



VST INDUSTRIES LIMITED

ANNUAL REPORT 2017-18





CONTENTS

	Page
Board of Directors	3
Notice of Meeting	4
Report of the Board of Directors & Management Discussion and Analysis	12
Annexure to the Directors' Report	26
Business Responsibility Report (BRR)	63
Independent Auditors' Report	68
Balance Sheet	74
Statement of Profit and Loss	75
Cash Flow Statement	77
Notes to the Financial Statements	78
Operating Results	104
Proxy Form	105

**BOARD OF DIRECTORS**

Directors	RAYMOND S. NORONHA *	Chairman
	(DIN 00012620)	
	PRADEEP V. BHIDE \$	
	(DIN 03304262)	
	DEVRAJ LAHIRI @	Managing Director
	(DIN 03588071)	
	N. SAI SANKAR @	Managing Director
	(DIN 00010270)	
	S. THIRUMALAI	
	(DIN 00011899)	
	MUBEEN RAFAT	
	(DIN 06776540)	
	RAMAKRISHNA V. ADDANKI	
	(DIN 07147591)	
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	
	E-mail : investors@vstind.com	
	Website : www.vsthyd.com	
	CIN : L29150TG1930PLC000576	
Registrar & Share Transfer Agents	Karvy Computershare Private Limited	
	Karvy Selenium Tower B, Plot No.31 & 32	
	Financial District, Nanakramguda, Gachibowli	
	Hyderabad – 500 032, Telangana	
	Phone : +91 40 6716 2222	
	Fax : +91 40 2342 0814	
	E-mail : einward.ris@karvy.com	
	Website : www.karvy.com	

* Mr. Raymond S. Noronha resigned as Director & Chairman with effect from the close of business hours on 12th April, 2018.

\$ Mr. Pradeep V. Bhide has been appointed as an Additional Non-Executive Director with effect from 12th April, 2018.

@ Mr. N. Sai Sankar has superannuated as Managing Director with effect from the close of business hours on 27th November, 2017. Mr. Devraj Lahiri has been appointed as Managing Director with effect from 28th November, 2017.



NOTICE OF MEETING

NOTICE is hereby given that the Eighty Seventh Annual General Meeting of VST INDUSTRIES LIMITED will be held at Hotel Taj Krishna, Road No. 1, Banjara Hills, Hyderabad – 500 034 on **Friday, 28th September, 2018 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, 2018, 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, 2018.
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 authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT Mr. Pradeep V. Bhide [DIN:03304262] who was appointed as an Additional Non-Executive Director of the Company with effect from 12th April, 2018 and who vacates office at the ensuing Annual General Meeting pursuant to Section 161 of the Companies Act, 2013 and Article 98 of the Articles of Association of the Company be and is hereby appointed as a Director of the Company in terms of Sections 152 & 160 of the Companies Act, 2013 as amended, whose period of office shall be liable to determination by retirement of Directors by rotation."

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

"RESOLVED THAT pursuant to the recommendations of the Nomination & Remuneration Committee and approval of the Board and subject to the provisions of Sections 196, 197, 198, 203 read with Schedule V and other applicable provisions of the Companies Act, 2013

and the Rules framed thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), approval of the Members be and is hereby accorded to the appointment of Mr. Devraj Lahiri [DIN:03588071] as Managing Director of the Company, with effect from 28th November, 2017 to 27th November, 2022 [both days inclusive] on such terms and conditions including remuneration as detailed in the Statement attached here to with the liberty to the Board of Directors [hereinafter referred to as "the Board" which term shall be deemed to include the Nomination and Remuneration Committee of the Board] to alter and vary the terms and conditions of the remuneration including the components of remuneration as it may deem fit and as may be acceptable to Mr. Lahiri subject to the same not exceeding the limits specified under the Companies Act, 2013 read with Schedule V thereto or any statutory modification(s) or re-enactment thereof."

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

"RESOLVED THAT in supersession of the Resolution(s) passed by the Members at the Annual General Meeting held on 30th July, 2013 and pursuant to the provisions of Section 197(1)(ii) and other applicable provisions if any, of the Companies Act, 2013 or any amendment or re-enactment thereof, the Directors of the Company other than the Managing Director and the Wholtime Director(s) be paid remuneration by way of commission not exceeding 1% of the Company's net profits for each of the five financial years of the Company commencing from 1st April, 2018 for all such Directors aforesaid to be divided amongst the Directors aforesaid in such manner as the Board of Directors of the Company may from time to time determine and in default of such determination, equally."

