



VST INDUSTRIES LIMITED

ANNUAL REPORT 2009-10



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BOARD OF DIRECTORS

Chairman

ABHIJIT BASU

Managing Director

RAYMOND S. NORONHA

Deputy Managing Director & Secretary

N. SAI SANKAR

Directors

PETER G. HENRIQUES (Appointed w.e.f. 15th April, 2010)

JAYAMPATHI DIVALE BANDARANAYAKE (Resigned w.e.f. 15th April, 2010)

AIR CHIEF MARSHAL IDRIS HASAN LATIF, P.V.S.M. (Retd.) (Resigned w.e.f. 16th April, 2010)

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, Punjagutta

Hyderabad - 500 034

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

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NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Seventy Ninth Annual General Meeting of VST INDUSTRIES LIMITED will be held at Hotel Taj Krishna, Road No.1, Banjara Hills, Hyderabad - 500 034 on **Friday, 16th July, 2010 at 10.30 a.m.** for transacting the following business :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010, 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, 2010.
3. To appoint a director in place of Mr. Abhijit Basu, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Mr. R.V.K.M. Suryarau, 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 (Registration Number: 301056E), 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.20,00,000 (Rupees Twenty 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. Peter G. Henriques who was appointed a Director of the Company with effect from 15th April, 2010 nominated by BAT group in place of Mr. Jayampathi Divale Bandaranayake and who vacates office at the ensuing Annual General Meeting under

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 the Director be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by the 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 modification of the resolution(s) passed earlier in connection with the appointment and payment of remuneration, pursuant to the provisions of Sections 198, 309, 310 and 311 and other applicable provisions, if any, of the Companies Act, 1956 or any amendment or re-enactment thereof, consent be and is hereby accorded to the enhancement by revision in the terms of remuneration paid or payable to Mr. Raymond S. Noronha, Managing Director with effect from 1st October, 2009, as set out in the Explanatory Statement annexed to the notice convening this Meeting."

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

"RESOLVED THAT in partial modification of the resolution(s) passed earlier in connection with the appointment and payment of remuneration, pursuant to the provisions of Sections 198, 309, 310 and 311 and other applicable provisions, if any, of the Companies Act, 1956 or any amendment or re-enactment thereof, consent be and is hereby accorded to the enhancement by revision in the terms of remuneration paid or payable to Mr. N. Sai Sankar, Deputy Managing Director & Secretary of the Company with effect from 1st October, 2009, as set out in the Explanatory Statement annexed to the notice convening this Meeting."

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



"RESOLVED THAT in accordance with provisions of Sections 269, 309, 310, 311 and 314 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, Mr. N. Sai Sankar be and is hereby re-appointed as Deputy Managing Director to hold the office of Deputy Managing Director & Secretary of the Company for a period of five years from 1st January, 2011 to 31st December, 2015 (both days inclusive), on the following remuneration:

- I. **Consolidated Salary:** At the rate of Rs.6,90,600 per month subject to such increases as the Board may determine from time to time during the tenure of office as Deputy Managing Director having regard to the annual performance of Mr. N. Sai Sankar and to cover the Consumer Price Index.
- II. **Performance Bonus:** Payable annually for each financial year ending 31st March, 2011 and thereafter, not exceeding 150% of the Consolidated Salary per annum after approval of the accounts as may be determined by the Board of Directors of the Company.

In addition to the aforesaid Consolidated Salary and Performance Bonus, Mr. N. Sai Sankar shall be entitled to perquisites like gas, electricity, water, furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance etc. in accordance with the Rules of the Company, the monetary value of such perquisites being limited to Rs.10,00,000 per annum, for the purposes of which limit perquisites shall be evaluated as per Income Tax Act/Rules, wherever applicable, and in absence of any such Rule, perquisites shall be evaluated at actual cost. However, the following shall not be included in the aforesaid perquisite limit, although part of overall remuneration payable to Mr. N. Sai Sankar as such:

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

- b. Contribution to Provident Fund and Superannuation Fund upto 27% of salary and contribution to Gratuity Fund upto 8.33% of salary as defined in the Rules of the respective Funds, or upto such other limit as may be prescribed under the Income Tax Act, 1961 and the Rules thereunder for this purpose.
- c. Use of Company car for official purposes, telephone at residence and cell phone (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 aggregate of the remuneration and perquisites/benefits, including contribution towards Provident Fund, Superannuation Fund and Gratuity Fund, payable to Mr. N. Sai Sankar as such shall always be subject to the overall ceilings laid down in Sections 198 and 309 of the Companies Act, 1956 or any amendment or re-enactment thereof.

Minimum Remuneration: Notwithstanding anything to the contrary contained herein, where, in any financial year during the currency of the tenure of Mr. N. Sai Sankar as Deputy Managing Director and Secretary, the Company has no profits or its profits are inadequate, the Company will pay salary and perquisites to Mr. N. Sai Sankar upto the maximum limit specified under Section II of Part II of Schedule XIII to the Companies Act, 1956 as Minimum Remuneration.

Mr. N. Sai Sankar shall continue to hold office as Secretary in addition to the office of Deputy Managing Director without any additional remuneration other than what he is entitled to as a Deputy Managing Director on the aforesaid basis.



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 with Mr. N. Sai Sankar in connection with his re-appointment as the Deputy Managing Director and payment of aforesaid remuneration to him during his tenure of office as such."

The Register of Members of the Company will remain closed from 14th July, 2010 to 16th July, 2010 (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, Punjagutta, Hyderabad - 500 034, before the close of business on 13th July, 2010, 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, 2010 to those Members whose names appear in the Register of Members of the Company on 16th July, 2010 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, 2010, 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 15th day of April, 2010.
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 received at the Registered Office of the Company, duly completed and signed not less than forty-eight hours before the commencement of the Annual General Meeting i.e., by 10.30 a.m. on 14th July, 2010.**
2. In accordance with Section 173(2) of the Companies Act, 1956, an Explanatory Statement in respect of items 6 to 9 being items of Special Business is annexed to the Notice of the Meeting.
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, mandate/bank details before 14th July, 2010.
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 venue of the Meeting will be regulated by Attendance Slip, which is attached to the Annual Report. Members are requested to sign at the space provided on the Attendance Slip and hand it over at the entrance to the venue.

EXPLANATORY STATEMENT

In accordance with Section 173(2) of the Companies Act, 1956, the following information is given in explanation of the items of Special Business set out in the attached Notice of the Seventy Ninth Annual General Meeting of the Company to be held at Hotel Taj Krishna, Road No. 1, Banjara Hills, Hyderabad - 500 034 on **Friday, 16th July, 2010.**

Item No. 6

Mr. Peter Garneau Henriques who was appointed as a Director of the Company on 15th April, 2010 to fill the casual vacancy caused by the resignation of Mr. Jayampathi Divale Bandaranayake in terms of Section 262 of the 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. Henriques as a Director at this Meeting having filed his consent with the Company to act as Director.

Mr. Henriques has been in the tobacco industry for 19 years and is currently Head of Office of Chief Operating Officer - BAT, reporting to the Chief Operating Officer, based in London, United Kingdom. He worked 8½ years at Philip Morris in end-market and regional marketing roles, including PMUSA (1990-94) and the Latin America Region (1995-98).

He joined Rothmans in November 1998 as Regional Marketing Director - Pacific, based in Sydney, Australia. After working on the BAT/Rothmans merger during 1999-2000, he was appointed Head of e-Commerce Australasia and General Manager - Quatro in July 2000, based in Sydney.

In June 2004, Mr. Henriques was appointed General Manager - South Pacific and Area Head of Strategy Australasia, Sydney based. In 2005, Mr. Henriques was appointed General Manager - New Zealand and South Pacific and relocated to Auckland, New Zealand.

In November 2008, Mr. Henriques was appointed to his current role, Head of Office of Chief Operating Officer - BAT, based in Globe House, London.



