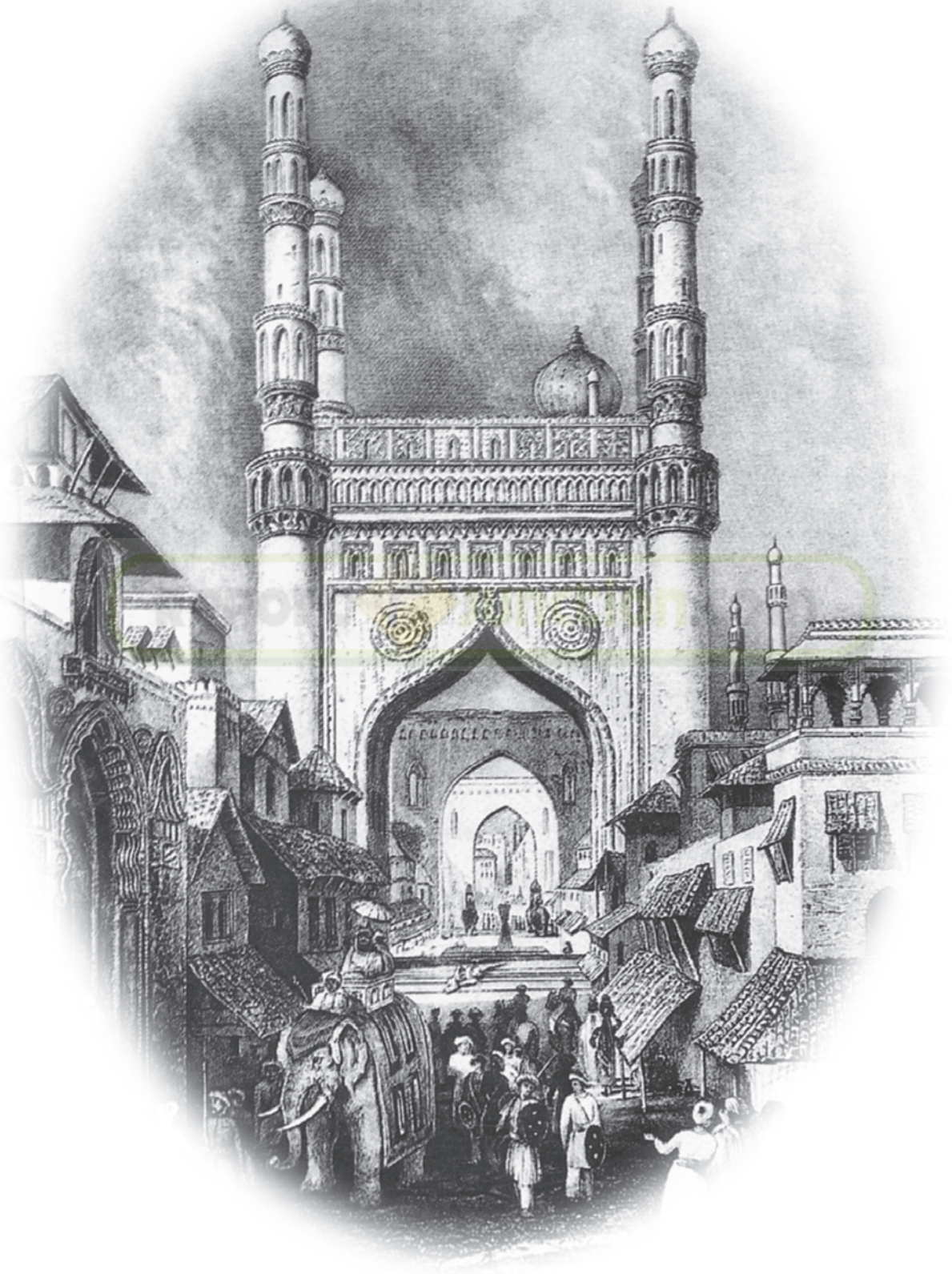




VST INDUSTRIES LIMITED

ANNUAL REPORT 2009





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BOARD OF DIRECTORS

Chairman

ABHIJIT BASU

Managing Director

RAYMOND S. NORONHA

Deputy Managing Director & Secretary

N. SAI SANKAR

Directors

JAYAMPATHI DIVALE BANDARANAYAKE

AIR CHIEF MARSHAL IDRIS HASAN LATIF, P.V.S.M. (Retd.)