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

By Order of the Board

PHANI K. MANGIPUDI

Dated this 21st day of July, 2018 Company Secretary
Azamabad, Hyderabad - 500 020.



NOTICE OF MEETING

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.

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 percent 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 Friday, 21st September, 2018 to Friday, 28th September, 2018 (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 20th September, 2018 will be registered in time for the transferees to become eligible for dividend, if declared.

Dividend, if declared, will be paid within 30 days from the date of AGM to those Members whose names appear in the Register of Members of the Company on 28th September, 2018 or to their mandates, 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 20th September, 2018, 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 Directors proposed to be appointed/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 dematerialized 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,



NOTICE OF MEETING

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. **Members and proxies are also requested to carry a valid ID proof.**
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 & Sundays, 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 & 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 Krishnamurthy 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 either 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 2017-18, 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 21st day of July, 2018
Azamabad, Hyderabad - 500 020



NOTICE OF MEETING

Statement pursuant to Section 102(1) of Companies Act, 2013

Item No. 5

Mr. Pradeep V. Bhide was appointed as an Additional Non-Executive Director of the Company with effect from 12th April, 2018 at the Board Meeting held on 12th April, 2018 in terms of Section 161(1) of Companies Act, 2013 and Article 98 of the Articles of Association of the Company.

Mr. Pradeep V. Bhide, [68] is a former Senior IAS Official and former Secretary in the Ministry of Finance. He spent 27 years in the Indian Government/Administrative Service, and has worked both at National and State levels.

Mr. Bhide was Secretary of the Department of Revenue, Ministry of Finance from 2007-2010. He has also held other senior roles in the Ministry, including Joint Secretary and subsequently Secretary, Department of Disinvestment, and Deputy Secretary, Department of Economic Affairs. In addition, he has also served as Special Secretary, Ministry of Home Affairs, and as Advisor to India's Executive Director to the International Board for Reconstruction and Development in Washington D.C.

Mr. Bhide was Managing Director of the Apex Cooperative Marketing Society for Handloom (APCO) from 1981-1983, and was Managing Director for listed fertiliser manufacturer Godavari Fertilisers from 1997-2002. Since retiring from Government service in 2010, Mr. Bhide has been active in the private sector, serving in a number of Non-Executive roles, primarily in Indian listed companies and subsidiaries of multinational companies across a variety of industries. Mr. Bhide is Chairman of the Hyderabad-based, privately-owned venture capital group APIDC Venture Capital Ltd. He presently is a Director for Heidelberg Cements (India) Ltd., GlaxoSmithKline (India) Pharmaceuticals Ltd., NOCIL Ltd., Tube Investments India Ltd., L&T Finance Holdings Ltd., L&T Finance Ltd., BILT Paper B.V. and, in addition, he has served as an Advisor on the India Advisory Board for Joshi Technologies International Inc., Deutsche Telekom and Citibank (India). Mr. Bhide obtained his B.Sc. in Chemistry (Hons.) in 1970 and his LL.B in 1973, both from Delhi University. He later obtained his M.B.A. with specialisation in Financial Management from Indira Gandhi National Open University in 2002.

The consent pursuant to Section 152(5) of the Companies

Act, 2013 to act as Director if appointed and intimation in terms of Companies (Appointment & Qualification of Directors) Rules, 2014 to the effect that he is not disqualified under sub-section(2) of Section 164 of Companies Act, 2013, have been received from Mr. Pradeep V. Bhide. Mr. Bhide does not hold any shares in the Company and is not related to any other Director of the Company.

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

The Board commends this item of business for your approval.

Item No. 6

The Members at their Meeting held on 12th July, 2012 approved the appointment of Mr. Devraj Lahiri as Wholetime Director of the Company to hold office as such from 1st August, 2011 to 31st July, 2016 (both days inclusive).

The Board at its Meeting held on 20th April, 2016 on the recommendation of Nomination & Remuneration Committee approved the appointment of Mr. Devraj Lahiri as Deputy Managing Director of the Company w.e.f. 1st July, 2016 to 27th November, 2017 (both days inclusive).

With the superannuation of Mr. N. Sai Sankar, Managing Director w.e.f. close of business hours on 27th November, 2017 and considering the succession plan which was put in place, the Board of Directors ("the Board") at its Meeting held on 31st October, 2017 on the recommendation of Nomination & Remuneration Committee appointed Mr. Devraj Lahiri as Managing Director of the Company w.e.f. 28th November, 2017 to 27th November, 2022 (both days inclusive), on the following remuneration which was reviewed and revised based on the compensation survey conducted by the Company and which is subject to the approval of the Members. The Managing Director shall also be a Key Managerial personnel under Section 203 of the Companies Act, 2013.

