Your Company is socially responsible and involved in various programmes like rural sanitation, street lighting etc for the improvement of living conditions in tobacco growing areas.

PRODUCTION AND PLANT MODERNISATION

In order to give competitive edge to the Company's products in the market place, your Company has offered innovative products to consumers, which have been well received.

HUMAN RESOURCE DEVELOPMENT

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

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

As on 31st March, 2017, your Company had a strength of 772 employees, with 327 management staff and 445 workmen.

The Long Term Agreement was signed with the Company's recognised union for a period of 3½ years commencing from 1st August, 2016.

Your Company has constituted an Internal Complaints Committee as per the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules framed there under. No cases were filed during the year under the above Act.

ENVIRONMENT, HEALTH & SAFETY (EHS) AND COMMUNITY SERVICES

Your Company continues to keep EHS squarely in the forefront.

Environment, Health and Safety (EHS)

in day-to-day business operations is given high priority by your Company. 424 employees and 51 contractors have undergone EHS training and 465 employees have 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.

Quarterly and annual EHS audits of the Company's operations were carried out to ensure compliance of EHS requirements. Surveillance Audit of ISO 14001:2004 & OHSAS 18001:2007 for the year 2016-17 were conducted by Registro Italiano Navale India (RINA).

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 ₹167.2 crore.

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

b. Treasury Operations

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

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

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

RATING

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

UNCLAIMED DIVIDENDS

Pursuant to the provisions of Sections 205A(5) and 205C of the Companies Act, 1956, the Company has transferred on due dates, the unpaid or unclaimed dividends for the financial year ended 31st March, 2009 to the Investor Education and Protection Fund (IEPF) established by the Central Government.

Further as per the provisions of Investor Education and Protection Fund (Uploading of Information regarding unpaid and unclaimed amounts lying with Companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on 31st March, 2016 on the website of the Company (www.vsthyd.com), and also on the website of the Ministry of Corporate Affairs, Government of India.

The details of the dividend due for transfer to IEPF as on 31st March, 2017 is given in the Report on Corporate Governance. The Company has commenced the process of complying with the provisions of Section 124(6) of the Companies Act, 2013 read with the IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 and any amendment thereof and will be completed by the due dates as specified under the relevant statutes.

UNCLAIMED SHARE CERTIFICATES

Your Company has communicated to the Members whose share certificates have been returned undelivered to the Company that these would be transferred to the Unclaimed Suspense Account if not claimed by them, as required under Regulation 34(3) read with Schedule V(F) of the Securities & Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred as 'Listing Regulations').

The status of unclaimed shares as on 31st March, 2017 is given in the Report on Corporate Governance.

CORPORATE GOVERNANCE

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

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

MEETINGS

The Board and Committee Meetings are pre-scheduled and a tentative calendar of the meetings finalised in consultation with the Directors are circulated to them

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

INTERNAL CONTROL SYSTEMS

a. Your Company maintains an adequate and effective internal control system commensurate with the size and complexity. Your Company also has well documented Standard Operating Procedures (SOPs) for various processes which are periodically reviewed for changes warranted due to business needs.

b. Your Company remains committed to improve effectiveness of internal financial controls and processes which would help in efficient conduct of its business operations, ensure security to its assets and timely preparation of reliable financial information.

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

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

Risk Management

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

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

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

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

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

Such restrictive regulations which are subjected to interpretation

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

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

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

The Company's business is subjected to substantial central and state level taxes whereby due to differential increase in excise duties in various segments; change in length of cigarette stick on which excise duty is payable; and tax (VAT) rate differential between various states particularly if it is in case of adjoining states could result in cross border movement of goods, which could require the Company to take up product prices and in absence of such action, impact its business. The impact increases when due to change in economic situation, consumers disposal income reduces resulting in down-trading to cheaper cigarettes or alternative tobacco products.

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

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

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

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

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

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

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

(v) **Data risks**

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

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Your Company has formulated a Corporate Social Responsibility Policy with the objective to promote inclusive growth and equitable development of identified areas by contributing back to the society. Over the years, your Company has been involved in social activities like provision of clean water etc.

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

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

The Company has with the help of Gramalaya, a non-profit organization constructed toilets in individual homes (of farmers living) in and around Jogulamba Gadwal and Medak districts of Telangana where your Company has its operations, under the 'Swachh Ghar' programme of your Company. In addition to construction of toilets, the villages and the communities in the area are also sensitized about the importance of health & sanitation. Over 1,000 toilets have already been constructed during the financial year and your Company has plans to extend it further to other houses in the same area and thereafter extend it to other areas. Your Company has also taken up the identified project of installing more than 500 solar street lights in villages in the above Districts.

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

BUSINESS RESPONSIBILITY REPORT

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

RELATED PARTY TRANSACTIONS

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

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

BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and Listing Regulations, the performance evaluation of the Board, the Committees of the Board and individual Directors has been carried out. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report.

REMUNERATION POLICY

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

MEETING OF INDEPENDENT DIRECTORS

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

VIGIL MECHANISM

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

Governance Report and also posted on the Company's website at: www.vsthyd.com/i/Whistle Blower Policy.pdf.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Directors retiring by rotation

Mr. Ramakrishna V. Addanki

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

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

Mr. Addanki is a Commerce graduate from Osmania University and an associate member of the Institute of Cost Accountants of India and has over 20 years of experience in the tobacco industry. Having started his career in India, Mr. Addanki for the past 18 years has been with British American Tobacco Group in different countries with experiences in finance and general management. Mr. Addanki is currently the General Manager for the Group's Adria cluster headquartered in Croatia, covering markets of Bosnia, Herzegovina and Slovenia. Prior to this, he was the Finance Director for Group's subsidiary in Turkey and before that was the CEO of the Group's business in the Czech Republic and was responsible for the Czech Cluster as a whole. He specializes in finance and general management functions.

He is not a member of any Committee of the Board and is not a director of any other company in India.

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

Independent Directors

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

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

Key Managerial Personnel

The Managing Director Mr. N. Sai Sankar, the Deputy Managing Director Mr. Devraj Lahiri, the Chief Financial Officer Mr. Anish Gupta and the Company Secretary Mr. Phani K. Mangipudi are the Key Managerial Personnel as per the provisions of the Companies Act, 2013.

DIRECTORS' RESPONSIBILITY STATEMENT

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

1. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
2. appropriate accounting policies have been selected and applied consistently. Judgement and estimates which are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of your Company as on 31st March, 2017 and of the statement of profit and loss and cash flow of your Company for the period ended 31st March, 2017;
3. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
4. the annual accounts have been prepared on a going concern basis;
5. proper internal financial controls have been laid down to be followed by your Company and such internal financial controls are adequate and were operating effectively; and
6. proper systems to ensure compliance with the provisions of all applicable laws have been devised, and such systems were adequate and operating effectively.

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

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

TAXATION

i. Income Tax

Financial Services Business

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

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

Your Company has filed an appeal before the 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.

ii. Luxury Tax

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

The State 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 appointed an independent Auditor to examine and verify the accounts of your Company for the period 1st April, 1999 to 20th January, 2005 and submit their report as to whether any sum was collected by your Company towards luxury tax during the operation of the Stay Order dated 1st April, 1999. The Auditor forwarded its report to the Supreme Court endorsing your Company's stand. The Supreme Court, after examining the report of the Auditor, disposed off the petition with an observation that no contempt lies against your Company. However, the State Government has been given an opportunity to issue a show cause notice to your Company for refund of the luxury tax collected after obtaining interim order from the Supreme Court. Show cause notice

should be backed and supported by the evidence the department wishes to rely upon in support of its case and is subject to contest by the parties as per Law.

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

iii. Entry Tax

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

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

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

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

Your Company, as directed, has filed an implead petition and an early hearing application, which is pending before the Division Bench of High Court of Calcutta.

iv. Excise

a. Wrapping Materials

The Excise department claimed a sum of ₹3.62 crore on the ground that Gay Wrappers (printed paper used for wrapping cigarette packets) had been manufactured and consumed by your Company without payment of duty during the period April 1996 to March 2002. The Customs, Excise and Service Tax Appellate Tribunal (CESTAT), Bangalore had allowed your Company's appeal against the said demand and set aside the demand of the Excise Department. An appeal against the said Order was

filed by the Excise Department and the Hon'ble Supreme Court was pleased to allow the appeal by way of remand to CESTAT to decide the matter afresh and pass an order on merits. The Hon'ble CESTAT heard the matter and allowed the appeal in favour of your Company. Against the CESTAT's order, the department filed an appeal before the Supreme Court and when the matter came up for admission, the Hon'ble Supreme Court tagged your Company matter to be heard along with another identical matter pending before it (Sri Kumar Agencies case).

b. Cigarette manufacture in North Eastern states

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

c. Tobacco Refuse

Your Company has been receiving periodical show cause notices demanding recovery of duty on cut tobacco used in the manufacture of tobacco refuse together with interest and penalty thereon from January 2005 to October 2013, amounting to ₹15.92 crore. All the pending appeals before CESTAT in this matter until October 2013 were allowed in favour of your Company. Against the said orders, the department preferred an appeal before the Hon'ble Supreme Court on which hearing is pending. Show cause notices for subsequent period have been received and same are pending before original authority.

d. Service Tax

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

PUBLIC INTEREST LITIGATION (PIL)

i) The two PILs filed in the Madras High Court and the Andhra Pradesh High Court against the Central Government and the cigarette manufacturers including your Company, seeking strict implementation of Cigarettes and Other Tobacco Products (Prohibition of Advertisement And Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003 (COTP Act) and Rules are pending. The Madras High Court disposed off the PIL on the lines that the Government has to take necessary steps to build laboratories to check the tar and nicotine content in the cigarettes.

ii) Your Company has been impleaded in the petition filed in the Supreme Court by an NGO called 'Centre for Transforming India' against the Union of India along with other cigarette manufacturers, Tobacco Institute of India, Bidi Manufacturers and Bidi Manufacturers' Association seeking prohibition/ban on the manufacture, storage and sale of all forms of tobacco within the territory of India.

iii) A PIL was filed before the Uttarakhand High Court relating to printing of Tar-Nic contents on cigarette packets. The High Court passed an Order allowing the petition and directing ban on sale of loose cigarettes without printing health warning. The Court has also ordered ban on sale of cigarettes in the state of Uttarakhand if the union does not prescribe safe or maximum permissible limit of nicotine & tar contents in each cigarettes or label or package.

A review petition has been filed by your Company along with others against the order and it was disposed off by the High Court of Uttarakhand in favour of your Company.

Petitions have also been filed in other courts such as High Court of Jabalpur, National Green Tribunal, Delhi seeking ban on sale of cigarettes.

INTELLECTUAL PROPERTY

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

FINANCIAL SERVICES BUSINESS

The Company Petition filed by the Official Liquidator in the Hon'ble High Court of Andhra Pradesh seeking directions against some of the Ex-Directors of ITC Agro Tech Finance and Investments Limited (ITCATF), the Company in liquidation, into which one of the subsidiaries of your Company, viz. VST Investments Limited was amalgamated, to file a Statement of Affairs is still pending.

In terms of the Order dated 10th July, 2007 the Division Bench of the Hon'ble High Court of Andhra Pradesh had directed the Regional Director, Department of Corporate Affairs, Chennai to conduct an investigation and submit a report showing the persons who promoted ITCATF and the persons who were responsible in conducting its affairs until its winding up. A comprehensive report was prepared and filed in the Court by the Regional Director in July 2008. Further, the Division bench, against the appeal filed by one of the Ex-Directors of ITCATF, remanded the matter to the Company Judge to decide afresh keeping in view the report submitted by the Regional Director. All the matters are still pending final adjudication.

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

i. In view of the provisions of COTPA various restrictions such as ban on advertising in print and visual media, ban on outdoor advertising, regulation of in-store advertising, prohibition of sale of cigarettes to persons below the age of 18 years, etc. have been in force. Printing of pictorial warnings on cigarette packets, which came into effect from 31st May, 2009 were further revised with effect from 1st December, 2011. A new set of pictorial warnings were notified to come into force with effect from 1st April, 2013. In October, 2014 the Government notified a new set of pictorial warning covering 85% of the front and back side of the packets to take effect from 1st April, 2015. However, after extension, the same have now been implemented from 1st April, 2016 and is being duly complied with by your Company.

ii. Some tobacco manufacturers have challenged various provisions of COTPA and Rules made thereunder in different high courts across the country. The Union Government filed transfer petitions in the Hon'ble Supreme Court seeking to transfer 31 pending writ petitions from various high courts to the Hon'ble Supreme Court. All the

transfer petitions were allowed and the writ petitions have thus been moved to the Hon'ble Supreme Court, for final adjudication.

iii. Your Company had also filed a writ petition 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 has been admitted but no interim orders were passed by the Hon'ble Court.

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

v. Before the High Court of Karnataka, a Writ Petition was filed by Tobacco Institute of India (TII) on behalf of your Company and other manufacturers against the proposed notification dated 15th October, 2014 by the Health Ministry to print health warning on both sides of the pack occupying 85% of space. The 85% health warning was to come into effect from 1st April, 2016. Your Company also filed a Writ Petition before the High Court bench at Dharwad against the implementation of 85% health warning. The Hon'ble Supreme Court on hearing a PIL filed by Health for Millions, constituted a Bench before the Karnataka High Court to hear all the matters relating to graphical health warning. The Writ Petitions filed by TII and your Company are being heard before the Bangalore Bench. The Bench continuously heard the matters till 28th February, 2017 and the matter has now been reserved for judgement.

REAL ESTATE

The Government of Andhra Pradesh had filed a land grabbing case against your Company in 1991 in relation to a piece and parcel of vacant land which has been under possession and occupation by your Company for over four decades. By its judgement dated 28th July, 2010, the Special Court had held that your Company is not a land grabber but had given the State Government the right to initiate proceedings to recover possession of the land at some future date. Against this part of the judgement, your Company had filed a writ petition 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. 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 restraining your Company from changing the status of the land or creating any third party interest therein. Your Company has taken all the necessary steps for speedy disposal of the above writ petitions which are pending before the Court.

PARTICULARS OF EMPLOYEES

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

the date of the ensuing AGM. In case any Member is interested in obtaining a copy thereof, such Member may write to the Company Secretary of the Company.

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

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

EXTRACT OF ANNUAL RETURN

As required under Section 92(3) of Companies Act, 2013 and Rule 12(1) of Companies (Management and Administration) Rules, 2014, an extract of Annual Return in Form MGT-9 is annexed as **'Annexure E'** and forms part of this Report.

AUDITORS

Statutory Auditors

M/s. B S R & Associates LLP, Chartered Accountants, were recommended for appointment as the Statutory Auditors of the Company to hold office from the conclusion of the 85th AGM to the conclusion of the 90th AGM. In terms of the first proviso to Section 139 of the Companies Act, 2013, the Auditors' appointment has to be ratified at every AGM. Accordingly, the appointment of M/s. B S R & Associates LLP, Chartered Accountants, Firm's Registration Number:116231W/W-100024 as the statutory auditors of the Company, is placed for ratification by the Members. The Company has received a certificate from M/s. B S R & Associates, LLP to the effect that they are not disqualified from continuing to act as Auditors and would be in accordance with the provisions of Sections 139 and 141 of the Companies Act, 2013 and Companies (Audit and Audit Rules), 2014. The Report given by the Auditors on the financial statements of the Company is part of the Annual Report. There has been no qualification, reservation or adverse remark or disclaimer in their Report. During the year under review, the Auditors had not reported any matter under Section 143(12) of the Companies Act, 2013 and hence, no detail is required to be disclosed under Section 134(3)(ca) of the Companies Act, 2013.