T. LAKSHMANAN

MILIND ANNA KHARAT

R.V.K.M. SURYARAU

S. THIRUMALAI

Auditors

Lovelock & Lewes

Chartered Accountants

Hyderabad - 500 034

Andhra Pradesh

Registered Office

1-7-1063/1065, Azamabad

Hyderabad - 500 020

Andhra Pradesh

Registrars & Share Transfer Agents

Sathguru Management Consultants Private Limited

Plot No.15, Hindi Nagar

Near Sai Baba Temple, Punjagutta

Hyderabad - 500 034

Phone: +91 40 2335 0586, 2335 6507, 2335 6975

Fax : +91 40 4004 0554

E-mail: sta@sathguru.com



NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Seventy Eighth Annual General Meeting of VST INDUSTRIES LIMITED will be held at Hotel Taj Krishna, Road No.1, Banjara Hills, Hyderabad - 500 034 on **Thursday 16th July, 2009 at 10.30 a.m.** for transacting the following business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2009, the Profit and Loss Account of the Company for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare a Dividend on the Equity Shares for the year ended 31st March, 2009.
3. To appoint a director in place of Mr. S. Thirumalai, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a director in place of Mr. N. Sai Sankar, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration. In this connection, to consider and, if thought fit, to pass with or without modification(s) the following Resolution which will be proposed as an Ordinary Resolution:

"RESOLVED THAT M/s. Lovelock & Lewes, Chartered Accountants, be and are hereby appointed as the Auditors of the Company to hold such office until the conclusion of the next Annual General Meeting at a remuneration of Rs.18 Lakhs (Rupees Eighteen Lakhs only) payable in two equal instalments plus service tax as applicable and reimbursement of actual out-of-pocket expenses incurred."

SPECIAL BUSINESS

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

"RESOLVED THAT Mr. Milind A. Kharat, a nominee of General Insurers' (Public Sector) Association of India who was appointed a Director of the Company with effect from 1st January, 2009 in place of Mr. V. Sekar and who vacates office at the ensuing Annual General Meeting pursuant to Section 262 of the Companies Act, 1956 and Article 98 of the Articles of Association of the Company and in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of Director be and is hereby

appointed as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation."

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

"RESOLVED THAT in partial supercession of the resolution passed by the Members at the Annual General Meeting held on 17th July, 2008, the current term of Mr. Raymond S. Noronha as Managing Director of the Company which is due to expire on 2nd September, 2010 be extended to 2nd September, 2012 (both days inclusive).

RESOLVED FURTHER THAT in partial supercession of the resolution passed by the Members at the Annual General Meeting held on 17th July, 2008, pursuant to the provisions of Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its approval for an Adhoc Performance Payment of 50% of Consolidated Basic for the year 2008-09 to Mr. Raymond S. Noronha in addition to his approved remuneration.

All other existing terms of re-appointment of Mr. Raymond S. Noronha as the Managing Director of the Company including remuneration payable to him, as approved by the Members at their meeting held on 17th July, 2008, remain unchanged.

RESOLVED FURTHER THAT the Board of Directors, be and is hereby authorized to do all things and deeds incidental thereto including entering into an agreement or amending the existing Agreement entered into with Mr. Raymond S. Noronha for the above purpose.

RESOLVED FURTHER THAT Mr. N. Sai Sankar, Secretary of the Company be and is hereby authorised to do all such acts and deeds as may be required to give effect to the above resolution."

