



**VST INDUSTRIES LIMITED**

ANNUAL REPORT 2021-22



**INNOVATIVE. RESPONSIBLE. FOCUSED.**

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# FY 2021-22 Highlights

<b>FINANCIAL HIGHLIGHTS</b>	
<b>₹ 1,56,067 Lakhs</b>	Revenue
<b>₹ 32,023 Lakhs</b>	Net profit
<b>₹ 207.4</b>	Earnings per share
<b>24.5%</b>	EBIT margin
<b>₹ 1,07,430 Lakhs</b>	Net Assets employed
<b>₹ 140</b>	Dividend per share
<b>40.7%</b>	RoCE
<b>NON-FINANCIAL HIGHLIGHTS</b>	
<b>~25%</b>	Of energy requirements generated from renewable energy
<b>₹ 775 Lakhs*</b>	CSR expenditure
<b>400</b>	Solar streetlights
<b>10</b>	Classrooms and a drinking water facility
<b>1,685</b>	Smart Toilets

\* Excludes spent on ongoing project - ₹230 lakhs from unspent CSR amount of preceding financial year.

# INNOVATIVE. RESPONSIBLE. FOCUSED.



At VST Industries, our strategic approach is driven by consumer choice and product relevance. In the past six years, innovation has become a strategic lever to achieve our goals and objectives while creating a distinct brand positioning.

In line with this innovation focus, we continue to introduce new concepts that provide a unique experience to variety-seeking adult consumers. We also expanded into new markets, strengthened brand salience, and invested in developing an integrated digital ecosystem.

At the same time, we made significant progress in our commitment towards society and the environment. We have set bold targets under various sustainability objectives, including energy management, emission control, water management, employee recognition and farmer livelihood.

Looking ahead, our focus will continue to be on driving innovation while elevating our ESG performance by upholding recognised standards on people practices, community interventions, environmental initiatives, and corporate governance.