Secretarial Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed Dr. K.R. Chandratre, Company Secretary in Whole-time Practice, as Secretarial Auditor of the Company for the financial year 2016-17. The Secretarial Audit Report is annexed herewith as **'Annexure F'** and forms part of this Annual Report.

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

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

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

DEPOSITS

Your Company has stopped accepting fresh deposits for several years now. As on 31st March, 2017, your Company does not have any deposits for the purpose of its business.

THE FUTURE

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

MATERIAL CHANGES AND COMMITMENTS

There have been no material changes and commitments made between the end of the financial year of this Company and the date of this Report.

ACKNOWLEDGEMENTS

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

On behalf of the Board,

RAYMOND S. NORONHA
Chairman
DIN: 00012620

Dated this 18th day of April, 2017.
Azamabad, Hyderabad - 500 020

ANNEXURE - A
REPORT ON CORPORATE GOVERNANCE

The Directors present the Company's Report on Corporate Governance for the year ended 31st March, 2017.

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

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

2. BOARD OF DIRECTORS

(a) Composition and category of Directors

Name of the Director	Category	No. of outside directorships held*	No. of memberships/ chairmanships of board committees of other companies#
Mr. Raymond S. Noronha	Chairman - Non-Executive Director	Nil	Nil
Mr. N. Sai Sankar	Managing Director	1	Nil
Mr. Devraj Lahiri	Deputy Managing Director	1	Nil
Mr. S. Thirumalai	Independent - Non-Executive Director	Nil	Nil
Ms. Mubeen Rafat	Independent - Non-Executive Director	Nil	Nil
Mr. Ramakrishna V. Addanki[1]	Non-Executive Director	Nil	Nil

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

Except Mr. S. Thirumalai who holds 25 equity shares, none of the other Directors hold any shares in the Company. There are no convertible instruments issued by the Company and hence none held by the Non-Executive Directors during the year ended 31st March, 2017.

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

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

[1] Representing equity interest of promoter group - British American Tobacco, U.K.

(b) Attendance of each director at the Board meetings and the last Annual General Meeting (AGM)

Name of the Director	No. of Board Meetings held	Attendance at the Board Meetings held on				Attendance of each Director at last AGM held on
		20th April, 2016	10th August, 2016	1st November, 2016	20th January, 2017	11th August, 2016
Mr. Raymond S. Noronha	4	Yes	Yes	Leave of absence	Yes	Yes
Mr. N. Sai Sankar	4	Yes	Yes	Yes	Yes	Yes
Mr. Devraj Lahiri	4	Yes	Yes	Yes	Yes	Yes
Mr. S. Thirumalai	4	Yes	Yes	Yes	Yes	Yes
Ms. Mubeen Rafat	4	Yes	Yes	Yes	Yes	Yes
Mr. Ramakrishna V. Addanki[1]	4	Yes	Yes	Yes	Yes	Yes

[1] Representing equity interest of promoter group - British American Tobacco, U.K.

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

(c) Other details

The Board of Directors of your Company is routinely presented with all requisite information *inter alia* as required under the Companies Act, 2013 and the Listing Regulations. Detailed agenda notes containing details required for decision making are circulated to the Directors in advance. Those that could not be included in the agenda are tabled/placed during the course of the Board Meeting. The meetings are held as per the calendar finalised in consultation with the Board Members and the notice and agenda of the meetings are circulated well in advance.

The Board exercises its powers subject to the provisions of the Companies Act, 2013, Memorandum & Articles of Association, the Listing Regulations and other statutory provisions. The Board reviews the performance and takes on record the actions taken by the Company/management on its suggestions. The Board meets at least four times a year and the gap between two meetings is not more than 120 days.

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

Independent Directors' Meeting

During the year, the Independent Directors met on 18th April, 2016 without the presence of non-independent directors and members of management *inter alia* to review their role, functions and duties. They further reviewed the guidelines of professional conduct as enumerated in Schedule IV (Code for Independent Directors) of the Companies Act, 2013. During the said Meeting, the Independent Directors reviewed the performance of Non-Executive Director, including the Chairman and the Board as a whole.

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

(d) Familiarisation Programme for Independent Directors

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

3. AUDIT COMMITTEE

(a) Terms of Reference

The primary objective of the Committee is to monitor and provide an effective supervision of the financial reporting process, to ensure accurate and timely disclosures with highest level of transparency, integrity and quality of financial reporting. The terms of reference of the Audit Committee covers all the matters specified under Section 177 of the Companies Act, 2013 and those enumerated in Regulation18 of the Listing Regulations. The terms of reference of the Audit Committee are as under:

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

8. Approval or any subsequent modification of transactions of the Company with related parties;
9. Scrutiny of inter-corporate loans and investments;
10. Valuation of undertakings or assets of the Company, wherever it is necessary;
11. Evaluation of internal financial controls and risk management systems;
12. Reviewing with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
14. Discussion with internal auditors of any significant findings and follow up thereon;
15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud of irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
18. To review the functioning of the Whistle Blower mechanism;
19. Approval of appointment of CFO (i.e. the Whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
20. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee mandatorily reviews the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the Audit Committee) submitted by management;
3. Management letters/letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses;
5. The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee; and
6. Statement of deviations:
    a) Quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1);
    b) Annual statement of funds utilised for purposes other than those stated in the offer document/prospectus/ notice in terms of Regulation 32(7).

(b) Composition, Meetings and Attendance during the financial year

Name of the Member	Category	Attendance at the Audit Committee Meetings held on			
		18th April, 2016	10th August, 2016	1st November, 2016	19th January, 2017
Mr. S. Thirumalai	Independent Non-Executive Director (Chairman)	Yes	Yes	Yes	Yes
Mr. Raymond S. Noronha	Non-Executive Director	Yes	Yes	Leave of absence	Yes
Ms. Mubeen Rafat	Independent Non-Executive Director	Yes	Yes	Yes	Yes

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

4. NOMINATION AND REMUNERATION COMMITTEE

(a) Terms of Reference

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

a. Identify persons who are qualified to become Directors in accordance with the criteria laid down;
b. Lay down the criteria for appointment at senior management level;
c. Recommend to the Board, appointment and removal of Directors;
d. To vet and approve recommendations from the Executive Directors for the appointment and succession of senior managers;
e. Formulate a criteria for evaluation of every Director's performance;
f. Formulate criteria for determining qualifications, positive attributes and independence of a Director;
g. Recommend to the Board a policy relating to remuneration for Directors, Key Managerial Personnel & other employees;
h. Assess, approve or recommend the training and development requirements of Directors and senior management as recommended by the Executive Directors;
i. Devising a policy on Board Diversity.

(b) Composition, Meetings and Attendance during the financial year

Name of the Member	Category	Attendance at the Nomination and Remuneration Committee Meetings held on			
		18th April, 2016	10th August, 2016	1st November, 2016	19th January, 2017
Mr. S. Thirumalai	Independent Non-Executive Director (Chairman)	Yes	Yes	Yes	Yes
Mr. Raymond S. Noronha	Non-Executive Director	Yes	Yes	Leave of absence	Yes
Ms. Mubeen Rafat	Independent Non-Executive Director	Yes	Yes	Yes	Yes

The Company Secretary acts as Secretary to the Committee.

(c) Remuneration Policy

Purpose

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

Scope

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

Compensation Philosophy

The Company's compensation philosophy is driven by:

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

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

Policy Definition

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

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

a. Fixed components: Comprising of (i) Basic salary; (ii) Fixed allowances & perquisites; (iii) Retiral benefits.

b. Variable components: Comprising of performance linked bonus, paid annually. Individual compensation fixation is as under:

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

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

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

Remuneration of Non-Executive Directors

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

Criteria for selection and appointment of Directors

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

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

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

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

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

Criteria for performance evaluation

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

Performance of the directors were evaluated on broad criteria such as contribution and value addition to the Board and Committees thereof; contribution to the Company and management to achieve its plans, goals, corporate strategy and risk mitigation; level of preparedness; level of participation in the Board and Committee meetings etc. In addition to the above parameters, the performance of Executive Directors was also evaluated against their Key Responsibility Areas (KRAs). The Chairman's performance was evaluated by Independent Directors on above parameters after taking into account the views of Executive and Non-Executive Directors. Independent Directors were also assessed based on their performance vis-à-vis Code for Independent Directors under Schedule IV of the Companies Act, 2013. A structured format for evaluation of the Directors on the above parameters has been prepared for the purpose. Director being evaluated does not participate in the evaluation process.

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

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

(d) Details of remuneration paid to all the Directors for the financial year ended 31st March, 2017

Name	Position	Salary ₹	Allowances, benefits and contributions to Provident/ Pension and Other Funds ₹	Performance Linked Bonus ₹	Commission ₹	Sitting Fees ₹	Total ₹
Mr. R.S. Noronha	Chairman - Non-Executive Director	–	–	–	50,45,000	3,55,000	54,00,000
Mr. N. Sai Sankar	Managing Director	1,30,49,544	79,86,318	1,89,21,838	–	–	3,99,57,700
Mr. S. Thirumalai	Independent Non-Executive Director	–	–	–	25,50,000	4,65,000	30,15,000
Mr. Devraj Lahiri	Deputy Managing Director	48,08,580	49,34,183	52,89,438	–	–	1,50,32,201
Ms. Mubeen Rafat	Independent Non-Executive Director	–	–	–	19,50,000	4,65,000	24,15,000
Mr. Ramakrishna V. Addanki	Non-Executive Director	–	–	–	–	@	–

@ Waived entitlement to sitting fees.

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

Benefits include gas, electricity, water, furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance, etc. in accordance with the Rules of the Company, the monetary value of such perquisites being limited to ₹10,00,000 per annum for Managing Director and ₹4,00,000 per annum for Deputy Managing Director. In addition, the following perquisites are provided which are not included in the above monetary limit:

a. Rent free furnished accommodation owned/leased/rented by the Company or housing allowance in lieu thereof, as per the rules of the Company;

b. Contribution to provident fund and superannuation fund up to 27% of salary and contribution to gratuity fund up to 8.33% of salary as defined in the Rules of the respective funds, or up to such other limit as may be prescribed under the Income Tax Act, 1961 and the Rules there under for this purpose;

c. Use of Company car for official purposes and telephone at residence (including payment for local calls and long distance official calls);

d. Encashment of unavailed leave as per the rules of the Company at the time of retirement/cessation of service;

e. Long service award as per the rules of the Company;

f. Costs and expenses incurred by the Company in connection with joining/transfer from one location to another as per the rules of the Company.

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

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

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

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

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

5. STAKEHOLDERS' RELATIONSHIP COMMITTEE

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

Composition, Meetings and Attendance during the financial year

Name of the Member	Category	Attendance at the Stakeholders' Relationship Committee Meetings held on			
		18th April, 2016	10th August, 2016	1st November, 2016	19th January, 2017
Ms. Mubeen Rafat	Independent Non-Executive Director (Chairperson)	Yes	Yes	Yes	Yes
Mr. S. Thirumalai	Independent Non-Executive Director	Yes	Yes	Yes	Yes
Mr. Raymond S. Noronha	Non-Executive Director	Yes	Yes	Leave of absence	Yes
Mr. N. Sai Sankar	Managing Director	Yes	Yes	Yes	Yes
Mr. Devraj Lahiri	Deputy Managing Director	Yes	Yes	Yes	Yes

The Company Secretary acts as the Secretary to the Committee.

(i) Name and designation of Compliance Officer: Mr. Phani K. Mangipudi, Company Secretary.

(ii) **Number of shareholders' complaints received and attended during the financial year ended 31st March, 2017**

Nature of complaints/queries	Received	Attended	Pending
Non-receipt of annual reports	8	8	Nil
Non-receipt of dividend warrants	11	11	Nil
Non-receipt of share certificates	–	–	–
Letters from stock exchanges/SEBI	4	4	Nil

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

6. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

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

The terms of reference of the Committee are as under:

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

Composition, Meetings and Attendance during the financial year

Name of the Member	Category	Attendance at the CSR Committee Meetings held on	
		18th April, 2016	19th January, 2017
Ms. Mubeen Rafat	Independent Non-Executive Director (Chairperson)	Yes	Yes
Mr. S. Thirumalai	Independent Non-Executive Director	Yes	Yes
Mr. Raymond S. Noronha	Non-Executive Director	Yes	Yes
Mr. N. Sai Sankar	Managing Director	Yes	Yes
Mr. Devraj Lahiri	Deputy Managing Director	Yes	Yes

The Company Secretary acts as the Secretary to the Committee.

In addition, the Company has also constituted Committee of Directors comprising of Mr. Raymond S. Noronha, Mr. Devraj Lahiri, Ms. Mubeen Rafat, Mr. N. Sai Sankar and Mr. S. Thirumalai to overview and authorise for banking transactions.

7. SUBSIDIARY COMPANY

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

8. RISK MANAGEMENT

The Company has laid down procedures to inform Board members about the risk assessment and minimization procedures. The Company is not required to constitute a separate Risk Management Committee in terms of SEBI Circular No. CIR/CFD/POLICY CELL/2/2014 dated 17th April, 2014 read with Regulation 21 of the Listing Regulations.

9. GENERAL BODY MEETINGS

(i) Location and time of last three AGMs are as under:

Year	Venue	Date	Time
2015-16	Hotel Taj Krishna, Banjara Hills, Hyderabad	11.8.2016	10.30 a.m.
2014-15	Hotel Taj Krishna, Banjara Hills, Hyderabad	12.8.2015	9.30 a.m.
2013-14	Hotel Trident, Hitech City, Hyderabad	12.8.2014	9.30 a.m.

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

Annual General Meeting held on 11th August, 2016

- No special resolutions were passed

Annual General Meeting held on 12th August, 2015

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

Annual General Meeting held on 12th August, 2014

- No special resolutions were passed

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

10. MEANS OF COMMUNICATION

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

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

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

11. GENERAL SHAREHOLDER INFORMATION

Date, Time and Venue of the Annual General Meeting

2nd August, 2017 at 9.30 a.m. at Grand Ball Room, Hotel Taj Krishna, Road No. 1, Banjara Hills, Hyderabad 500 034, Telangana.

Financial year: 1st April, 2016 to 31st March, 2017

Financial calendar 2017-18 *(Tentative)*

First quarter results	August, 2017
Second quarter and half yearly results	October, 2017
Third quarter results	January, 2018
Annual results	April, 2018

Dates of Book Closure

26th July, 2017 to 2nd August, 2017 (both days inclusive)

Dividend Payment Date

On or before 31st August, 2017

Listing on Stock Exchanges with Stock Code

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

Annual listing fees have been paid to the above stock exchanges.