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

"RESOLVED THAT in partial supercession of the resolution passed at the Annual General Meeting held on 28th July, 2005, pursuant to the provisions of Sections 198, 269, 309, 314 and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals as may be required, Mr. N. Sai Sankar,



Wholetime Director & Secretary be re-designated as Deputy Managing Director & Secretary of the Company with effect from 1st February, 2009.

RESOLVED FURTHER THAT in partial supercession of the resolution passed by the Members at the Annual General Meeting held on 27th July, 2006, pursuant to the provisions of Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its approval for an Adhoc Performance Payment of 50% of Consolidated Basic for the year 2008-09 to Mr. Sai Sankar in addition to his approved remuneration.

All other existing terms of re-appointment of Mr. N. Sai Sankar as Wholetime Director & Secretary including remuneration payable to him as approved by the Members at their meeting held on 27th July, 2006, remain unchanged.

RESOLVED FURTHER THAT the Board of Directors, be and is hereby authorised to do all things and deeds incidental thereto including entering into an agreement with Mr. Sai Sankar for the above purpose."

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

"RESOLVED THAT pursuant to the provisions of Section 309(4) and other applicable provisions if any, of the Companies Act, 1956, the Directors of the Company other than the Wholetime Directors be paid remuneration by way of commission not exceeding 1% of the Company's net profits computed in the manner referred to in Section 198 of the Companies Act, 1956, or any amendment or re-enactment thereof, for each of the five financial years of the Company commencing from 1st April, 2009, subject to a ceiling of Rs.25 Lakhs in the aggregate for all such Directors aforesaid or such amount as may be determined by the Board of Directors within the aforesaid ceiling of Rs.25 Lakhs, to be divided amongst the Directors aforesaid in such manner as the Board of Directors of the Company may from time to time determine and in default of such determination, equally.

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

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

"RESOLVED THAT pursuant to the provisions of Section 31 of the Companies Act, 1956, the Articles of Association of the Company be and is hereby altered by inserting the following at the end of Article 93 of the Articles of Association of the Company:

Notwithstanding anything contained to the contrary in these Articles, the Managing Director(s) and the Wholetime Director(s) of the Company shall not be director(s) liable to retire by rotation during their respective tenure of office as such."

The Register of Members of the Company will remain closed from 14th July, 2009 to 16th July, 2009 (both days inclusive) for payment of dividend, if declared.

Transfer of shares received in order at the Registrars and Share Transfer Agents of the Company, M/s. Sathguru Management Consultants Private Limited, Plot No.15, Hindi Nagar, Near Sai Baba Temple, Punjagutta, Hyderabad - 500 034, before the close of business on 13th July, 2009, will be registered in time for the transferees to become eligible for dividend, if declared.

Dividend, if declared, will be paid on or before 14th August, 2009 to those Members whose names appear in the Register of Members of the Company on 16th July, 2009 or to their Mandatees, subject however to the provisions of Section 206A of the Companies Act, 1956, or any amendment or modification thereof. In respect of dematerialised shares the dividend will be payable on the basis of beneficial ownership as on 13th July, 2009, as per details to be furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for this purpose.

By Order of the Board
VST INDUSTRIES LIMITED

N. SAI SANKAR
Secretary

Dated this 23rd day of April, 2009.
Azamabad, Hyderabad - 500 020,
Andhra Pradesh.