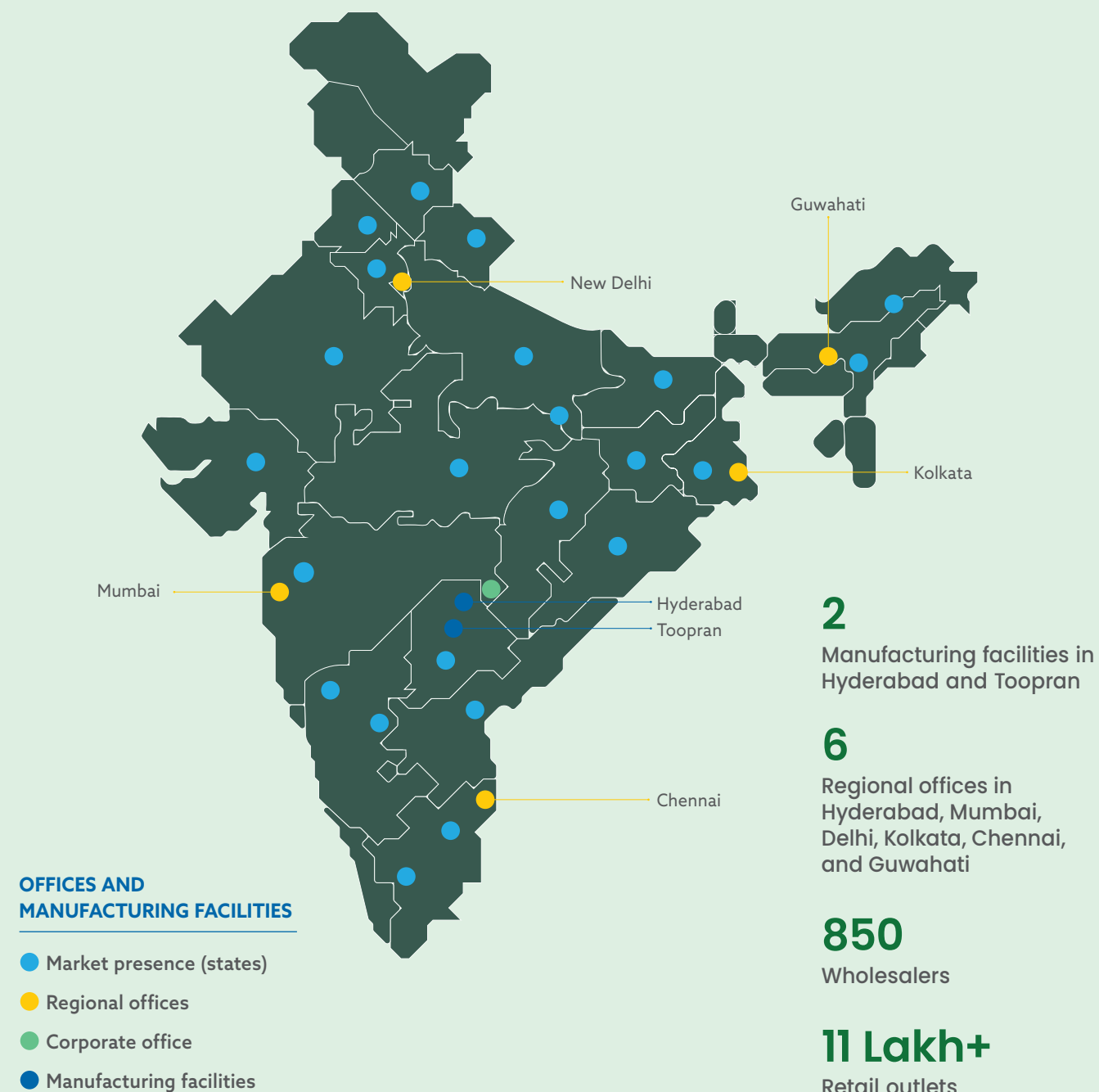


## VST at a Glance

VST Industries Limited is an established cigarette company in India manufacturing and distributing cigarettes, and trading in unmanufactured tobacco. We are an associate undertaking of British American Tobacco Plc., a leading global player in combustibles.



We have made continued investments in increasing geographic footprint across regions. We have been able to achieve operational coverage of more than 80% of the country, from 60% in FY 2014-15. We have also increased our outlet coverage from 7 to more than 11 lakhs in the same period. This expansion has been driven by our new brand portfolio, therefore transforming our retail presence from 1-2 SKUs per region to more than 3-4 SKUs per region currently.



## Board of Directors



### Left to Right

**MR. S. THIRUMALAI**  
Non-Executive Director

**MR. NARESH KUMAR SETHI**  
Non Executive Director &  
Chairman of the Board

**MR. ADITYA DEB GOOPTU**  
Managing Director & CEO

**MR. SUDIP BANDYOPADHYAY**  
Independent Non-Executive Director

**MS. RAMA BIJAPURKAR**  
Independent Non-Executive Director

**MR. RAJIV GULATI**  
Independent Non-Executive Director

## Management Team



**MR. ADITYA DEB GOOPTU**  
Managing Director & CEO



**MR. KALYAN BASU**  
President-Marketing



**DR. T. LAKSHMI NARASIAH**  
Vice President-Leaf



**MR. S. SRIRAM**  
Vice President - Technical



**MR. ANISH GUPTA**  
Chief Financial Officer



**MR. AJAY CHAUDHARY**  
Vice President-Digital  
Transformation



**MS. ISHITA BARDHAN**  
Chief Human Resource Officer



**MR. PHANI MANGIPUDI**  
Company Secretary and Head -  
Legal & Secretarial

# Board of Directors – Profile

**MR. NARESH KUMAR SETHI**

Non-Executive Director & Chairman of the Board

Mr. Sethi joined the Board of Directors of VST Industries Limited as a Non-Executive Director to represent the interests of the Promoter Group - British American Tobacco (BAT) in 2018. Mr. Sethi is a Member of the Nomination and Remuneration Committee, Stakeholders Relationship Committee and Corporate Social Responsibility Committee and an invitee to the Audit Committee of the Company.

Mr. Sethi holds a Degree in Chemical Engineering from IIT, Varanasi and completed his Post Graduate Diploma in Management from IIM, Calcutta. He is a Global Consumer Products General Manager and Strategy/Transformation Leader with a strong track record of leading large, complex businesses, consistently delivering exceptional results and sustainable shareholder value.

**MS. RAMA BIJAPURKAR**

Independent Non Executive Director

Ms. Bijapurkar joined the Board of Directors of VST Industries Limited as an Independent Non-Executive Director in 2019. Ms. Bijapurkar is the Chairperson of Nomination and Remuneration Committee and Stakeholders Relationship Committee and Member of the Audit and Corporate Social Responsibility Committees of the Company

Ms. Bijapurkar holds a B.Sc. (Hons) degree in Physics from Delhi University and a Post Graduate Diploma in Management from IIM Ahmedabad. Ms. Bijapurkar is a recognised thought leader on market strategy and India’s consumer economy, and has over 30 years of experience in market strategy consulting and market research. She has her own independent market strategy consulting practice, is a widely experienced independent director and is also a visiting faculty at IIM Ahmedabad.