Market Price Data: High/Low during each month in the last financial year (2016-17) ₹

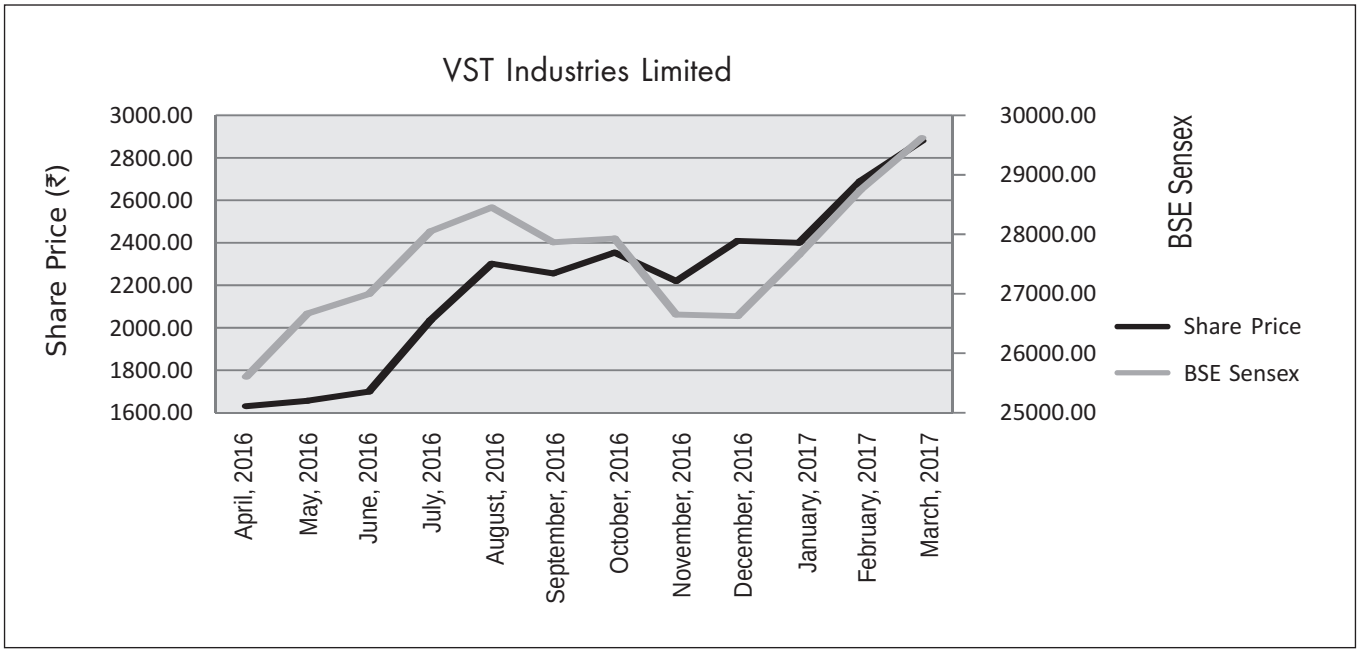
Period	[1]BSE		[2]NSE	
	High	Low	High	Low
April, 2016	1837.00	1555.00	1850.00	1575.00
May, 2016	1739.50	1635.00	1748.00	1616.70
June, 2016	1735.00	1630.65	1720.00	1625.05
July, 2016	2055.00	1698.00	2068.95	1695.00
August, 2016	2398.85	1880.00	2394.55	1901.60
September, 2016	2525.00	2100.00	2525.00	1977.55
October, 2016	2399.90	2255.00	2395.00	2255.00
November, 2016	2489.80	2092.00	2475.00	2066.65
December, 2016	2513.00	2180.00	2520.00	2170.60
January, 2017	2524.00	2372.35	2520.00	2361.30
February, 2017	2844.40	2385.00	2819.50	2363.05
March, 2017	3120.00	2635.00	3099.90	2615.00

[1] Source: www.bseindia.com

[2] Source: www.nseindia.com

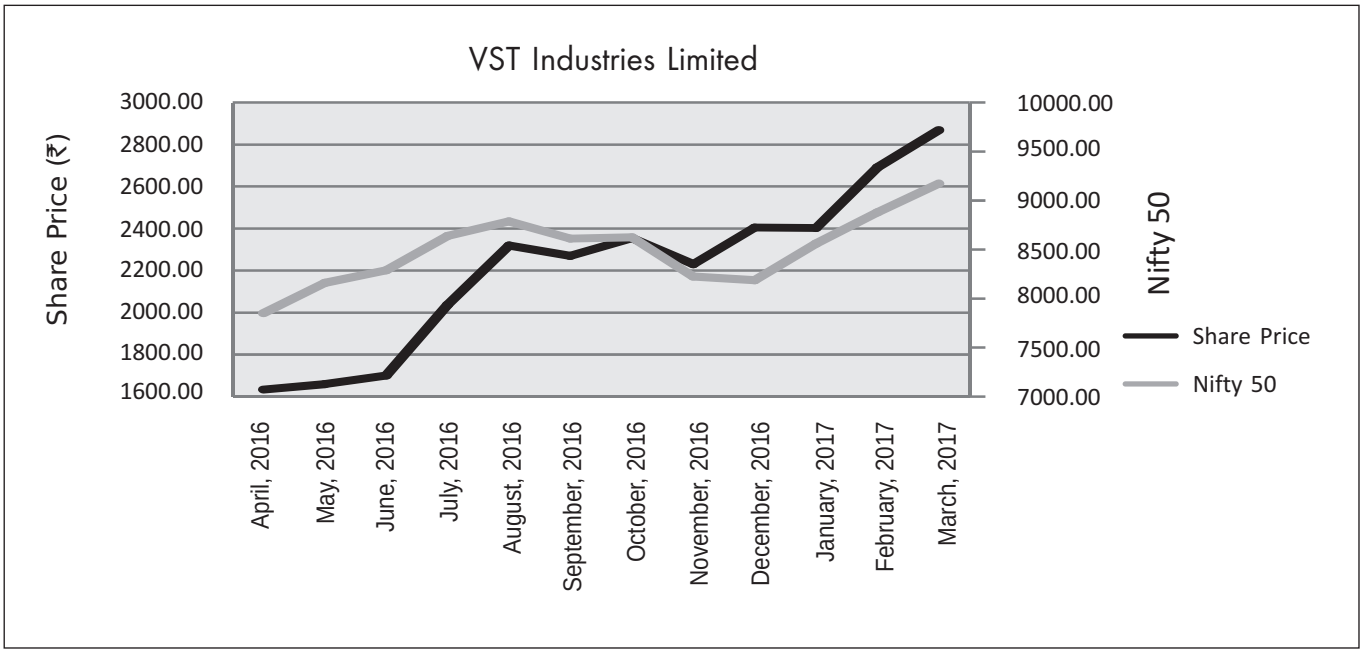
Performance in comparison with BSE Sensex

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



Performance in comparison with Nifty 50

(based on closing price/Nifty 50) (Source: www.nseindia.com)



Registrar and Transfer Agents

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

M/s. Karvy Computershare Private Limited
Karvy Selenium Tower B, Plot No. 31 & 32,
Financial District, Nanakramguda, Gachibowli,
Hyderabad - 500 032, Telangana
Telephone : +91 40 6716 1605
Fax : +91 40 2342 0814
Email : einward.ris@karvy.com
Contact Person: Mr. Praveen Chaturvedi, General Manager - Corporate Registry
Mr. Sai Sanjeeb Patnaik, Manager - Corporate Registry

Share Transfer System

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

Requests for dematerialisation of shares are processed and confirmation is given to the respective depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within 2 working days from the date of receipt of request. There are no pending share transfers as at 31st March, 2017.

Distribution of shareholding as on 31st March, 2017

Slab	No. of Shares	%	No. of Shareholders	%
1 - 500	9,24,977	5.99	12,724	93.77
501 - 1000	3,34,237	2.17	466	3.43
1001 - 2000	2,69,677	1.75	194	1.43
2001 - 3000	1,68,708	1.09	69	0.51
3001 - 4000	90,746	0.59	26	0.19
4001 - 5000	89,977	0.58	20	0.15
5001 - 10000	1,85,772	1.20	26	0.19
10001 and above	1,33,77,826	86.63	44	0.33
TOTAL	1,54,41,920	100.00	13,569	100.00
Physical Mode	6,48,328	4.20	3,468	25.56
Demat Mode	1,47,93,592	95.80	10,101	74.44

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, 2017, 14,793,592 equity shares of the Company constituting 95.8% 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 2017-18 will be remitted to NSDL and CDSL, the Depositories before the due date.

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

Categories of Shareholding as on 31st March, 2017

Category	Number of Shares Held	Percentage of Shareholding
Promoters and associates	49,65,902	32.16
Foreign Institutional Investors	15,03,572	9.74
Insurance companies	3,43,419	2.22
Mutual Funds	18,58,560	12.04
Nationalised banks and other banks	15,730	0.10
NRIs and OCBs	88,604	0.56
Bodies corporate	45,82,251	29.67
Indian public and others	20,83,882	13.51
TOTAL	1,54,41,920	100.00

Reconciliation of Share Capital Audit

For each quarter of the financial year 2016-17, a qualified Company Secretary in Practice has carried out audit under Regulation 55A of SEBI (Depositories and Participants) Regulations, 1996, as amended to reconcile the total admitted capital with NSDL and CDSL and total issued and listed capital. The audit report confirms that the total issued/paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL and the same is filed with BSE & NSE.

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

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

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

Commodity price risk or foreign exchange risk and hedging activities:

During the year, the Company had managed the foreign exchange risk and hedged to the extent considered necessary. The Company uses forward exchange contracts to hedge its foreign currency exposures related to the underlying transactions, firm commitments and highly probable forecasted transactions. The use of these foreign exchange forward contracts are intended to reduce the risk or cost to the Company and are not intended for trading or speculation purpose. The details of foreign currency exposure are disclosed in Note No. 34 to the Financial Statements.

Plant Location

1-7-1063/1065, Azamabad,
Hyderabad - 500 020
Telangana

Survey No.288/289,
Muppireddy Palli,
Toopran, Medak,
Telangana

Address for correspondence

Registered Office

VST Industries Limited
1-7-1063/1065, Azamabad,
Hyderabad - 500 020
Telephone : +91 40 2768 8000
Fax : +91 40 2761 5336
Email : investors@vstind.com

Mr. Phani K. Mangipudi
Company Secretary & Compliance Officer

12. DISCLOSURES

(i) Related Party Transactions (RPT)

There were no materially significant transactions with related parties during the financial year which were in conflict with the interest of the Company as contained under Section 188 of Companies Act, 2013. Suitable disclosures as required by the Accounting Standards (AS18) have been made in the notes to the Financial Statements.

The Company has also formulated a policy for determining the Material RPT and the details of such policies for dealing with RPT and the Related Party Transactions are disseminated on the Company's website at: (www.vsthyd.com/i/VST RPT Policy1.pdf).

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, 2017. The details of related party transactions are disclosed in Note No. 29 of Notes on Financial Statements to the Accounts in the Annual Report and also in Form AOC-2 attached with the Boards' Report.

(ii) Strictures and Penalties

No strictures or penalties have been imposed on the Company by the Stock Exchanges or by the Securities and Exchange Board of India [SEBI] or by any statutory authority on any matters related to capital markets during the last three years.

(iii) Vigil Mechanism/Whistle Blower Policy

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

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

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

(iv) Code of Conduct

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

Declaration

This is to confirm that all the Board Members and senior management personnel have affirmed compliance with the Code of Conduct as adopted by the Company, for the year ended 31st March, 2017.

For VST INDUSTRIES LIMITED

N. SAI SANKAR
Managing Director

Hyderabad, 18th April, 2017

(v) Accounting Treatment

In preparation of the financial statements, the Company has followed the accounting principles generally accepted in India, including Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014. The accounting policies which are consistently applied have been set out in the Notes to the Financial Statements.

(vi) Management

(a) The Management Discussion and Analysis is part of Directors' Report to the Members and is provided elsewhere in the Annual Report.

(b) Pursuant to Regulation 26(5) of the Listing Regulations, for the year ended 31st March, 2017 your Company's Board has obtained declarations from the senior management relating to any material, financial and commercial transactions where they have personal interest that may have a potential conflict with the interests of the Company at large.

(vii) Shareholders Information

The quarterly results are sent to the stock exchanges on which the Company's shares are listed 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, post approval of Share Transfer Committee, the power has been delegated to Registrar and Transfer Agents - M/s. Karvy Computershare Private Limited.

(viii) Prohibition of Insider Trading

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

(ix) CEO and CFO Certification

The CEO (Managing Director) and CFO certification for the year ended 31st March, 2017 has been annexed at the end of this Report. Similarly, the CEO and CFO have also given quarterly certification on financial results while placing the quarterly financial results before the Board in terms of Regulation 33(2) of the Listing Regulations.

(x) Adoption of Discretionary Requirements

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

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

(a) The Non-Executive Chairman is allowed to maintain a Chairman's office at the Company's expense and also allowed reimbursement of expenses incurred in performance of his duties.

(b) The auditors have not qualified the financial statements of the Company.

(c) The Company is having separate post of Chairman and Managing Director. Mr. Raymond S. Noronha is the Chairman of the Company and Mr. N. Sai Sankar is the Managing Director of the Company.

(d) M/s. Ernst & Young LLP have been the Internal Auditors for the financial year 2016-17 and M/s. Deloitte Haskins and Sells LLP, the firm of Chartered Accountants have been appointed as the Internal Auditors of the Company for the financial year 2017-18, who report directly to the Audit Committee.

Other discretionary requirements are being reviewed for implementation.

13. AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

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

SHAREHOLDER REFERENCER

Pursuant to Section 205A(5) of the Companies Act, 1956, unclaimed dividends up to and including for the financial year 1995-96 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) up to and including the financial year 1995-96 are requested to claim the amounts from the Registrar of Companies, Andhra Pradesh & Telangana, 2nd Floor, Corporate Bhawan, Bandlaguda, Nagole, Thattiannaram Village, Hayatnagar Mandal, Ranga Reddy District - 500 068 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 the 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 1996-97 and thereafter. The dividend for the financial year 2008-09 viz. Dividend No.174 has been transferred to IEPF Account on 31st August, 2016.

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 31.03.2017 ₹	Due for transfer to IEPF on
2009-10	175	16.07.2010	46,32,57,600.00	55,34,970.00	21.08.2017
2010-11	176	14.07.2011	69,48,86,400.00	58,56,525.00	18.08.2018
2011-12	177	12.07.2012	1,00,37,24,800.00	1,07,79,470.00	16.08.2019
2012-13	178	30.07.2013	96,51,20,000.00	1,28,81,187.50	04.09.2020
2013-14	179	12.08.2014	1,08,09,34,400.00	1,45,99,060.00	16.09.2021
2014-15	180	12.08.2015	1,08,09,34,400.00	1,51,96,790.00	16.09.2022
2015-16	181	11.08.2016	1,08,09,34,400.00	1,52,50,200.00	15.09.2023

Members who have not so far encashed their dividend warrant(s) or have not received the same are requested to seek issue of duplicate warrant(s) by writing to the Company's Registrar & Transfer Agents confirming non-encashment/non-receipt of dividend warrant(s). 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.

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
Telephone : +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
Telephone : +91 22 2272 3333/2272 3224
Fax : +91 22 2272 3199/2272 2072
Email : investors@cdslindia.com
Website : www.cdslindia.com

INVESTOR GRIEVANCES

Your Company has created exclusive Email ID for redressal of investor grievances. The Members can send their queries to the Email ID: investors@vstind.com

NOMINATION FACILITY

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

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

DETAILS OF UNCLAIMED SHARES

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

Particulars	No. of shareholders	No. of shares
Outstanding at the beginning of the year - 1st April, 2016	270	28,054
No. of Members who approached for transfer of shares	1	3,602
Members to whom shares were transferred - through rematerialisation	–	–
Outstanding shares lying at the end of the year - 31st March, 2017	269	24,452

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

The voting rights on the shares outstanding in the above suspense account as on 31st March, 2017 shall remain frozen till the rightful owner of such shares claims the shares.

Certification by Managing Director (MD) and Chief Financial Officer (CFO)

We, N. Sai Sankar, Managing Director and Anish Gupta, Chief Financial Officer of VST Industries Limited, to the best of our knowledge and belief certify that:

1. We have reviewed the financial statements and the cash flow statement for the year ended 31st March, 2017 and that:

   (a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

   (b) these statements together present a true and fair view of the state of affairs of the Company and are in compliance with existing accounting standards, applicable laws and regulations.