NOTES

1. **A Member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote on a poll on his behalf. A proxy need not be a Member of the Company. The instrument of proxy in order to be effective, must be deposited at the Registered Office of the Company, duly completed and signed not less than 48 hours before the Meeting i.e., by 10.30 a.m. on 14th July, 2009.**
2. In accordance with Section 173(2) of the Companies Act, 1956, an Explanatory Statement in respect of items 6 to 10 being items of Special Business is annexed to the Notice of the Meeting.
3. Corporate members are requested to send, a duly certified copy of the board resolution pursuant to Section 187 of the Companies Act, 1956, authorising their representative to attend and vote at the Annual General Meeting.
4. Members should inform the Company's Registrars and Share Transfer Agents, M/s. Sathguru Management Consultants Private Limited of any change in their registered address, before 14th July, 2009.
5. Members who have multiple folios in identical names or joint names in the same order are requested to intimate to the Registrars and Share Transfer Agents, M/s. Sathguru Management Consultants Private Limited, these folios to enable consolidation of all such shareholdings into one folio.
6. Members are requested to refer to the 'Shareholder Referencer' which inter-alia contains details regarding unclaimed dividend.
7. Members are requested to bring their copy of the Annual Report to the Meeting.
8. For the convenience of Members and for proper conduct of the meeting, entry to the place of meeting will be regulated by Admission Slip, which is part of the Annual Report. Members are requested to sign at the place provided on the Admission Slip and hand it over at the entrance to the venue.

EXPLANATORY STATEMENT

In accordance with Section 173(2) of the Companies Act, 1956, the following information is given in explanation of the items of Special Business set out in the attached Notice of the Seventy Eighth Annual General Meeting of the Company to be held at Hotel Taj Krishna, Road No. 1, Banjara Hills, Hyderabad - 500 034 on **Thursday, 16th July, 2009.**

Item No. 6

Mr. Milind A. Kharat was nominated by General Insurers' (Public Sector) Association of India as a Director of your Company with effect from 1st January, 2009 in place of Mr. V. Sekar.

Mr. Milind A. Kharat who was appointed as a Director of the Company at the Board Meeting held on 16th January, 2009 to fill the casual vacancy caused by the resignation of Mr. V. Sekar in terms of Section 262 of Companies Act,

1956 and Article 98 of the Articles of Association of the Company, vacates office at this Annual General Meeting.

A notice has been received by the Company along with a deposit of Rs.500 from a Member under Section 257 of the Companies Act, 1956, proposing the appointment of Mr. Kharat as a Director at this meeting.

Mr. Kharat is a Post Graduate in Economics, a Bachelor of Law and a Fellow of Insurance Institute of India (FIII). He has a rich experience of more than three decades in the General Insurance Industry. He was a Chief Metropolitan Magistrate appointed by Government of Maharashtra. He made significant contributions for revision of Fiji's Insurance Act, 1998. He served as an Executive Member on the National Road Safety Council of Fiji representing the insurance industry. He is an Executive Member of Foreign Non-Life Insurance Association of Japan. He is now the General Manager of United India Insurance Company Limited, Chennai.



None of the Directors of your Company other than Mr. Kharat is concerned or interested in this Resolution.

The Board commends this item of business for your approval.

Item No. 7

At the Seventy Seventh Annual General Meeting of your Company held on 17th July, 2008, the shareholders had approved the appointment of Mr. Raymond S. Noronha as Director and thereafter as Managing Director of the Company to hold office for a period of two years from 1st November, 2008 to 31st October, 2010 (both days inclusive) or upto the date of his retirement, whichever is earlier.

The Board of Directors at their meeting held on 16th January, 2009, have subject to the approval of the Members at the Seventy Eighth Annual General Meeting, approved extension to the current tenure of appointment of Mr. Raymond S. Noronha as Managing Director due to expire on 2nd September, 2010 (the date of his retirement in the normal course), for a further period of two years upto 2nd September, 2012 (both days inclusive).

The Board of Directors at their meeting held on 23rd April, 2009, have subject to the approval of the Members at the Seventy Eighth Annual General Meeting approved an Adhoc Performance Payment of 50% of Consolidated Basic for the year 2008-09, to Mr. Raymond S. Noronha in addition to his approved remuneration taking into account the exceptional performance of the Company in a difficult year.