Ms. Rama Bijapurkar is a Director on the Boards of Nestle India Limited, Apollo Hospitals Enterprise Limited, Cummins India Limited, Mahindra & Mahindra Financial Services Limited, Sun Pharmaceutical Industries Limited, Sun Pharma Distributors Limited, Sun Pharma Laboratories Limited and of People Research on India’s Consumer Economy.

**MR. SUDIP BANDYOPADHYAY**

Independent Non Executive Director

Mr. Bandyopadhyay joined the Board of Directors of VST Industries Limited as an Independent Non-Executive Director in 2019. Mr. Sudip is the Chairman of the Audit and Risk Management Committees and a Member of the Nomination and Remuneration Committee of the Company.

Mr. Bandyopadhyay is a rank holder Chartered Accountant and a Cost Accountant with over 31 years of rich and diverse experience in various areas of finance and financial services. He is also a Gold Medalist from Calcutta University.

Mr. Bandyopadhyay is currently the Group Chairman of Inditrade (JRG) Group of Companies. Inditrade has significant presence in Agri Commodity Financing, Micro Finance business and MSME lending. He sits on the Boards of a number of listed and unlisted domestic companies. He is also an investor in many Fintech and other Technology related ventures. He has significant presence in business media through his regular interaction on leading business channels, business newspapers and magazines.

**MR. RAJIV GULATI**

Independent Non-Executive Director

Mr. Gulati joined the Board of Directors of VST Industries Limited as an Independent Non-Executive Director in 2019. Mr. Gulati is the Chairman of the Corporate Social Responsibility Committee and Strategy Committee and Member of the Audit, Nomination and Remuneration Committee and Stakeholders Relationship Committees of the Company.

Mr. Gulati has completed his Masters in Pharmaceutical Technology from IIT-Varanasi and Post Graduate Diploma in Management from IIM, Ahmedabad. He is a well-known veteran with three decades of rich Pharma industry experience. Mr. Gulati is an Independent Consultant advising several PE firms in making judicious investments in the Pharmaceutical sector and has been the Pharma Chair of American Chamber of Commerce and Indo American Chamber of Commerce in Past. Currently Rajiv serves as Trustee of Delhi Pharmaceutical Trust.

**MR. S. THIRUMALAI**

Non-Executive Director

Mr. Thirumalai is a Non-Executive Director on the Board of VST Industries Limited since 2019. Prior to this he was the Independent Non-Executive Director of the Company. Mr. Thirumalai is a Member of the Audit, Stakeholders Relationship Committee and Corporate Social Responsibility Comittees of the Company.

Mr. Thirumalai is a Fellow Member of Institute of Chartered Accountants of India, Institute of Company Secretaries of India, Certified Associate of Indian Institute of Bankers and a law graduate. He has also attended the Advanced Management Program at Harvard Business School, Boston, USA. He has diversified experience of over four decades and specializes in Finance, Taxation and Legal affairs, especially in the tobacco sector.

**MR. ADITYA DEB GOOPTU**

Managing Director & CEO

Mr. Gooptu is the Managing Director & CEO of VST Industries Limited. He is a Member of the Stakeholders Relationship Committee and Corporate Social Responsibility Committee of the Company.

Mr. Gooptu holds a Bachelor’s degree in Engineering from Jadavpur University and a Post Graduate Diploma in Management from IIM, Ahmedabad. He has also attended the Advanced Management Program at the Harvard Business School. Mr. Gooptu has spent over 17 years in Godfrey Phillips India in various roles and most recently as Executive Vice President & Business Head - Cigarettes before joining the Company.



# Chairman's statement



## Dear Shareholders,

The year 2021-22 witnessed another year of robust performance of your Company in the light of several challenges posed by the multiple waves of COVID-19 & its impact on supply chains, raw material costs, and inflationary pressures emerging out of prevailing geo-political scenario. Our learnings from the first wave of being agile & flexible coupled with prudent risk management helped us deliver yet another good performance in 2021-22. As we look forward to the future with optimism, I am extremely grateful to our stakeholders who supported us throughout and continue to place their immense trust in us.