2. There are no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct and Ethics.

3. We are responsible for establishing and maintaining internal controls for financial reporting. We evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and steps taken or proposed to be taken for rectifying these deficiencies.

4. We have indicated to the Company's Auditors and to the Audit Committee that:

   (a) there are no significant changes in internal control over financial reporting during the year;

   (b) there are no significant changes in accounting policies during the year; and

   (c) there are no instances of significant fraud of which we have become aware of that involves management or other employees who have significant role in the Company's internal control system over financial reporting.

N. SAI SANKAR
Managing Director
DIN: 00010270

ANISH GUPTA
Chief Financial Officer

Hyderabad, 18th April, 2017

Independent Auditor's Certificate on the Corporate Governance Report

To the Members of
VST Industries Limited

1. This Certificate is issued in accordance with the terms of our engagement letter dated 10th April, 2017.

2. VST Industries Limited ('the Company') requires Independent Auditor's Certificate on Corporate Governance as per Regulations 17-27, Clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') for the period 1st April, 2016 to 31st March, 2017.

Management responsibility

3. The preparation of the Corporate Governance Report is the responsibility of the management of the Company. The Management is also responsible for ensuring that the Company complies with the requirements of Regulations 17-27, Clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') for the period 1st April, 2016 to 31st March, 2017.

Auditor's Responsibility

4. Pursuant to the requirements of the Listing Regulations, our responsibility is to certify whether the Company has complied with the above said compliances of the conditions of Corporate Governance for the period 1st April, 2016 to 31st March, 2017.

5. We have examined the compliance of the conditions of Corporate Governance by the Company for the period 1st April, 2016 to 31st March, 2017 as per Regulations 17-27, Clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Listing Regulations. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

6. We conducted our examination in accordance with the 'Guidance Note on Audit Reports and Certificates issued for Special Purposes' issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.

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

Conclusion

8. In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as specified in Regulations 17-27, Clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of the Schedule V of the Listing Regulations, as applicable.

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

Restrictions on Use

This Certificate is issued solely for the purpose of complying with Regulations 17-27, Clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Listing Regulations for the period 1st April, 2016 to 31st March, 2017 and may not be suitable for any other purpose.

For B S R & ASSOCIATES LLP
Chartered Accountants
ICAI Firm Registration Number: 116231W/W-100024

SRIRAM MAHALINGAM
Partner
Membership Number: 049642

Hyderabad,
18th April, 2017

ANNEXURE - B
CORPORATE SOCIAL RESPONSIBILITY POLICY

Purpose

The objective of this Policy is to promote inclusive growth and equitable development of identified areas by contributing back to the society.

Functions

The main functions of the CSR Committee are as under:

- Identify the areas for carrying out the activities and formulate proposal/plan to undertake;
- To identify the projects, programs for specific area of activity, finalize the budget and earmark the expenditure for each activity and recommend the same to the Board every year;
- To determine the location where the CSR activities shall be undertaken;
- To monitor the progress of the projects/activities from time to time;
- To nominate employees who will be responsible for implementation, execution and monitoring of the CSR activities;
- To hire services of external service providers, Non-Governmental Organizations, volunteers, professionals, consultants, specialized agencies etc., if required, to undertake the said activities;
- Such other functions as may be delegated by the Board.

Areas

The Corporate Social Responsibility (CSR) activities shall be undertaken by the Company in any one or more of the following areas, projects, programs or activities, either new or ongoing or such other areas/activities prescribed by the Companies Act, 2013 to take forward its commitment towards Social Responsibility:

(i) Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water;

(ii) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;

(iii) Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;

(iv) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga;

(v) Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art, setting up public libraries, promotion and development of traditional arts and handicrafts;

(vi) Measures for the benefit of armed forces veterans, war widows and their dependents;

(vii) Training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports;

(viii) Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Schedules Castes, the Schedules Tribes, other backward classes, minorities and women;

(ix) Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government; and

(x) Rural development projects.

Investment

The Company shall invest at least two per cent of its average net profits during the three immediately preceding financial years, towards CSR activities. Any surplus arising out of the CSR activities or project or programs shall not form a part of business profit of the Company.

Executing Agencies

The Company may undertake the CSR activities either on its own or through a registered trust or a registered society, NGO or a Company established for this purpose. However, no Director or Key Managerial Personnel or their relatives shall have substantial interest in such, trust, society NGO or Company. The Company may also collaborate with other companies for undertaking the projects/programs in accordance with the Rules.

Audit

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

Reporting

The Committee may appoint any executive(s) to monitor the activities and report back to the Committee periodically. The executive(s) shall also ensure that the utilization of funds on such projects and programs are in line with the agreed CSR activities and place its detailed report periodically before the CSR Committee. The Committee shall give a detailed report of the CSR activities to the Board of Directors every year. The Board shall disclose the details of the Policy in its report and the same shall also be placed on the Company's website.

ANNUAL REPORT ON CSR ACTIVITIES

1. The CSR Policy is given in Page Nos. 44-45. The web link to the CSR Policy is www.vsthyd.com/i/CSRPolicy.pdf.
2. The Composition of the CSR Committee: Ms. Mubeen Rafat (Chairperson), Mr. Raymond S. Noronha, Mr. S. Thirumalai, Mr. N. Sai Sankar and Mr. Devraj Lahiri.
3. Average net profit of the Company for last three financial years: ₹22684.75 lakhs
4. Prescribed CSR Expenditure: Two per cent of the amount mentioned in item 3 above: ₹453.69 lakhs
5. Details of CSR spent during the financial year:
   (a) Total amount to be spent for the financial year: ₹453.69 Lakhs
   (b) Amount unspent, if any: Nil
   (c) Manner in which the amount spent during the financial year is detailed below:

S.No.	CSR project or activity identified	Sector in which the project is covered	Projects or Programmes (1) Local area or other (2) Specify the State and district where projects or programmes was undertaken	Amount outlay (budget) project or programmes wise (₹ in Lakhs)	Amount spent on the projects or Programmes Subheads: (1) Direct Expenditure on projects or programmes. (2) Overheads. (₹ in Lakhs)	Cumulative expenditure up to the reporting period (₹ in Lakhs)	Amount spent: Direct or through implementing agency
1.	Swachh Ghar Mission: Creating awareness on nexus between health and hygiene and construction of household toilets.	Sanitation	In Jogulamba Gadwal and Medak Districts in the State of Telangana	358.69	358.69	358.69	Implementing agency
2.	Solar Street Lighting	Environment Sustainability	In Jogulamba Gadwal District in the State of Telangana	95.00	95.00	95.00	Implementing agency
	TOTAL			453.69	453.69	453.69	

RESPONSIBILITY STATEMENT

The CSR committee of the Company hereby confirms that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and policy of the Company.

MUBEEN RAFAT
Chairperson
CSR Committee
DIN: 06776540

N. SAI SANKAR
Managing Director
DIN: 00010270

ANNEXURE - C

Form No. AOC-2

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

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

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

On behalf of the Board

RAYMOND S. NORONHA
Chairman
DIN: 00012620

ANNEXURE - D
PARTICULARS OF EMPLOYEES

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

Requirements of Rule 5(1)	Details
(i) Ratio of remuneration of each Director to the median remuneration of the employees of the company for the financial year 2016-17	Mr. Raymond S. Noronha 8:1 Mr. N. Sai Sankar 57:1 Mr. S. Thirumalai 4:1 Ms. Mubeen Rafat 3:1 Mr. Devraj Lahiri 22:1 Mr. Ramakrishna V. Addanki NA
(ii) The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year 2016-17	DIRECTORS Mr. Raymond S. Noronha (1.5)% Mr. S. Thirumalai 4.7% Ms. Mubeen Rafat 5.9% Mr. Ramakrishna V. Addanki NA KEY MANAGERIAL PERSONNEL Mr. N. Sai Sankar 8% Mr. Devraj Lahiri 9.7% Mr. Anish Gupta 19.1% Mr. Nitesh Bakshi# NA Mr. Phani K. Mangipudi# NA
(iii) The percentage increase in the median remuneration of employees in the financial year 2016-17	17.5%
(iv) The number of permanent employees on the rolls of Company as on 31st March, 2017	772
(v) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	Average increase in the salaries of employees other than the managerial personnel in the financial year 2016-17 was 16% in comparison with 5% increase in the managerial remuneration.
(vi) Affirmation that the remuneration is as per the remuneration policy of the company.	Remuneration paid during the financial year 2016-17 is as per the Remuneration Policy of the Company.

Mr. Nitesh Bakshi, the Company Secretary of the Company resigned with effect from 13th September, 2016 and Mr. Phani K Mangipudi, has been appointed in his place as the Company Secretary of the Company with effect from 7th February, 2017. As they were not in appointment for the full financial year, comparative details are not being provided.

Form No. MGT- 9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31st March, 2017

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

1.	CIN	L29150TG1930PLC000576
2.	Registration Date	10th November, 1930
3.	Name of the Company	VST Industries Limited
4.	Category of the Company	Public Company
5.	Sub-category of the Company	Company having share capital
6.	Registered Office Address of the Company & contact details	1-7-1063/1065, Azamabad Hyderabad - 500 020, Telangana, India Telephone : +91 40 2768 8000 Fax : +91 40 2761 5336 Website : www.vsthyd.com Email : investors@vstind.com
7.	Whether Listed Company	Yes
8.	Name and address of Registrar & Transfer Agents and contact details	M/s. Karvy Computershare Private Limited Karvy Selenium Tower B, Plot No.31&32, Financial District, Nanakramguda, Hyderabad - 500 032, Telangana, India Telephone : +91 40 6716 2222 Fax : +91 40 2342 0814 Email : einward.ris@karvy.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

(All the business activities contributing 10% or more of the total turnover of the company shall be stated)

Sl. No.	Name and Description of main products/services	NIC Code of the Product/service	% to total turnover of the Company
1.	Cigarettes containing tobacco	12003	88
2.	Unmanufactured tobacco	46202	12

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and address of the Company	CIN/GLN	Holding/subsidiary/ associate	% of shares held	Applicable Section
–	–	–	–	–	–

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

(i) Category-wise Shareholding

Category of shareholders	No. of shares held at the beginning of the year (As at 1st April, 2016)				No. of shares held at the end of the year (As at 31st March, 2017)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
(a) Individual/HUF	–	–	–	–	–	–	–	–	–
(b) Central Government	–	–	–	–	–	–	–	–	–
(c) State Government(s)	–	–	–	–	–	–	–	–	–
(d) Bodies Corporate	–	–	–	–	–	–	–	–	–
(e) Banks/FI	–	–	–	–	–	–	–	–	–
(f) Any other	–	–	–	–	–	–	–	–	–
Sub-total (A)(1)	–	–	–	–	–	–	–	–	–
(2) Foreign									
(a) NRIs - Individuals	–	–	–	–	–	–	–	–	–
(b) Other - Individuals	–	–	–	–	–	–	–	–	–
(c) Bodies Corporate	49,65,902	–	49,65,902	32.16	49,65,902	–	49,65,902	32.16	–
(d) Banks/FI	–	–	–	–	–	–	–	–	–
(e) Any other	–	–	–	–	–	–	–	–	–
Sub-total(A)(2)	49,65,902	–	49,65,902	32.16	49,65,902	–	49,65,902	32.16	–
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	49,65,902	–	49,65,902	32.16	49,65,902	–	49,65,902	32.16	–
B. Public Shareholding									
(1) Institutions									
(a) Mutual Funds	15,52,343	280	15,52,623	10.05	18,58,280	280	18,58,560	12.04	1.99
(b) Banks/FI	10,175	4,594	14,769	0.10	11,643	4,594	16,237	0.11	0.01
(c) Central Government	–	–	–	–	–	–	–	–	–
(d) State Government(s)	–	–	–	–	–	–	–	–	–
(e) Venture Capital Funds	–	–	–	–	–	–	–	–	–
(f) Insurance Companies	3,96,384	9,750	4,06,134	2.63	3,33,669	9,750	3,43,419	2.22	-0.41
(g) FIIs	21,44,414	50	21,44,464	13.89	15,03,522	50	15,03,572	9.74	-4.15
(h) Foreign Venture Capital Funds	–	–	–	–	–	–	–	–	–
(i) Others	–	–	–	–	–	–	–	–	–
Sub-total (B)(1)	41,03,316	14,674	41,17,990	26.67	37,07,114	14,674	37,21,788	24.10	-2.57
(2) Non-Institutions									
(a) Bodies Corporate									
(i) Indian	41,73,596	4203	41,77,799	27.05	45,78,084	4,167	45,82,251	29.67	2.62
(ii) Overseas	–	–	–	–	–	–	–	–	–
(b) Individuals									
(i) Individual shareholders holding nominal share capital up to ₹1 lakh	13,09,836	4,75,724	17,85,560	11.56	12,74,058	4,64,946	17,39,004	11.26	-0.30

(Contd.)

Category-wise Shareholding

Category of shareholders	No. of shares held at the beginning of the year (As at 1st April, 2016)				No. of shares held at the end of the year (As at 31st March, 2017)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh	1,23,316	42,142	1,65,458	1.07	1,65,987	42,142	2,08,129	1.35	0.28
(c) Others	1,06,812	1,22,399	2,29,211	1.48	1,02,447	1,22,399	2,24,846	1.46	-0.02
Sub-Total(B)(2)	57,13,560	6,44,468	63,58,028	41.17	61,20,576	6,33,654	67,54,230	43.74	2.57
Total Public Shareholding (B)=(B)(1)+ (B)(2)	98,16,876	6,59,142	1,04,76,018	67.84	98,27,690	6,48,328	1,04,76,018	67.84	0.00
C. Shares held by Custodian for GDRs & ADRs	–	–	–	–	–	–	–	–	–
Grand Total (A+B+C)	1,47,82,778	6,59,142	1,54,41,920	100.00	1,47,93,592	6,48,328	1,54,41,920	100.00	0.00

(ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year (As at 1st April, 2016)			Shareholding at the end of the year (As at 31st March, 2017)			% change in share holding during the year
		No. of Shares	% of total Shares of the Company	% of Shares pledged/ encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares pledged/ encumbered to total shares	
1.	The Raleigh Investment Company Limited	36,20,420	23.45	–	36,20,420	23.45	–	–
2.	Tobacco Manufacturers (India) Limited	12,78,942	8.28	–	12,78,942	8.28	–	–
3.	Rothmans International Enterprises Limited	66,540	0.43	–	66,540	0.43	–	–
	TOTAL	49,65,902	32.16	–	49,65,902	32.16	–	–

(iii) Change in Promoters' Shareholding

	Shareholding at the beginning of the year (As at 1st April, 2016)		Cumulative shareholding during the year 1st April, 2016 to 31st March, 2017	
	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
At the beginning of the year	49,65,902	32.16	49,65,902	32.16
Datewise increase/decrease in promoters share holding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/bonus/sweat equity, etc)	No change			
At the end of the year	49,65,902	32.16	49,65,902	32.16

(iv) Shareholding pattern of top ten shareholders (other than Directors, Promoters and holders of GDRs and ADRs)

Sl. No.	Name	Shareholding at the beginning of the year (As at 1st April, 2016)		Date	Increase/ Decrease in shareholding	Reason	Cumulative shareholding during the year 1st April, 2016 to 31st March, 2017	
		No. of shares	% of total shares of the Company				No. of shares	% of total shares of the Company
1.	Bright Star Investments Private Limited	40,07,118	25.95	–	–	Nil movement	40,07,118	25.95
2.	Matthews India Fund	12,15,704	7.87	02.12.2016	-30,000	Transfer	11,85,704	7.68
3.	HDFC Trustee Company Ltd - A/c HDFC Midcap Opportunities Fund	10,26,998	6.65	20.05.2016 07.10.2016	15,000 702	Transfer Transfer	10,41,998 10,42,700	6.75 6.75
4.	Small Cap World Fund, Inc#	6,20,000	4.02	27.05.2016 03.06.2016 10.06.2016 17.06.2016 24.06.2016	-69,878 -6,032 -8,840 -4,02,457 -1,32,793	Transfer Transfer Transfer Transfer Transfer	5,50,122 5,44,090 5,35,250 1,32,793 –	3.56 3.52 3.47 0.86 –
5.	The New India Assurance Company Limited	2,79,702	1.81	02.12.2016 09.12.2016 16.12.2016 23.12.2016	-500 -4,500 -2,000 -8,000	Transfer Transfer Transfer Transfer	2,79,202 2,74,702 2,72,702 2,64,702	1.81 1.78 1.77 1.71
6.	HDFC Trustee Company Limited A/c HDFC Balanced Fund	2,13,706	1.38	27.05.2016	60,000	Transfer	2,73,706	1.77
7.	The Oriental Insurance Company Limited	1,10,453	0.72	20.05.2016 27.05.2016 24.06.2016 30.06.2016 01.07.2016 08.07.2016 15.07.2016 12.08.2016 19.08.2016 26.08.2016 21.10.2016 28.10.2016 06.01.2017 13.01.2017	-2,462 -414 -4,198 -3,564 -1,432 -4,359 -1,641 -5,055 -4,445 -1,000 -499 -2,417 -8,000 -2,000	Transfer Transfer Transfer Transfer Transfer Transfer Transfer Transfer Transfer Transfer Transfer Transfer Transfer Transfer	1,07,991 1,07,577 1,03,379 99,815 98,383 94,024 92,383 87,328 82,883 81,883 81,384 78,967 70,967 68,967	0.70 0.70 0.67 0.65 0.64 0.61 0.60 0.57 0.54 0.53 0.53 0.51 0.46 0.45

(Contd.)