- I. **Consolidated Salary :** At the rate of ₹ 4,41,667/- per month subject to such increases as the Board may determine in the consolidated salary during the tenure of office as Managing Director having regard to the annual performance of Mr. Devraj Lahiri and to cover the Consumer Price Index.



NOTICE OF MEETING

- II. **Other Allowance :** ₹ 2,33,333/- per month.
- III. **Performance Bonus :** Payable annually for each financial year 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.
- IV. **Perquisites :** In addition to the aforesaid consolidated salary, other allowance and performance bonus, Mr. Devraj Lahiri 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 ₹ 36,00,000/- per annum, for the purposes of which limit perquisites shall be evaluated as per Income Tax Rules, wherever applicable, and in absence of any such Rule, perquisites shall be evaluated at actual cost. However, the following shall not be included in the aforesaid perquisite limit :
- Rent free furnished accommodation owned/leased/rented by the Company or Housing Allowance in lieu thereof, subject to a maximum of 30% of the consolidated salary.
 - Contribution to Provident Fund and Superannuation Fund up to a maximum of 27% of salary and contribution to Gratuity Fund up to 8.33% of salary as limited and defined in the Rules of the respective Funds, or up to such other limit as may be prescribed under the Income Tax Act, 1961 and the Rules thereunder for this purpose.
 - Use of Company car for official purposes and telephone at residence and cell phone (including payment for local calls and long distance official calls).
 - Encashment of unavailed leave as per the Rules of the Company at the time of retirement/cessation of service.
 - Long service award as per the Rules of the Company.
 - Costs and expenses incurred by the Company in connection with joining/transfer from one location to another as per the Rules of the Company.

Minimum Remuneration : Notwithstanding anything to the contrary contained herein, where, in any financial year during the currency of the tenure of Mr. Devraj Lahiri as Managing Director, the Company has no profits or its profits are inadequate, the Company shall pay salary and perquisites to Mr. Lahiri as laid down in Part II or Part III, as the case may be, of Schedule V to the Companies Act, 2013 as Minimum Remuneration and subject to the provisions thereof."

Mr. Devraj Lahiri satisfies all the conditions set out in Part-I of Schedule V of the Companies Act, 2013 and also conditions set out in sub-section (3) of Section 196 of Companies Act, 2013 for being eligible for his appointment. The Company has received from Mr. Devraj Lahiri intimation in terms of Companies (Appointment & Qualification of Directors) Rules, 2014 to the effect that he is not disqualified under sub-section(2) of Section 164 of Companies Act, 2013.

The above may be treated as written memorandum setting out the terms of appointment of Mr. Devraj Lahiri under Section 190 of Companies Act, 2013.

Mr. Devraj Lahiri, [45] is a Commerce Graduate from St. Xavier's College, Kolkata and Masters in Business Administration from Indian Institute of Social Welfare and Business Management, Kolkata. He joined the Company in the year 2001 and has made significant contributions during his association with the Company. He was elevated to the level of Marketing Head and was appointed as Wholtime Director of the Company with effect from 1st August, 2011. He is a Member of the CSR Committee, Committee of Directors and Stakeholders Relationship Committee of the Company and is also a Director on the board of The Tobacco Institute of India. He has been instrumental in the growth of the Company and has successfully launched various new brands. Mr. Lahiri does not hold any shares in the Company and is not related to any other Director of the Company.

Apart from Mr. Devraj Lahiri, Managing Director who is interested in his appointment and remuneration, none of the other Directors and Key Managerial Personnel of the Company or their respective relatives is, in any way, concerned or interested financially or otherwise in this item of business.



NOTICE OF MEETING

The Board commends this item of business for your approval.

Item No. 7

At the Eighty Second Annual General Meeting of the Company held on 30th July, 2013, the Members approved payment of remuneration to the Non-Executive Directors of the Company, by way of commission not exceeding one percent of the net profits of the Company as provided under Section 309(4) read with Section 198 of the Companies Act, 1956, now read with Section 197 of the Companies Act, 2013, for each of the five financial years commencing from 1st April, 2013.

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 12th April, 2018, recommended for the approval of the Members, the 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, 2018 in the manner stated in the text of the Special Resolution at Item 7 of the Notice.

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

The Board commends this item of business for your approval.

By Order of the Board

Dated this 21st day of July, 2018
Azamabad, Hyderabad - 500 020

PHANI K. MANGIPUDI
Company Secretary