## Business Performance

Industry witnessed recovery in the second half of FY 2021-22 with the normalization of business environment. We made significant progress across our strategic levers in FY 2021-22. Your Company delivered a strong performance across financial parameters reflecting strong business fundamentals and future avenues for growth driven by a robust and diverse innovation led brand portfolio. Our cigarette revenues at ₹ 1,559 Crores were up by 5.9%, compared to FY 2020-21. We grew our net comprehensive income to an all-time high of ₹ 320 crores. We have strengthened our brand portfolio through considerable investments in consumer relevant innovations. 2 of the Company's trademarks continue to be among the Top 10 brands in the industry.

## Trends and Emerging Context

Sustained price stability at convenient price points is driving industry recovery even as non-duty paid cigarettes continue to benefit from large price distortion. Moving forward, headwinds on supply and demand side such as high inflation have the potential to slow the rate of recovery. Your company has maintained a strong corporate culture & demonstrated a performance driven mindset in these challenging times.

Performance in the last two years gives me enough confidence that the management of your company under the able leadership of Mr. Aditya Deb Gooptu is well prepared to steer through the current volatilities.

## Responsible Business

Your company is committed towards environment sustainability with an objective of setting an example in business responsibility with thoughtful initiatives, growth opportunities, and infrastructure developments. In the light of this, your Company is making a tangible difference in its operations by setting up a solar plant at its factories and corporate office and also in the regions where the Company operates through its social initiatives. During the year, under the VST Swachh Ghar Mission – construction of 1685 Household/School toilets was undertaken followed by creating awareness on safe hygiene habits; under the 'VST Cares' Mission – Covid support to communities was extended; under the 'Project Gyandeept' - infrastructure support for 10 schools was provided; and on projects promoting sustainability, 400 solar street lights were installed with support from gram-panchayats.

## Dividend

The Board is pleased to declare the Company's highest ever dividend of ₹ 140 per share, an impressive increase of 23% over FY 2020-21.

## Nurturing Our People

In a dynamic and rapidly evolving business environment with multiple business challenges, we strive to provide continuous re-skilling and upskilling opportunities to make our employees 'future ready'. In addition, we provide scope for learning and guidance to our people for career advancement while taking care of their health and wellbeing. I take pride in acknowledging the efforts of our employees whose support to the company has been overwhelming during testing times.

## Looking ahead

We have made significant progress in terms of business performance, brand building, product innovation and geographic expansion. Moving forward, we are aligning our brand portfolio to changing consumer preferences by creating a robust pipeline of value-added innovative variants. We are also strengthening our brands to drive growth with increased investments in consumer facing initiatives. The years ahead will continue to pose significant macro level challenges with the potential to impact consumer disposable income. Your company will be focussed on judicious cost management while supporting business growth.

As we progress further, VST is cognisant of its responsibility to society and environment and we have therefore outlined a bold ambition under the ESG framework. It demonstrates our commitment to the communities we work to serve. The Board through its CSR committee also has strategic oversight over the ESG initiatives. We are glad to share that the 1<sup>st</sup> Business Responsibility & Sustainability Report (BRSR) forms part of this annual report, ahead of the mandatory reporting period applicable for the Company.

As a responsible corporate citizen, we have a strong footprint in Telangana & Andhra Pradesh in the areas of health, sanitation, environment sustainability & education. These initiatives cover 98 villages and about 282 schools.

As we embark on yet another exciting & challenging year, I want to extend my deepest gratitude to our Board of Directors, as well as the entire management team, for reviewing performance and leading our dedicated team of employees. I look forward to their continued support in the future.

I would also like to thank our stakeholders, including our workers, business and supply chain partners, farmers, and, most importantly, you, our valued shareholders, for continuing to believe in our vision and ability.

Thank you,

**NARESH SETHI**

Non-executive Chairman

# Managing Director & CEO's Message



## Dear Shareholders,

It gives me immense pleasure to share that we have delivered another year of good performance in FY 21-22 despite challenges on various fronts. We have successfully navigated multiple challenges, have emerged stronger & are well poised to deliver another good performance going forward.

I am glad to share some significant highlights of FY 2021-22.

## Business Performance

We grew in absolute volumes and registered a good financial performance. Our net comprehensive income grew to a historic high of INR 320 crores. This growth was primarily driven by brand strengthening, innovation, robust product mix and cost optimization initiatives in the face of inflationary pressures.

## Strategic priorities

We strive to grow our volumes and market share by focusing on continuous innovation and market expansion. We have increased investments in strengthening our trademarks strongly supported by customer-facing activities, integrated digital ecosystem, & relevant technical upgradations. We have also renewed our focus on people development to build VST of future. Sustainability remains at the core of all our initiatives.