Shareholding pattern of top ten shareholders (other than Directors, Promoters and holders of GDRs and ADRs) (Contd.)

Sl. No.	Name	Shareholding at the beginning of the year (As at 1st April, 2016)		Date	Increase/ Decrease in shareholding	Reason	Cumulative shareholding during the year 1st April, 2016 to 31st March, 2017	
		No. of shares	% of total shares of the Company				No. of shares	% of total shares of the Company
8.	Matthews Asia Funds - India Fund#	94,660	0.61	08.04.2016	-94,660	Transfer	–	–
9.	IDBI Mutual Fund - Equity Advantage Fund - Operative A/c	79,345	0.51	08.04.2016	1,254	Transfer	80,599	0.52
				15.04.2016	1,513	Transfer	82,112	0.53
				22.04.2016	1,410	Transfer	83,522	0.54
				29.04.2016	720	Transfer	84,242	0.55
				06.05.2016	1,397	Transfer	85,639	0.55
				13.05.2016	700	Transfer	86,339	0.56
				20.05.2016	700	Transfer	87,039	0.56
				10.06.2016	371	Transfer	87,410	0.57
				24.06.2016	2,033	Transfer	89,443	0.58
				30.06.2016	1,370	Transfer	90,813	0.59
				12.08.2016	784	Transfer	91,597	0.59
				02.09.2016	1,705	Transfer	93,302	0.60
				23.09.2016	368	Transfer	93,670	0.61
				30.09.2016	-472	Transfer	93,198	0.60
				21.10.2016	-835	Transfer	92,363	0.60
				28.10.2016	-1,190	Transfer	91,173	0.59
				10.02.2017	2,275	Transfer	93,448	0.61
				03.03.2017	731	Transfer	94,179	0.61
				10.03.2017	1,160	Transfer	95,339	0.62
				24.03.2017	417	Transfer	95,756	0.62
				31.03.2017	692	Transfer	96,448	0.62
10.	Sultan Ahmed A/c. Custodian of Enemy Property	71,756	0.46	–	–	Nil Movement	71,756	0.46
11.	Axis Mutual Fund Trustee Limited A/c Axis Mutual Fund	62,038	0.40	–	–	Nil Movement	62,038	0.40
12.	Matthews Emerging Asia Fund	49,694	0.32	24.03.2017	9,353	Transfer	59,047	0.38
				31.03.2017	609	Transfer	59,656	0.39

Ceased to be in the list of Top 10 shareholders as on 31st March, 2017. The same is reflected above since the shareholder was one of the Top 10 shareholders as on 1st April, 2016.

(v) Shareholding of Directors and Key Managerial Personnel

Sl. No.	For each of the Directors and Key Managerial Personnel	Shareholding at the beginning of the year (As at 1st April, 2016)		Cumulative shareholding during the year 1st April, 2016 to 31st March, 2017	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	DIRECTORS				
1.	Mr. Raymond S. Noronha	–	–	–	–
2.	Mr. S. Thirumalai	25	0.00	25	0.00
3.	Ms. Mubeen Rafat	–	–	–	–
4.	Mr. Ramakrishna V. Addanki	–	–	–	–
	KEY MANAGERIAL PERSONNEL				
1.	Mr. N. Sai Sankar (Managing Director)	–	–	–	–
2.	Mr. Devraj Lahiri (Deputy Managing Director)	–	–	–	–
3.	Mr. Anish Gupta (Chief Financial Officer)	–	–	–	–
4.	Mr. Phani K. Mangipudi (Company Secretary)	–	–	–	–

V. INDEBTEDNESS

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
(i) Principal amount				
(ii) Interest due but not paid				
(iii) Interest accrued but not due				
Total (i+ii+iii)				
Change in indebtedness during the financial year				
• Addition				
• Reduction				
Net change				
Indebtedness at the end of the financial year				
(i) Principal amount				
(ii) Interest due but not paid				
(iii) Interest accrued but not due				
Total (i+ii+iii)				

NIL

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Director and/or Manager

Sl. No.	Particulars of Remuneration	Mr. N.Sai Sankar	Mr. Devraj Lahiri	Total amount
		Managing Director	Deputy Managing Director	
		₹	₹	₹
1.	Gross salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	3,49,97,364	1,21,84,801	4,71,82,165
	(b) Value of perquisites under Section 17(2) of the Income Tax Act, 1961	3,93,004	11,64,386	15,57,390
	(c) Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961	–	–	–
2.	Stock option	–	–	–
3.	Sweat equity	–	–	–
4.	Commission - as % of profit - others	–	–	–
5.	Others (Retirals)	45,67,332	16,83,014	62,50,346
	TOTAL (A)	3,99,57,700	1,50,32,201	5,49,89,901
	Ceiling as per the Act (@ 10% of profits calculated under Section 198 of the Companies Act, 2013)			25,33,70,808

B. Remuneration to other Directors

Sl. No.	Particulars of Remuneration	Name of Directors		Total amount
1.	Independent Directors	Mr. S. Thirumalai	Ms. Mubeen Rafat	
		₹	₹	₹
	Fee for attending board/committee meetings	4,65,000	4,65,000	9,30,000
	Commission	25,50,000	19,50,000	45,00,000
	Others	–	–	–
	TOTAL (1)	30,15,000	24,15,000	54,30,000
2.	Other Non-Executive Directors	Mr. Raymond S. Noronha	Mr. Ramakrishna V. Addanki	
		₹	₹	₹
	Fee for attending board/committee meetings	3,55,000	–	3,55,000
	Commission	50,45,000	–	50,45,000
	Others	–	–	–
	TOTAL (2)	54,00,000	–	54,00,000
	TOTAL (B) = (1+2)	84,15,000	24,15,000	1,08,30,000
	Total managerial remuneration (A+B)			6,58,19,901
	Overall ceiling as per the Act (@ 11% of profits calculated under Section 198 of the Companies Act, 2013)			27,87,07,889

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			Total amount
		Mr. Anish Gupta	Mr. Nitesh Bakshi	Mr. Phani K. Mangipudi	
		CFO	Company Secretary	Company Secretary	
1.	Gross salary	₹	₹	₹	
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	57,58,212	18,66,975	5,68,977	81,94,164
	(b) Value of perquisites under Section 17(2) of the Income Tax Act, 1961	59,759	3,23,988	4,396	3,88,143
	(c) Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961	–	–	–	–
2.	Stock option	–	–	–	–
3.	Sweat equity	–	–	–	–
4.	Commission - as % of profit - others	– –	– –	– –	– –
5.	Others (Retirals)	4,65,367	75,352	31,530	5,72,249
	TOTAL	62,83,338	22,66,315	6,04,903	91,54,556

VII. Penalties/punishment/compounding of offences

Type	Section of the Companies Act	Brief description	Details of penalty/ punishment/ compounding fees imposed	Authority (RD/NCLT/ Court)	Appeal made, if any
A. COMPANY					
Penalty					
Punishment					
Compounding					
B. DIRECTORS					
Penalty					
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty					
Punishment					
Compounding					

NIL

ANNEXURE - F
SECRETARIAL AUDIT REPORT

For the financial year ended 31st March, 2017
[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

The Members
VST Industries Limited
Azamabad
Hyderabad - 500 020

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

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31st March, 2017 ('Audit Period') complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2017 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made there under;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings (Not applicable to the Company during the Audit Period);

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):

(a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

(b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

(c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not applicable to the Company during the Audit Period);

(d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (Not Applicable to the Company during the Audit Period);

(e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not Applicable to the Company during the Audit Period);

(f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

(g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not applicable to the Company during the Audit Period); and

(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not applicable to the Company during the Audit Period).

(vi) I further report that having regard to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof, the Company has complied with the following laws applicable specifically to the Company:

(a) Tobacco Board Act, 1975 and Rules made there under; and

(b) Cigarette and Other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003 and Rules made there under.

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

(i) Secretarial Standards issued by the Institute of Company Secretaries of India; and

(ii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were generally sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings were carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committees of the Board, as the case may be.

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

I further report that during the audit period there were no specific events/actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, guidelines and standards.

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

Pune, 18th April, 2017

ANNEXURE - G

Information under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts), 2014 and forming part of the Directors' Report for the year ended 31st March, 2017.

A. CONSERVATION OF ENERGY

(i) a. Improvement in energy usage by introduction of active harmonic filters;

b. Replacement of existing motors, air-conditioners and water coolers with energy efficient/super efficient systems;

c. Installation of variable frequency drives/closed loop system to optimise energy consumption;

(ii) Conducted energy conservation awareness programme for 435 employees;

(iii) Conducted the yearly energy audit with reputed agencies and reduced 3% of energy consumption;

(iv) Replaced the 20 years old DG sets engines with fuel efficient engines which emit less green house gas.

B. TECHNOLOGY ABSORPTION

(i) Efforts made towards technology absorption:

a. New CRS drier inducted in stem line

i. Benefit - Improved fill value;

b. New Garbuo design silos for lamina, stem, CRS, cut tobacco with servo drives and usage of band conveyors in place of vibratory conveyors

i. Benefit - Minimise spillages & reduction of wastages;

c. Total process automation and plant integration with client server system

i. Benefit - Ease of operation and data capturing, consistency of product quality, manpower reduction;

d. PMD shifting from Azamabad to Toopran successfully carried and commissioned in a record time of 23 days without affecting secondary operations;

e. New plant layout is compact & unidirectional

i. Benefit - Space optimisation, reduction of conveyors & better product visibility;

f. New plant is a PEB structure. The buildings and plant layout is as per green building norms;

g. Abundant natural lighting resulting in zero usage of electrical lighting during day time in the new plant;

h. It is a zero discharge factory incorporated with ETP, STP and rain harvesting pits;

i. As part of green initiative approximately 10,000 saplings of different species planted in the factory premises;

j. Changed over from coal fired to HSD fired boiler in the new plant

i. Benefit - Low emissions and operational ease;

k. Converted one of the GD X2 Packer from Square Pack to Bevelled Edged Pack, to be contemporary in the market.

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

Year	Details of technology imported	Whether absorbed
2014-15	Tobacco leaf - stem and lamina cutting machine	Yes
2015-16	Contemporary cigarette making machine	Yes
2016-17	New CRS drier & silos for PMD at Toopran	Yes

(iii) Expenditure incurred on Research and Development	₹ Lakhs
- On capital account	2.25
- On revenue account	396.47
	398.72
as a % of Gross Turnover	0.17
as a % of Net Turnover	0.42

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

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

	₹ Lakhs
Raw materials	5990.32
Spare parts	35.53
Capital goods	1437.83
Travel, advertisement, etc	76.84
Dividends paid	3476.13
	11016.65
Total foreign exchange earned	
Tobacco	12582.29
	12582.29

BUSINESS RESPONSIBILITY REPORT

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

SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1.	Corporate Identity Number (CIN) of the Company	L29150TG1930PLC000576
2.	Name of the Company	VST Industries Limited
3.	Registered address	1-7-1063/1065, Azamabad, Hyderabad 500 020
4.	Website	www.vsthyd.com
5.	Email ID	investors@vstind.com
6.	Financial Year reported	1st April, 2016 to 31st March, 2017
7.	Sector(s) that the Company is engaged in (industrial activity code-wise)	Manufacturing of cigarettes containing tobacco (12003) & unmanufactured tobacco (46202)
8.	List three key products/services that the Company manufactures/provides (as in balance sheet)	Cigarettes containing tobacco & unmanufactured tobacco
9.	Total number of locations where business activity is undertaken by the Company	a. Number of international locations: Nil b. Number of national locations: VST has its Registered Office and regional office in Hyderabad and its factories at Hyderabad and Toopran. It also has regional offices at Delhi, Mumbai, Kolkata, Chennai and Guwahati.
10.	Markets served by the Company	Local/state/national/international: National & international

SECTION B: FINANCIAL DETAILS OF THE COMPANY

1.	Paid up capital	₹1,54,419,200
2.	Total turnover	₹2,28,239 Lakhs (incl. of Excise Duty)
3.	Total profit after taxes	₹16,721 Lakhs
4.	Total spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	2%
5.	List of activities in which expenditure in 4 above has been incurred	a. Swachh Ghar Mission - Construction of household toilets b. Solar Street Lighting

SECTION C: OTHER DETAILS

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

SECTION D: BR INFORMATION

1.	Details of Directors responsible for BR	The Corporate Social Responsibility Committee comprises of Ms. Mubeen Rafat, Chairperson; Mr. Raymond S. Noronha, Mr. S. Thirumalai, Mr. N. Sai Sankar, and Mr. Devraj Lahiri. The role of Corporate Social Responsibility Committee is as follows: • Identify the areas for carrying out the activities and formulate policy to undertake the same; • Identify the projects, programs for specific area of activity, finalise the budget and earmark the expenditure for each activity and recommend the same to the Board every year; • To determine the location where CSR activities shall be undertaken; • To monitor the progress of the projects/activities from time to time; • To nominate employees who shall be responsible for implementation, execution and monitoring of CSR activities; • To hire wherever required services of external service providers, Non-Governmental Organisations (NGOs), volunteers, professionals, consultants, specialised agencies, etc. if required, to undertake and audit such activities.
2.	The operating principles adopted by the Company supplement the requirements under the National Voluntary Guidelines.	The National Voluntary Guidelines provide for the following nine principles: Principle 1: Ethics, Transparency and Accountability (P1) Principle 2: Products Lifecycle Sustainability (P2) Principle 3: Employees' Well-being (P3) Principle 4: Stakeholder Engagement (P4) Principle 5: Human Rights (P5) Principle 6: Environment (P6) Principle 7: Policy Advocacy (P7) Principle 8: Inclusive Growth (P8) Principle 9: Customer Value (P9)

(Contd.)