Mr. Noronha is a B.A. (Hons.) from St. Stephen's College, Delhi and attended the Wharton Advanced Management Program (1995) at Philadelphia, USA. He has had over 35 years of varied experience in the cigarette business both international and domestic and has held several top level positions for over a decade. He is a Member of the Committee of Directors and Shareholders Grievance Committee of your Company. He is a director on the board of the Tobacco Institute of India.

None of the Directors of your Company other than Mr. Raymond S. Noronha is concerned or interested in this Resolution.

The Board commends this item of business for your approval.

Item No. 8

At the Seventy Fourth Annual General Meeting of your Company held on 28th July, 2005, the shareholders had approved the appointment of Mr. N. Sai Sankar as Director and thereafter as Wholetime Director & Secretary of the Company with effect from 1st January, 2006 to hold office for a period of five years from 1st January, 2006 to 31st December, 2010 (both days inclusive).

The Board of Directors at their meeting held on 16th January, 2009, have subject to the approval of the Members at the Seventy Eighth Annual General Meeting, approved the elevation and re-designation of Mr. Sai Sankar as Deputy Managing Director & Secretary of the Company with effect from 1st February, 2009 until the expiry of his current tenure of office on 31st December, 2010 (both days inclusive).

The Board of Directors at their meeting held on 23rd April, 2009, have subject to the approval of the Members at the Seventy Eighth Annual General Meeting approved an Adhoc Performance Payment of 50% of Consolidated Basic for the year 2008-09, to Mr. N. Sai Sankar in addition to his approved remuneration, taking into account the exceptional performance of the Company in a difficult year.

Mr. Sai Sankar is a B.Com (Hons.) from St. Xavier's College, Kolkata and is a Fellow Member of Institute of Chartered Accountants of India, Institute of Cost & Works Accountants of India and Institute of Company Secretaries of India. He has more than 28 years of experience in finance, accounting and secretarial field. He is a member of the Committee of Directors and Shareholders Grievance Committee of the Company. He is also a director on the Board of the Tobacco Institute of India. He acts as the Secretary of the Audit Committee.

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

The Board commends this item of business for your approval.



Item No.9

At the Seventy Third Annual General Meeting of the Company held on 22nd July, 2004, the Members approved payment of remuneration to the Non-Executive Directors of the Company, by way of commission not exceeding one percent of the net profits of the Company as provided under Section 309(4) of the Companies Act, 1956, for each financial year, subject to a ceiling of Rs.20,00,000 (Rupees Twenty Lakhs) to be divided amongst the Directors aforesaid in such manner as the Board of Directors may from time to time determine and in default of such determination, equally, for a period of five years from 1st April, 2004. The said approval expired on 31st March, 2009.

Keeping in view the current trends and commensurate with the time devoted and contributions made by Non-Executive Directors, the Board of Directors of your Company at its meeting held on 23rd April, 2009, recommended for the approval of the Members, payment of remuneration by way of commission not exceeding 1% of the Company's net profits to the Non-Executive Directors of the Company for each of the five financial years commencing from 1st April, 2009 in the manner stated in the text of the Special Resolution at Item 9 of the Notice.

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

The Board commends this item of business for your approval.

Item No.10

One-third of the Directors (Wholetime/Non-Wholetime) currently are subject to retire by rotation annually. It is proposed to insert in Article 93 a provision to exclude the Managing Director(s) and the Wholetime Director(s) from retiring by rotation as directors during their respective tenure of office as such.

None of the Directors of your Company other than Mr. Raymond S. Noronha, Managing Director and Mr. N. Sai Sankar, the Deputy Managing Director & Secretary is concerned or interested in this Resolution.

Copy of the Memorandum and Articles of Association of the Company will be available for inspection by the Members of the Company at the Registered Office during normal business hours on any working day upto the date of the Annual General Meeting.

The Board commends this item of business for your approval.

By Order of the Board
VST INDUSTRIES LIMITED

N. SAI SANKAR
Secretary

Dated this 23rd day of April, 2009.
Azamabad, Hyderabad - 500 020,
Andhra Pradesh.