**Innovation:** As we strive to develop unique, relevant & differentiated products that meet the preferences of adult consumers, we continue to invest in our R&D capabilities and personnel training. During FY 2021-22, we introduced Total Royal Twist, a Kesar and Saunf variant of Total, which had a favourable response.

**Market expansion:** Establishing presence in new markets to achieve a 100% national footprint has been a key focus area for us over the last seven years. We have made significant progress by expanding our coverage from 60% of India in FY 2014-15 to more than 80% in FY 2021-22. During the year, we have expanded our operations into two new states, with satisfactory results. We have plans to strengthen our distribution infrastructure and increase investments including in salesforce digitization. In our business, successful establishment of footprint in a new market keeps giving returns over a decade or more, with depth of portfolio deployment. This will continue to be a key focus in years to come.

**Brand portfolio:** Our brands continue to enjoy favourable disposition among young, adult consumers. We are continuously striving to make our trademarks stronger & increase consumer appeal through relevant innovations. We continue to invest in Total to further strengthen its national footprint. Total & Charms continue to be among the top 10 brands in the cigarette category. We will continue to provide our consumers delightful value at an affordable price of our products with the great innovation.

**Sales Capability & Digitisation:** We are aggressively digitizing our TM&D function (Trade marketing & distribution) for cost optimization & to develop market specific interventions.

**People:** I take pride in the agility & commitment of our employees that was at full display as we successfully overcame challenges related to COVID & beyond. To further maximize potential our people, professionally & personally, we have renewed focus on employee engagement & development. New tools have been incorporated to identify developmental plan for all individuals to cope up with ever changing business scenario, provide greater avenues for career growth & identify talent.

## Sustainability focus

We also enhanced our ESG performance during the year, which we believe is a critical enabler of our long-term sustainability. We are steadily minimising our carbon impact by taking suitable initiatives. Your company set up a solar plant in January 2022 in the Hyderabad factory & corporate office. The plant currently accounts for about 25% of overall energy consumption. As part of our corporate citizenship programmes, we reiterated our commitment to health, infrastructure development, and community well-being.

## Board guidance

I express my gratitude to the Board, who with their vast experience, industry expertise, leadership and wisdom have provided us with guidance to think in the new contexts and make effective decisions in the rapidly changing environment.

## Way Ahead

As we work together on these strategic priorities, I would like to reassure all stakeholders that we are prepared to weather challenges emerging from COVID impact and other geo-political developments. I am confident that we will strengthen our strong foothold in the industry and continue to create long-term value for our stakeholders.

Thank you,

**ADITYA GOOPTU,**

Managing Director & CEO



## Distinctive Brand Portfolio

Our consistent focus on innovation has helped us create a brand portfolio catering to diverse needs of adult consumers. Over the last few years, we have introduced multiple first-to-market innovations.

**Our portfolio comprises New-Age Brands and Growth Heritage Brands.**

### NEW-AGE BRANDS

#### Total

First mover in capsule segment with very innovative product concepts. Gained widespread popularity with modern adult consumers across the country. Leader in the capsule segment and the 2<sup>nd</sup> brand in the cigarette category with a near pan-India presence.



#### Editions

VST's 1<sup>st</sup> successful king size brand with a strong presence in South India



### GROWTH HERITAGE BRANDS

#### Charms

A generational brand with a multi-region presence



#### Special

Strong presence in East



#### Moments

Strong presence in North India



### Total's New Brand Architecture

Total has created a record of being the most successful new brand in the last three decades. Total has heralded a new wave of innovation in the Indian cigarette category.