Details of compliance (Reply in Yes/No)

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	Do you have a policy/policies for:	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2.	Has the policy being formulated in consultation with the relevant stakeholders?	Yes.								
3.	Does the policy conform to any national/ international standards? If yes, specify?	The policies are aligned to the legal requirements and are also in compliance as per the ISO and Occupational Health and Safety Assessment System.								
4.	Has the policy being approved by the Board? If yes, has it been signed by MD/Owner/CEO/ appropriate Board Director?	The policies are noted by the Board of Directors of the Company. Implementation of policy decision is carried out by the management.								
5.	Does the company have a specified committee of the Board/Director/Official to oversee the implementation of the policy?	The implementation and adherence to the Code of Conduct for employees is overseen by the human resource function. The Corporate Social Responsibility Policy is administered by the CSR Committee in line with requirements of the Companies Act, 2013 and the Environment Health and Safety (EHS) practices are overseen by the management.								
6.	Indicate the link for the policy to be viewed online?	Policies which are internal to the Company are available on the intranet portal of the Company. Other policies are available on the website of the Company: www.vsthyd.com.								
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Yes.								
8.	Does the company have in-house structure to implement the policy/policies?	Yes.								
9.	Does the company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/ policies?	Yes.								
10.	Has the company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	No, your Company has not carried out independent audit of the policies. The Internal Audit team periodically looks at the implementation of the relevant policies.								

3.	Governance related to BR	Business Responsibility Report is applicable for the first time to the Company and is part of the Annual Report. It is also available on the Company's website: www.vsthyd.com. It is proposed to be assessed annually.

SECTION E: PRINCIPLE-WISE PERFORMANCE

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

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

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

There were no complaints from shareholders pending at the beginning of the year. The Company received 23 complaints from shareholders during the year and all complaints have been resolved satisfactorily.

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

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

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

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

Principle 3: Businesses should promote the wellbeing of all employees

1. Please indicate the total number of employees: 772
2. Please indicate the total number of employees hired on temporary/contractual/casual basis: 98
3. Please indicate the number of permanent women employees: 16
4. Please indicate the number of permanent employees with disabilities: Nil
5. Do you have an employee association that is recognized by management: Yes
6. What percentage of your permanent employees is members of this recognized employee association? 57.64%
7. Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year: Nil

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

8. What percentage of your under mentioned employees were given safety & skill upgradation training in the last year?
   a. Permanent employees: 55%
   b. Permanent women employees: Nil
   c. Casual/temporary/contractual employees: 52%
   d. Employees with disabilities: NA

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

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

The Company has supported initiatives towards agriculture & horticulture development, water management & harvesting, training in farming techniques to the farmers etc.

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

Principle 5: Businesses should respect and promote human rights

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

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

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

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

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

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

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

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

(a) All India Management Association

(b) Telangana and Andhra Pradesh Chambers of Commerce and Industry

(c) Confederation of Indian Industry

(d) Tobacco Institute of India

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

Principle 8: Businesses should support inclusive growth and equitable development

Your Company is committed to innovation, building superior technology and dedication to corporate citizenship and sustainability. It has a policy on Corporate Social Responsibility and the focal areas at present being rural sanitation and environmental sustainability.

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

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

There are two consumer cases pending as at the end of the financial year which are being dealt with appropriately before the respective consumer forums and your Company does not find them tenable. For receiving and resolving customer complaints there are adequate systems in place to address them. Customers may register their grievances over the dedicated helpline. Your Company adheres to all applicable laws and regulations on product labelling.

INDEPENDENT AUDITORS' REPORT

To the Members of
VST Industries Limited

Report on the Financial Statements

We have audited the accompanying financial statements of VST Industries Limited ('the Company'), which comprise the Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (herein after referred to as the 'financial statements').

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation and presentation 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and the 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 auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2017 and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

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

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

(c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;

(d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

(e) On the basis of written representations received from the Directors as on 31st March, 2017 and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2017, from being appointed as a director in terms of Section 164(2) of the Act;

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B"; and

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

i) The Company has disclosed the impact of pending litigations as at 31st March, 2017 on its financial position in Note 6 and 32 to the financial statements;

ii) The Company has long-term contracts including derivative contracts comprising of forward contracts as at 31st March, 2017 for which there were no material foreseeable losses;

iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended 31st March, 2017; and

iv) The Company has provided requisite disclosure in the Note 16 to the financial statements as to the holdings as well as dealings in Specified Bank Notes during the period 8th November, 2016 to 30th December, 2016 which are in accordance with the books of account maintained by the Company.

For B S R & ASSOCIATES LLP
Chartered Accountants
ICAI Firm Registration Number: 116231W/W-100024

SRIRAM MAHALINGAM
Partner
Membership Number: 049642

Hyderabad
18th April 2017

ANNEXURE A TO INDEPENDENT AUDITORS' REPORT

The Annexure-A referred to in the Independent Auditors' Report of even date, on the Financial Statements, to the Members of VST Industries Limited ('the Company') for the year ended 31st March, 2017. We report that:

i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies have been noticed on such verification.

(c) According to the information and explanations given to us and on the basis of our examination of records of the Company, the title deeds of immovable properties, as disclosed in Note 8 on fixed assets to the financial statements, are held in the name of the Company.

ii. The inventories have been physically verified by the management during the year at reasonable intervals. In our opinion, the frequency of such verification is reasonable. The discrepancies noticed on verification between the physical stocks and the book records were not material.

iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnership or other parties covered in the register maintained under Section 189 of the Companies Act, 2013 ('the Act'). Accordingly, paragraph 3 (iii) of the Order is not applicable to the Company.

iv. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Sections 185 and 186. Accordingly, paragraph 3(iv) of the Order is not applicable to the Company.

v. The Company has not accepted any deposits from the public in accordance with provisions of Sections 73 to 76 of the Act and the Rules framed thereunder.

vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company. Accordingly, paragraph 3(vi) of the Order is not applicable to the Company.

vii. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident fund, Employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities.

According to the information and explanations given to us and on the basis of our examination of the records of the Company, no undisputed amounts payable in respect of Provident fund, Employees' state insurance, income-tax, sales tax, service tax, duty of customs, duty of excise, value added tax, and other material statutory dues were in arrears as at 31st March, 2017 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, there are no dues of sales tax, duty of customs, duty of excise and value added tax which have not been deposited with appropriate authorities on account any dispute. According to the information and explanations given to us, the following dues of income tax and service tax have not been deposited by the Company on account of disputes:

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	Service tax credit ineligibility under Cenvat Credit Rules, 2002	313.01	May 2008 to September 2014	Customs, Excise & Service Tax Appellate Tribunal
The Income Tax Act, 1961	Income Tax	373.16 (net of pre-deposit of 65.90)	Financial year 2008-09	Commissioner of Income Tax (Appeals)

viii. The Company does not have any loans or borrowings from any financial institution or bank or government nor has it issued any debentures during the year. Accordingly, paragraph 3(viii) of the Order is not applicable to the Company.

ix. The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable to the Company.

x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the management.

xi. According to the information and explanations given to us and based on our examination of the records on the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable to the Company.

xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act where applicable and details of such related party transactions have been disclosed in the Financial Statements as required by under Accounting Standard 18, Related Party Disclosures specified under Section 133 of the Act, read with Rules 7 of the Companies (Accounts) Rules, 2014.

xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable to the Company.

xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with its Directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable to the Company.

xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable to the Company.

For B S R & ASSOCIATES LLP
Chartered Accountants
ICAI Firm Registration Number: 116231W/W-100024

SRIRAM MAHALINGAM
Partner
Membership Number: 049642

Hyderabad
18th April 2017

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

We have audited the internal financial controls over financial reporting of VST Industries Limited ('the Company') as of 31st March, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

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

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

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

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that:

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

For B S R & ASSOCIATES LLP
Chartered Accountants
ICAI Firm Registration Number: 116231W/W-100024

SRIRAM MAHALINGAM
Partner
Membership Number: 049642

Hyderabad
18th April 2017

BALANCE SHEET AS AT 31ST MARCH, 2017

₹ in Lakhs

	Notes		2017		2016
I. EQUITY AND LIABILITIES					
1. Shareholders' Funds					
(a) Share Capital	2	1544.19		1544.19	
(b) Reserves and Surplus	3	52163.07	53707.26	35499.18	37043.37
2. Non-Current Liabilities					
(a) Long-Term Provisions	4		1091.05		927.56
3. Current Liabilities					
(a) Trade Payables					
(i) Total outstanding dues of micro enterprises and small enterprises	5A	5.36		164.82	
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	5B	5593.65		6290.70	
(b) Other Current Liabilities	6	19177.62		25263.30	
(c) Short-Term Provisions	7	–	24776.63	13009.87	44728.69
TOTAL			79574.94		82699.62
II. ASSETS					
1. Non-Current Assets					
(a) Fixed Assets					
(i) Tangible Assets	8A	21996.92		17393.90	
(ii) Intangible Assets	8B	4.12		7.03	
(iii) Capital Work-in-Progress		81.90	22082.94	4067.54	21468.47
(b) Non-Current Investments	9		225.57		225.57
(c) Deferred Tax Assets (Net)	10		2188.68		2076.33
(d) Long-Term Loans and Advances	11		414.83		514.53
(e) Other Non-Current Assets	12		1.77		1.30
2. Current Assets					
(a) Current Investments	13	17000.00		15996.00	
(b) Inventories	14	32931.02		37703.65	
(c) Trade Receivables	15	1204.13		1237.54	
(d) Cash and Bank Balances	16	1994.16		2123.40	
(e) Short-Term Loans and Advances	17	1500.48		1280.74	
(f) Other Current Assets	18	31.36	54661.15	72.09	58413.42
TOTAL			79574.94		82699.62

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

SRIRAM MAHALINGAM
Partner
Membership No. 049642

Hyderabad, 18th April, 2017.

On behalf of the Board,

R. S. NORONHA — Chairman
DIN: 00012620

N. SAI SANKAR — Managing Director
DIN: 00010270

ANISH GUPTA — Chief Financial Officer

PHANI K. MANGIPUDI — Company Secretary

Hyderabad, 18th April, 2017.

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2017

VST Industries Limited

₹ in Lakhs

		Notes	2017	2016
I.	**Revenue from operations**			
	Sales (Gross)	19	228238.95	205877.72
	Less: Excise Duty		133827.06	117984.42
	Sales (Net)		94411.89	87893.30
	Other Operating Income	20	406.13	421.62
			94818.02	88314.92
II.	**Other Income**	21	3755.04	2019.76
III.	**Total Revenue (I+II)**		98573.06	90334.68
IV.	**Expenses**			
	Cost of Materials Consumed	22	46846.97	43837.67
	Changes in Inventories of Finished Goods and Work-in-Progress	23	(11.20)	(305.92)
	Employee Benefits Expense	24	9127.83	8035.23
	Depreciation and Amortisation Expense	8	3691.79	3102.23
	Other Expenses	25	14238.79	13007.60
	Total Expenses		73894.18	67676.81
V.	**Profit before Tax Expense (III-IV)**		24678.88	22657.87
VI.	**Tax Expense**			
	Current tax	26	8070.34	8022.43
	Deferred tax		(112.35)	(675.78)
			7957.99	7346.65
VII.	**Profit after Tax Expense (V-VI)**		16720.89	15311.22
	Basic and diluted Earnings per Share (Face Value ₹10 each) ₹	27	108.28	99.15

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

SRIRAM MAHALINGAM
Partner
Membership No. 049642

Hyderabad, 18th April, 2017.

On behalf of the Board,

R. S. NORONHA — Chairman
DIN: 00012620

N. SAI SANKAR — Managing Director
DIN: 00010270

ANISH GUPTA — Chief Financial Officer

PHANI K. MANGIPUDI — Company Secretary

Hyderabad, 18th April, 2017.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2017

₹ in Lakhs

		2017	2016
A.	**Cash flow from operating activities**		
	Profit Before Tax Expense	24678.88	22657.87
	Adjustments:		
	Depreciation and Amortisation Expense	3691.79	3102.23
	Profit on Sale of Fixed Assets (Net)	(2.16)	(58.86)
	Unrealised Loss on Exchange (Net)	8.75	1.34
	Interest on Loans and Deposits, etc.	(5.84)	(1.53)
	Dividend Income from - Long-Term Investments	(3.77)	(2.81)
	Profit on sale of Investments (Net)	(3662.54)	(1863.36)
	Operating Profit before Working Capital changes	24705.11	23834.88
	Adjustments for Movement in Working Capital:		
	Trade Receivables, Loans & Advances and Other Assets	(46.57)	528.32
	Inventories	4772.63	(1096.75)
	Trade Payables, Other Liabilities and Provisions	(7278.72)	(3546.37)
	Cash generated from operations	22152.45	19720.08
	Direct Taxes Paid (Net)	(7836.85)	(6507.62)
	Net cash from operating activities	14315.60	13212.46
B.	**Cash flow from investing activities**		
	Purchase of Fixed Assets, Capital Work-in-Progress and Capital Advances	(4211.40)	(5247.58)
	Sale of Fixed Assets	19.54	80.68
	Purchase of Current Investments	(234840.00)	(246457.38)
	Sale/Redemption of Current Investments	237498.54	249224.74
	Dividend Income from - Long-Term Investments	3.77	2.81
	Interest on Loans and Deposits, etc.	6.35	1.70
	Net cash from/(used in) investing activities	(1523.20)	(2395.03)
C.	**Cash flow from financing activities**		
	Dividends (including tax thereon) paid on Ordinary Shares	(13009.87)	(13009.87)
	Net cash used in financing activities	(13009.87)	(13009.87)
	Net Increase/(Decrease) in cash and cash equivalents	(217.47)	(2192.44)
	Opening cash and cash equivalents	1409.56	3602.00
	Closing cash and cash equivalents	1192.09	1409.56

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

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

SRIRAM MAHALINGAM
Partner
Membership No. 049642

Hyderabad, 18th April, 2017.

On behalf of the Board,

R. S. NORONHA — Chairman
DIN: 00012620

N. SAI SANKAR — Managing Director
DIN: 00010270

ANISH GUPTA — Chief Financial Officer

PHANI K. MANGIPUDI — Company Secretary

Hyderabad, 18th April, 2017.

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 specified under Section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies (Accounts) Rules, 2014 and the other 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 straight line basis at the rates determined based on estimated useful life of assets. The useful life of the assets are periodically reviewed and re-determined based on a technical evaluation and expected use and the unamortised depreciable amount is charged over the remaining useful life of such assets. In certain cases, the useful life of assets so determined being different from the useful life as prescribed under Part C of Schedule II of the Companies Act, 2013, are given below:

Buildings on Freehold Land	- 20 years
Buildings on Leasehold Land	- 20 years
Motor Vehicles	- 4 years

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	- 20 years
Computer software	- 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.

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.

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.

INVESTMENTS

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

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. Gross Sales are inclusive of excise duty. Net Sales are stated after deducting such 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.

Profit on sale of investment is recorded on disposal and is determined as difference between the sale price and carrying value of the investment.

EMPLOYEE BENEFITS

Contribution to various recognised provident funds, approved pension and gratuity funds and contributions to other retiral benefits are charged to revenue. Liabilities for retiral benefits which are in the nature of defined benefit schemes are determined on the basis of actuarial valuation as per the requirements of Accounting Standard 15 on "Employee Benefits" as at the end of the accounting period. Actuarial gains or losses arising during the year are recognised in the statement of profit and loss. Payments under Voluntary Retirement Scheme are charged to revenue on accrual basis in the year in which they become due for payment.