Originally from Greenwich, Connecticut, USA, holding dual Australian and USA citizenship, he holds Bachelor of Arts degrees in History and International Relations from Syracuse University in New York, and a Master's degree in International Affairs from Columbia University in New York City.

No Director of your Company other than Mr. Henriques is concerned or interested in this Resolution.

The Board commends this Resolution for your approval.

Item No. 7

The Board of Directors of your Company ('the Board') at its meeting held on 15th April, 2010, on the recommendation of the Committee of Directors, approved, subject to the approval of the Members, the following modification with effect from 1st October, 2009 until the expiry of their current term of office, in the terms of remuneration paid or payable to the following managerial personnel of your Company:

Managing Director	Consolidated Salary per month (Rs.)	Performance Bonus
Mr. Raymond S. Noronha	9,60,920	Not exceeding 150% of Consolidated Salary payable annually for each financial year after approval of accounts as may be determined by the Board of Directors of your Company

Consolidated Salary as stated above is subject to such increases as the Board may determine from time to time during the tenure of office as Managing Director having regard to the annual performance of Mr. Raymond S. Noronha and to cover the Consumer Price Index.

The Members had earlier approved the resolution for re-appointment of Mr. Raymond S. Noronha as the Managing Director of the Company, which were thereafter partially modified under separate resolutions passed on 16th July, 2009. All other existing terms of remuneration including perquisites as approved by the Members, remain unchanged.

Mr. Raymond S. Noronha is interested in this Resolution in so far as the same relates to variation in his remuneration. None of the other Directors of your Company is interested in this Resolution.

The Board commends this Resolution for your approval.

Item No. 8

The Board of Directors of your Company ('the Board') at its meeting held on 15th April, 2010, on the recommendation of the Committee of Directors, approved, subject to the approval of the Members, the following modification with effect from 1st October, 2009 until the expiry of their current term of office, in the terms of remuneration paid or payable to the following managerial personnel of your Company:

Deputy Managing Director	Consolidated Salary per month (Rs.)	Performance Bonus
Mr. N. Sai Sankar	6,00,000	Not exceeding 150% of Consolidated Salary, payable annually for each financial year after approval of accounts as may be determined by the Board of Directors of your Company

Consolidated Salary as stated above is subject to such increases as the Board may determine from time to time during the tenure of office as Deputy Managing Director having regard to the annual performance of Mr. N. Sai Sankar and to cover the Consumer Price Index.

The Members had earlier approved the resolutions for re-appointment of Mr. N. Sai Sankar as Wholetime Director on 28th July, 2005, which were thereafter partially modified under separate resolutions passed on 16th July, 2009. All other existing terms of remuneration including perquisites as approved by the Members, remain unchanged.

Mr. N. Sai Sankar is interested in this Resolution in so far as the same relates to variation in his remuneration. None of the other Directors of your Company is interested in this Resolution.

The Board commends this Resolution for your approval.

Item No. 9

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



At the Seventy Eighth Annual General Meeting of your Company held on 16th July, 2009, the Members approved the elevation and re-designation of Mr. N. Sai Sankar as Deputy Managing Director of the Company with effect from 1st February, 2009.

The Board of Directors at their meeting held on 15th April, 2010, have subject to the approval of the Members at the Seventy Ninth Annual General Meeting, re-appointed Mr. N. Sai Sankar as Deputy Managing Director to hold office as Deputy Managing Director and Secretary of the Company for a period of five years with effect from 1st January, 2011 to 31st December, 2015 (both days inclusive).

Mr. N. 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 about 29 years of experience in finance, accounting and secretarial field. Mr. N. Sai Sankar joined

the Company in 1995 and has made significant contributions during his association with the Company. 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. N. Sai Sankar is concerned or interested in this Resolution.

The Board commends this Resolution for your approval.

By Order of the Board
VST INDUSTRIES LIMITED

N. SAI SANKAR
Secretary

Dated this 15th day of April, 2010.
Azamabad, Hyderabad - 500 020,
Andhra Pradesh.