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.

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.

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.

The Company adopted Accounting Standard 30 on "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 & 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.

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.

₹ in Lakhs

		2017		2016
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
		10000.00		10000.00
	(b) ISSUED AND SUBSCRIBED			
	1,54,41,920 Ordinary Shares of ₹10 each fully paid up	1544.19		1544.19
	(c) There was no movement in number of Ordinary Shares during the year.			
	(d) Details of shareholders holding more than 5% of Ordinary Shares:			

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
Mathews India Fund	11.86	7.68	12.16	7.87
HDFC Trustee Company Limited A/c HDFC Midcap Opportunities Fund	10.43	6.75	10.27	6.65

(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		265.28		265.28
	GENERAL RESERVE				
	As at the commencement of the year	21567.15		20042.15	
	Add: Transfer from surplus balance in the Statement of Profit and Loss	835.00	22402.15	1525.00	21567.15
	CASH FLOW HEDGE RESERVE				
	As at the commencement of the year	71.58		58.35	
	Add: Movement during the year (Net)	(57.00)	14.58	13.23	71.58
	SURPLUS IN THE STATEMENT OF PROFIT AND LOSS				
	As at the commencement of the year	12594.92		11757.28	
	Add: Profit after Tax Expense for the year	16720.89		15311.22	
	Profit available for appropriation	29315.81		27068.50	
	Less: Appropriations				
	Transfer to General Reserve	835.00		1525.00	
	Dividend on Ordinary Shares for the year - Final (Proposed)	–		10809.34	
	Dividend Tax thereon (Net)	–	28480.81	2139.24	12594.92
			52163.07		35499.18

₹ in Lakhs

		2017	2016
4.	**LONG-TERM PROVISIONS**		
	Provision for Employee Benefits		
	- Retirement Benefits (Refer Note 35)	1091.05	927.56
		1091.05	927.56
5.	**TRADE PAYABLES**		
	Payables for Goods and Services		
	A. Total outstanding dues of micro enterprises and small enterprises (Refer Note 30)	5.36	164.82
	B. Total outstanding dues of creditors other than micro enterprises and small enterprises	5593.65	6290.70
		5599.01	6455.52
6.	**OTHER CURRENT LIABILITIES**		
	Advances from Customers	1743.95	8915.31
	Liability under State and Central Acts, etc.	16429.30	15170.69
	Unpaid/Unclaimed Dividends	801.89	713.66
	Preference Share Redemption Account	0.18	0.18
	Security Deposits	3.10	3.10
	Other Liabilities	199.20	460.36
		19177.62	25263.30
	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 ₹13927.52 Lakhs (2016 - ₹13033.22 Lakhs) relating to tax 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*	–	10809.34
	Dividend Tax thereon	–	2200.53
		–	13009.87
	*An amount of ₹75 (2016 - ₹70) per Ordinary Share is proposed to be declared as dividend for the year.		
	The amount of proposed dividend including tax thereon for financial year 2016-17 shall be provided for in the books of accounts upon approval by the shareholders' at the ensuing Annual General Meeting in accordance with Companies (Accounting Standards) Amendment Rules, 2016.		

8. FIXED ASSETS

₹ in Lakhs

	Gross Block				Accumulated Depreciation & Amortisation				Net Block	
	Cost/ Revaluation as at 1st April, 2016	Additions	Disposals	Balance as at 31st March, 2017	Balance as at 1st April, 2016	Depreciation for the year	Adjustment on Disposals	Balance as at 31st March, 2017	Balance as at 31st March, 2017	Balance as at 31st March, 2016
A. Tangible Assets										
Land	1312.46	412.34	–	1724.80	–	–	–	–	1724.80	1312.46
Buildings on Freehold Land	1138.87	2010.38	3.64	3145.61	608.39	108.94	3.64	713.69	2431.92	530.48
Buildings on Leasehold Land	1222.87	–	–	1222.87	1188.46	4.08	–	1192.54	30.33	34.41
Plant & Equipment	38987.83	4951.69	–	43939.52	23925.22	3387.18	–	27312.40	16627.12	15062.61
Electrical Installation & Equipments	–	779.98	–	779.98	–	42.29	–	42.29	737.69	–
Furniture & Fixtures	497.96	28.67	5.90	520.73	396.96	18.68	5.90	409.74	110.99	101.00
Motor Vehicle	367.29	32.49	95.73	304.05	127.29	82.29	78.35	131.23	172.82	240.00
Office Equipment	430.80	93.73	7.83	516.70	317.86	45.42	7.83	355.45	161.25	112.94
Total Tangible Assets	43958.08	8309.28	113.10	52154.26	26564.18	3688.88	95.72	30157.34	21996.92	17393.90
B. Intangible Assets										
Goodwill & Trade Marks	5.81	–	–	5.81	5.81	–	–	5.81	–	–
Computer Software	63.44	–	–	63.44	56.41	2.91	–	59.32	4.12	7.03
Time Share Rights	172.00	–	–	172.00	172.00	–	–	172.00	–	–
Total Intangible Assets	241.25	–	–	241.25	234.22	2.91	–	237.13	4.12	7.03
Per Balance Sheet 31st March, 2017	44199.33	8309.28	113.10	52395.51	26798.40	3691.79	95.72	30394.47	22001.04	17400.93
Per Balance Sheet 31st March, 2016	43676.60	747.58	224.85	44199.33	23899.19	3102.23	203.02	26798.40		

₹ in Lakhs

		2017	2016
9.	**NON-CURRENT INVESTMENTS**		
	Other than Trade - at cost		
	Investment in Equity Instruments		
	QUOTED		
	Duncan Industries Limited		
	184 Equity Shares of ₹10 each fully paid up	0.04	0.04
	Godfrey Phillips India Limited		
	1,000 Equity Shares of ₹2 each fully paid up	0.01	0.01
	Golden Tobacco 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
		0.19	0.19
	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)		
	CREF Finance Limited		
	50,00,000 Equity Shares of ₹10 each fully paid up		
	ITC Agrotech Finance and Investments Limited		
	23,82,500 Equity Shares of ₹10 each fully paid up		
		220.38	220.38
	Investment in Government/Trust Securities		
	National Savings Certificate cost ₹500 (Previous Year - ₹500)		
	Lodged with Government Authority		
	Investment in Mutual Funds		
	HDFC - Top 200 Fund		
	50,000 units of ₹10 each fully paid up	5.00	5.00
		5.00	5.00
	Total of Non-Current Investments	225.57	225.57
	Aggregate amount of Quoted Investments	0.19	0.19
	[Market Value - ₹137.57 Lakhs (Previous Year - ₹105.02 Lakhs)]		
	Aggregate amount of Other Investments	225.38	225.38

₹ in Lakhs

	2017	2016
10. DEFERRED TAX ASSET - NET		
Deferred tax asset		
On employees' separation and retirement	574.69	266.56
On State and Central Taxes, etc.	3063.05	2895.28
On other timing differences	40.90	40.90
	3678.64	3202.74
Deferred tax liability		
On fiscal allowances on fixed assets	1489.96	1126.41
	2188.68	2076.33
11. LONG-TERM LOANS AND ADVANCES		
(Considered Good)		
Secured		
Loans to Employees	16.49	24.17
Unsecured		
Capital Advances	320.22	432.46
Security Deposits	51.12	43.34
Advances recoverable in cash or in kind or for value to be received	27.00	14.56
	414.83	514.53
12. OTHER NON-CURRENT ASSETS		
(Unsecured, Considered Good)		
Balances with Banks		
- On Term Deposits with original maturity of more than 12 months	1.77	1.30
Lodged with Government Authorities		
	1.77	1.30

₹ in Lakhs

	2017	2016
13. CURRENT INVESTMENTS		
Other than Trade and Unquoted - at lower of cost and fair value		
Investment in Mutual Funds		
Birla Sun Life Savings Fund - Direct Plan - Growth		
7,89,632 (2016 - 4,28,672) units of ₹100 each fully paid up	2500.00	1000.00
Birla Sun Life Cash Plus - Direct Plan - Growth		
3,25,412 (2016 - 4,42,523) units of ₹100 each fully paid up	850.00	1071.00
Birla Sun Life Treasury Optimizer Plan - Direct Plan - Growth		
Nil (2016 - 5,77,688) units of ₹100 each fully paid up	–	1000.00
DSP BlackRock Liquidity Fund - Direct Plan - Growth		
43,016 (2016 - 23,094) units of ₹1,000 each fully paid up	1000.00	500.00
HDFC Liquid Fund - Direct Plan - Growth		
42,089 (2016 - 1,01,777) units of ₹1,000 each fully paid up	1350.00	3033.00
HDFC Floating Rate Income Fund - STP - Direct Plan - Wholesale Growth Option		
72,28,970 (2016 - Nil) units of ₹10 each fully paid up	2000.00	–
ICICI Prudential Flexible Income - Direct Plan - Growth		
8,14,584 (2016 - 6,41,718) units of ₹100 each fully paid up	2500.00	1500.00
ICICI Prudential Liquid Fund - Direct Plan - Growth		
3,53,258 (2016 - 4,49,180) units of ₹100 each fully paid up	850.00	1005.00
ICICI Prudential Flexible Income - Regular Plan - Growth		
Nil (2016 - 2,91,998) units of ₹100 each fully paid up	–	500.00
IDFC Cash Fund - Direct Plan - Growth		
50,637 (2016 - Nil) units of ₹1,000 each fully paid up	1000.00	–
Reliance Money Manager Fund - Direct Plan - Growth		
1,12,224 (2016 - 77,075) units of ₹1,000 each fully paid up	2500.00	1300.00
Reliance Liquid Fund - Treasury Plan - Direct Plan - Growth		
21,434 (2016 - 19,275) units of ₹1,000 each fully paid up	850.00	707.00
Reliance Money Manager Fund - Growth		
Nil (2016 - 52,301) units of ₹1,000 each fully paid up	–	700.00
Reliance Liquid Fund - Cash Fund - Direct Plan - Growth		
Nil (2016 - 14,332) units of ₹1,000 each fully paid up	–	350.00
SBI Premier Liquid Fund - Direct Plan - Growth		
62,713 (2016 - 1,19,287) units of ₹1,000 each fully paid up	1600.00	2830.00
UTI Treasury Advantage Fund - Institutional Plan - Direct Plan - Growth		
Nil (2016 - 31,649) units of ₹1,000 each fully paid up	–	500.00
Total of Current Investments	17000.00	15996.00
Aggregate amount of Unquoted Investments	17000.00	15996.00

₹ in Lakhs

	2017	2016
14. INVENTORIES		
(At lower of cost and net realisable value)		
Stores and Spares	104.37	77.99
Raw Materials including packing materials	21338.53	23726.69
Finished Goods	10426.56	13466.34
Work-in-Progress	1061.56	432.63
	32931.02	37703.65
15. TRADE RECEIVABLES		
(Unsecured, Considered Good)		
Receivables outstanding for a period not exceeding six months from the date they are due for payment	1204.13	1237.54
	1204.13	1237.54
16. CASH AND BANK BALANCES		
Cash and cash equivalents		
Cash including cheques on hand	0.74	1.03
Balances with Banks		
- On Current Accounts	1191.35	1408.53
	1192.09	1409.56
Other Bank Balances*		
- On Unclaimed Ordinary Dividend Account	801.89	713.66
- On Preference Share Redemption Account	0.18	0.18
	1994.16	2123.40

* The Company can utilise these balances only towards settlement of respective liabilities.

Details of Specified Bank Notes (SBN) held and transacted during the period 8th November, 2016 to 30th December, 2016 in accordance with notification G.S.R. 308(E) dated 30th March, 2017 is provided below:

(In ₹)

Particulars	SBNs	Other denominations	Total
Closing cash in hand as on 8th November, 2016	1,34,500	1,35,707	2,70,207
(+) Permitted receipts	–	7,55,995	7,55,995
(-) Permitted payments	44,000	6,63,107	7,07,107
(-) Amount deposited in Banks	90,500	18,904	1,09,404
Closing cash in hand as on 30th December, 2016	–	2,09,621	2,09,621

₹ in Lakhs

	2017	2016
17. SHORT-TERM LOANS AND ADVANCES		
(Considered Good)		
Secured		
Loans to Employees	2.93	3.14
Unsecured		
Loans to Employees	0.18	0.18
Advances recoverable in cash or in kind or for value to be received	210.02	447.94
Prepaid Expenses	193.91	210.22
Taxation (Net of provision)	170.45	(7.68)
Balance with Statutory/Government Authorities	922.99	626.94
	1500.48	1280.74
18. OTHER CURRENT ASSETS		
(Unsecured, Considered Good)		
Interest accrued on Loans, Deposits and Investments		0.51
Others	31.36	71.58
	31.36	72.09
19. REVENUE FROM OPERATIONS		
Particulars in respect of sales (Gross)		
Cigarettes	200840.66	178730.86
Unmanufactured Tobacco	27398.29	27146.86
	228238.95	205877.72
20. OTHER OPERATING INCOME		
Scrap Sales	118.75	100.74
Other receipts	287.38	320.88
	406.13	421.62
21. OTHER INCOME		
Interest on Loans and Deposits, etc.	5.84	1.53
Dividend Income from - Long-Term Investments	3.77	2.81
Profit on sale of Investments (Net)	3662.54	1863.36
Profit on Fixed Assets sold and discarded (Net)	2.16	58.86
Miscellaneous Income	80.73	93.20
	3755.04	2019.76

₹ in Lakhs

			2017		2016
22.	**COST OF MATERIALS CONSUMED**				
	(a) Raw Materials Consumed*				
	Opening Stock		23726.69		22570.64
	Purchases		44458.81		44993.72
			68185.50		67564.36
	Less : Closing Stock		21338.53		23726.69
			46846.97		43837.67
	(b) Details of Raw Materials Consumed*				
	Unmanufactured Tobacco		32965.88		31968.91
	Board		62.84		130.39
	Hinge Lid Packs		3416.62		3384.09
	Cigarette Paper		323.72		320.60
	Foil/Metalised Paper		647.89		646.18
	Filter Rods		6841.78		5334.33
	Others		2588.24		2053.17
			46846.97		43837.67
	Unmanufactured Tobacco Consumed includes cost of unmanufactured tobacco sold - Value ₹23696.78 Lakhs (2016 - ₹23791.80 Lakhs).				
	* Includes Packing Material				
23.	**CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS**				
	(a) (Increase)/Decrease in Finished Goods				
	Opening Stock	13466.34		13592.06	
	Closing Stock	10426.56	3039.78	13466.34	125.72
	(b) Increase/(Decrease) in Excise Duties on Finished Goods				
	Opening Stock	11155.18		11516.57	
	Closing Stock	8733.13	(2422.05)	11155.18	(361.39)
	(c) (Increase)/Decrease in Work-in-Progress				
	Opening	432.63		362.38	
	Closing	1061.56	(628.93)	432.63	(70.25)
			(11.20)		(305.92)
24.	**EMPLOYEE BENEFITS EXPENSE**				
	Salaries, Wages and Bonus*		7788.51		6669.93
	Contributions to Provident, Gratuity and Other Retiral Funds		934.37		1021.35
	Workmen and Staff Welfare Expenses		404.95		343.95
			9127.83		8035.23
	*Includes ₹793.50 Lakhs (2016 - ₹191.00 Lakhs) incurred under employee seperation scheme				

₹ in Lakhs

		2017	2016
25.	**OTHER EXPENSES**		
	Insurance	161.28	156.18
	Consumption of Stores and Spares	444.23	382.14
	Power and Fuel	714.01	528.42
	Rent	338.26	329.06
	Repairs - Buildings	10.20	27.08
	- Machinery	78.74	71.54
	- Others	34.45	88.95
	Rates and Taxes	2493.53	2135.49
	Outward Freight	1345.01	1357.91
	Sales Promotion/Advertising	3531.91	3812.38
	Distribution Expenses	1216.64	936.07
	Loss on Exchange (Net)	29.81	1.91
	Miscellaneous	3239.22	2606.69
	Payment to Auditors (See details below)	39.51	41.65
	Corporate Social Responsibility (Refer Note 31)	453.69	425.73
	Directors' Sitting Fees & Commission	108.30	106.40
		14238.79	13007.60
	Payment to Auditors		
	Audit fees	27.00	30.00
	Tax Audit fees	2.00	2.00
	Limited Reviews	6.00	6.00
	Fees for certification	2.25	3.00
	Reimbursement of expenses	2.26	0.65
		39.51	41.65
26.	Current Tax includes ₹219.67 Lakhs (2016 - ₹436.57 Lakhs - refund) towards prior year tax.		
27.	**EARNINGS PER SHARE**		
	Earnings per Share is computed as under:		
	(a) Profit after Tax Expense (₹ in Lakhs)	16720.89	15311.22
	(b) Weighted average number of Ordinary Shares	1,54,41,920	1,54,41,920
	(c) Basic Earnings Per Share (Face Value per Share - ₹10) ₹	108.28	99.15
	(d) Diluted Earnings Per Share (Face Value per Share - ₹10) ₹	108.28	99.15

₹ in Lakhs

	2017	2016
28. 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	215656.66	187213.20
(b) Sales outside India	12582.29	18664.52
	228238.95	205877.72
The entire activity pertaining to sales outside India is carried out from India, hence all segment assets are considered entirely to be in India.		
29. RELATED PARTY TRANSACTIONS DURING THE YEAR		
(a) Company having significant influence		
British American Tobacco Group		
Dividends paid, to		
• The Raleigh Investment Company Limited	2534.29	2534.29
• Tobacco Manufacturers (India) Limited	895.26	895.26
• Rothmans International Enterprises Limited	46.58	46.58
(b) Remuneration to Key Managerial Personnel		
Mr. N. Sai Sankar	399.58	369.84
Mr. Devraj Lahiri	150.32	137.03
30. DUE TO MICRO AND SMALL ENTERPRISES		
The Company has certain dues to suppliers registered under Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'). The disclosures pursuant to the said MSMED Act are as under:		
(a) Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end	5.36	164.82
(b) Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end	–	–
(c) Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	–	–
(d) Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	–	–
(e) Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	–	–
(f) Interest due and payable towards suppliers registered under MSMED Act, for payments already made	–	–
(g) Further interest remaining due and payable for earlier years	–	–
This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.		

₹ in Lakhs

	2017	2016
31. CORPORATE SOCIAL RESPONSIBILITY EXPENDITURE		
On Capital account	–	–
On Revenue account	453.69	425.73
	453.69	425.73
All the above amounts have been incurred and paid in respective financial years.		

32. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Contingent Liabilities

Claims against the Company not acknowledged as debts ₹498.38 Lakhs (2016 - ₹234.22 Lakhs).

These comprise -

(i) Tax demands disputed by the Company relating to disallowances/additions of fiscal benefits, pending before various judicial forums, aggregating to ₹494.13 Lakhs (2016 - ₹229.97 Lakhs).

(ii) Other matters relating to Labour cases, etc. aggregating to ₹4.25 Lakhs (2016 - ₹4.25 Lakhs).

(b) Commitments

Estimated amount of contracts remaining to be executed on Capital Account (not provided for) - ₹5198.96 Lakhs (2016 - ₹3248.41 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 25. All these agreements are cancellable in nature.

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

		31.03.2017		31.03.2016	
Currency Pair	Currency	Buy	Sell	Buy	Sell
USD/INR	INR	–	177.30	–	2444.66

(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

		31.03.2017		31.03.2016	
Currency Pair	Currency	Buy	Sell	Buy	Sell
USD/INR	INR	17.60	731.07	215.84	714.42
EUR/INR	INR	4.81	–	5.76	–
GBP/INR	INR	22.91	–	–	–

(c) Hedges of highly probable forecasted transactions

Foreign exchange forward contracts that are designated as cash flow hedges and qualify for hedge accounting are fair valued at each reporting date and the resultant gain or loss is recognised directly in Shareholders' Funds under 'Cash Flow Hedge Reserve Account' to the extent considered highly effective and are reclassified into the statement of profit & loss upon occurrence of the hedged transactions. Gain or loss on derivative instruments that are either not designated as cash flow hedges or designated as cash flow hedges to the extent considered ineffective is recognised in the statement of profit and loss.

In respect of the aforesaid hedges of highly probable forecasted transactions the Company has recorded, in Shareholders Funds under Cash Flow Hedge Reserve Account, a net gain/(loss) of ₹(57.00) Lakhs (2016 - ₹13.23 Lakhs). The Company also recorded a net gain/(loss) of ₹164.65 Lakhs (2016 - ₹61.62 Lakhs) in the statement of profit & loss against the hedged item.

The net carrying amount on Company's 'Cash Flow Hedge Reserve Account' as at 31st March, 2017 was a gain of ₹14.58 Lakhs (2016 - ₹71.58 Lakhs).

35. 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 ₹262.83 Lakhs (2016 - ₹267.54 Lakhs).

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

		2017	2016
Central Government Securities	(%)	32.9	39.0
State Government Securities	(%)	35.9	31.7
High Quality Corporate Bonds	(%)	29.2	27.9
Equity Instruments	(%)	1.9	1.1
Cash and cash equivalent	(%)	0.1	0.3

(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 at their option to either National Pension Scheme of the Government of India and/or to an approved Superannuation Fund. In case of the later, the contributions are administered by the Company's own Trust which has subscribed to the 'Group Pension Scheme' of Life Insurance Corporation of India. The Company's contributions are charged to revenue in the period they are incurred ₹117.74 Lakhs (2016 - ₹109.39 Lakhs).

In addition to the above, the Company has a funded defined benefit pension scheme for its employees in the workmen category. Liability with regard to such defined benefit plan are determined by actuarial valuation and are charged to revenue in the period determined. This plan is also 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.

(v) Retirement Allowance

The Company has an unfunded defined benefit retirement allowance scheme for its employees in the workmen category. Liability with regard to such scheme is determined by actuarial valuation and charged to revenue in the period determined ₹427.84 Lakhs (2016 - ₹327.55 Lakhs). Consequently, liability recognised in the Balance Sheet as at 31st March, 2017 is ₹1026.58 Lakhs (2016 - ₹770.22 Lakhs).

(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	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Projected benefit obligation at the beginning of the year	3412.29	3150.68	107.36	119.21	676.82	583.63
Current Service Cost	233.42	161.46	6.46	6.51	50.96	47.91
Interest cost	225.53	220.31	6.85	8.09	45.00	36.67
Actuarial (Gain)/Loss	128.79	306.17	(2.49)	(3.87)	96.75	198.06
Less: Benefits Paid	380.85	426.33	18.92	22.58	67.97	189.45
Past Service Cost	–	–	–	–	–	–
Projected benefit obligation at the end of the year	3619.18	3412.29	99.26	107.36	801.56	676.82
Fair value of Plan Assets at the beginning of the year	3287.10	3126.78	142.22	152.16	644.67	562.79
Expected return on plan assets	240.69	240.52	9.66	11.04	49.39	45.28
Actuarial Gain/(Loss)	62.72	32.23	0.98	1.60	2.68	6.22
Employer Contributions	380.19	313.90	–	–	132.15	85.84
Less: Benefits Paid	380.85	426.33	18.92	22.58	62.47	55.46
Fair value of Plan Assets at the end of the year	3589.85	3287.10	133.94	142.22	766.42	644.67
Amounts recognised in the Balance Sheet						
Projected benefit obligation at the end of the year	3619.18	3412.29	99.26	107.36	801.56	676.82
Fair value of plan assets at end of the year	3589.85	3287.10	133.94	142.22	766.42	644.67
Asset/(Liability) recognised in the Balance Sheet	(29.33)	(125.19)	34.68	34.86	(35.14)	(32.15)
Cost of Retirement and Other Benefits for the year						
Current Service cost	233.42	161.46	6.46	6.51	50.96	47.91
Interest Cost	225.53	220.31	6.85	8.09	45.00	36.67
Expected return on plan assets	(240.69)	(240.52)	(9.66)	(11.04)	(49.39)	(45.28)
Net actuarial (Gain)/Loss recognised in the year	66.07	273.94	(3.47)	(5.47)	94.07	191.84
Past Service Cost	–	–	–	–	–	–
Net Cost recognised in the Statement of Profit and Loss	284.33	415.19	0.18	(1.91)	140.64	231.14
Actuarial Assumptions						
Discount Rate (%)	7.00	7.50	7.00	7.50	7.00	7.50
Expected Return on Plan Assets (%)	7.00	7.50	7.00	7.50	7.00	7.50

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

	2017		2016	
	₹ in Lakhs	%	₹ in Lakhs	%
36. VALUE OF RAW MATERIALS, SPARES AND COMPONENTS CONSUMED				
Raw Materials				
Imported	6579.79	14.0	4759.14	10.9
Indigenous	40267.18	86.0	39078.53	89.1
	46846.97	100.0	43837.67	100.0
Stores and Spares				
Imported	28.74	6.5	21.87	5.7
Indigenous	415.49	93.5	360.27	94.3
	444.23	100.0	382.14	100.0
37. EXPORTS AND IMPORTS				
Export of goods (F.O.B. Value)	12554.59		18624.28	
Imports (C.I.F. Value)				
Raw Materials	5990.32		4303.03	
Spares	35.53		40.86	
Capital Goods	1437.83		360.25	
	7463.68		4704.14	
38. EXPENDITURE IN FOREIGN CURRENCY				
Miscellaneous - Travelling, Advertisement and Subscriptions etc.	76.84		78.95	
		₹ in Lakhs		₹ in Lakhs
39. DIVIDEND PAID TO NON-RESIDENT SHAREHOLDERS IN FOREIGN CURRENCY				
FINAL				
Amount of dividend		3476.13		3476.13
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)	31-03-2016		31-03-2015	
40. EXPENDITURE ON RESEARCH & DEVELOPMENT				
- On Capital account		2.25		21.55
- On Revenue account		396.47		401.28
		398.72		422.83
41. COMPARATIVE FIGURES				
The Comparative figures for the previous year have been re-arranged to conform with the current year presentation of the accounts.				

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

SRIRAM MAHALINGAM
Partner
Membership No. 049642

Hyderabad, 18th April, 2017.

On behalf of the Board,

R. S. NORONHA — Chairman
DIN: 00012620

N. SAI SANKAR — Managing Director
DIN: 00010270

ANISH GUPTA — Chief Financial Officer

PHANI K. MANGIPUDI — Company Secretary

Hyderabad, 18th April, 2017.

Operating Results 2008-2017

₹ in Lakhs

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
REVENUE FROM OPERATION (GROSS)	77344	101735	112542	139964	160276	162607	163121	172308	206299	228645
EXCISE DUTY	43347	62366	65325	81811	91833	95739	84203	88692	117984	133827
OPERATING PROFIT	8413	9535	7018	14257	20977	18031	21811	24257	23740	24616
OTHER INCOME	1578	694	3326	1711	2572	2625	3244	1809	2020	3755
DEPRECIATION	1372	1582	1787	2442	2483	2250	2657	3190	3102	3692
FINANCE COST	13	13	3	–	–	–	–	–	–	–
PROFIT BEFORE TAX & EXTRAORDINARY ITEM	8606	8634	8554	13526	21066	18406	22398	22876	22658	24679
PROFIT AFTER TAX & EXTRAORDINARY ITEM	5835	6182	6205	9501	14251	12625	15015	15221	15311	16721
DIVIDEND^	3613	5420	5402	8076	11666	11291	12646	13010	13010	–*
EARNINGS IN FOREIGN EXCHANGE (FOB VALUE)	6075	10842	15499	15040	15575	12129	15551	19276	18624	12555

Sources and Application of Funds 2008-2017

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
SOURCES										
EQUITY CAPITAL	1544	1544	1544	1544	1544	1544	1544	1544	1544	1544
RESERVES	21649	22401	23194	24900	27475	28867	31280	33124	35499	52163*
NET CAPITAL EMPLOYED	23193	23945	24738	26444	29019	30411	32824	34668	37043	53707
APPLICATION										
GROSS FIXED ASSETS	23345	25463	27807	30369	33604	35724	41678	43677	48266	52477
DEPRECIATION	11173	12377	13867	15120	17251	18201	20765	23899	26798	30394
NET FIXED ASSETS	12172	13086	13940	15249	16353	17523	20913	19778	21468	22083
NET OTHER ASSETS (INCL. INVESTMENTS & DEFERRED TAX)	11021	10859	10798	11195	12666	12888	11911	14890	15575	31624
NET ASSETS EMPLOYED	23193	23945	24738	26444	29019	30411	32824	34668	37043	53707

Performance Ratios 2008-2017

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
EARNINGS PER SHARE (₹)	37.8	40.0	40.2	61.5	92.3	81.8	97.2	98.6	99.2	108.3
DIVIDEND PER SHARE (₹)	20.0	30.0	30.0	45.0	65.0	62.5	70.0	70.0	70.0	75.0
RETURN ON NET CAPITAL EMPLOYED (%)	25.2	25.8	25.1	35.9	49.1	41.5	45.7	43.9	41.3	31.1*
RETURN ON NET WORTH (%)	25.6	26.3	25.5	36.5	49.8	42.0	46.3	44.2	41.6	31.3*

^ Includes Income Tax on Dividends.

* Proposed Dividend shall be recognised in books of accounts upon approval of the shareholders.

PROXY FORM

[Pursuant to Section 105(6) of the Companies Act, 2013 and
Rule 19(3) of the Companies (Management and Administration) Rules, 2014] Form No. MGT-11

VST Industries Limited

VST Industries Limited

CIN: L29150TG1930PLC000576
Registered Office: Azamabad, Hyderabad - 500 020
Phone: +91 40 2768 8000 | Fax : +91 40 2761 5336
Email: investors@vstind.com | Website:www.vsthyd.com

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

I/We, being a member/members of above named Company, hereby appoint:

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

Tear Here

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 86th Annual General Meeting of the Company, to be held on Wednesday, 2nd August, 2017 at 9.30 a.m. at Hotel Taj Krishna, Road No. 1, Banjara Hills, Hyderabad - 500 034 and at any adjournment thereof in respect of such Resolutions as are indicated below:

Resolution No.	Resolutions	For*	Against*
	Ordinary Business		
1.	Consideration and adoption of Audited Financial Statement, Report of the Board of Directors and Auditors thereon		
2.	Declaration of dividend on equity shares		
3.	Re-appointment of Mr. Ramakrishna V. Addanki (DIN: 07147591) who retires by rotation and being eligible, offers himself for re-appointment		
4.	Ratify the appointment of Messrs. B S R & Associates LLP, Chartered Accountants as Statutory Auditors		

Signed this_____day of_____2017

Signature of Member_____

Signature of Proxy_____

Affix a 15 paise Revenue Stamp

Note:

1. 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.
2. A person can act as a proxy on behalf of Members, not exceeding fifty, and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. A Member holding more than 10% of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.

*. It is optional to put an 'X' in the appropriate column against the resolution indicated in the box. If you leave the 'For'or 'Against' column blank against any or all the resolutions, your Proxy will be entitled to vote in the manner as he/she deems appropriate.

Notes

Notes



VST Industries Limited

Production CAPRICORN