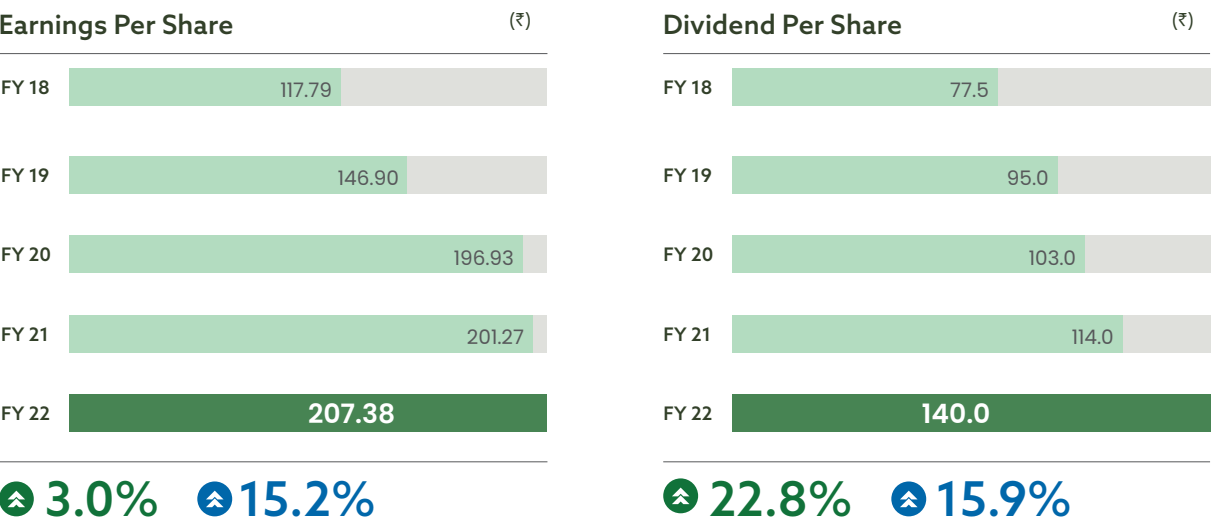
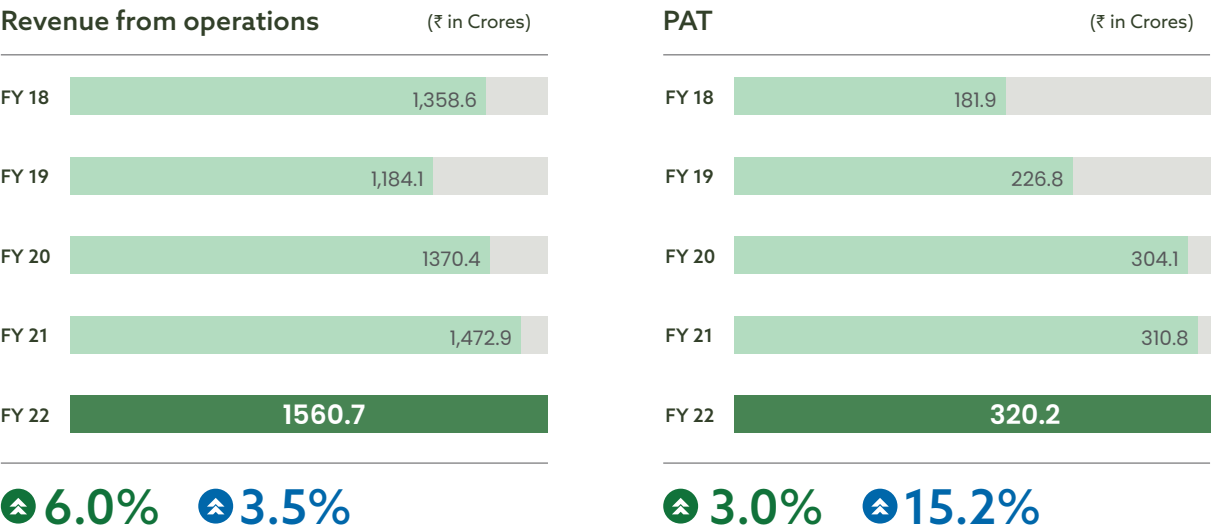
### A New Variant Catering to Consumers' Preferences

We developed Total Royal Twist, a kesar & saunf variant of Total.



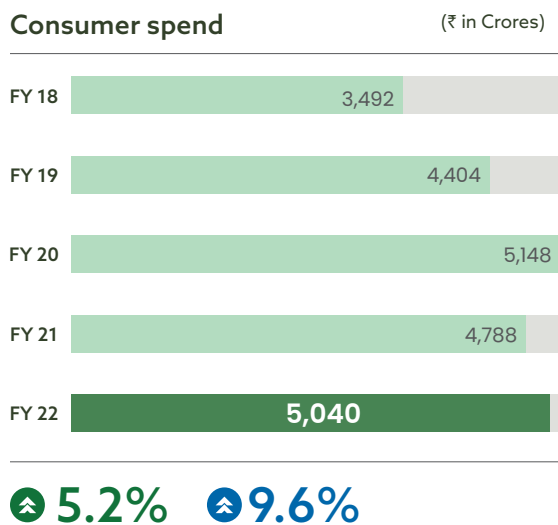
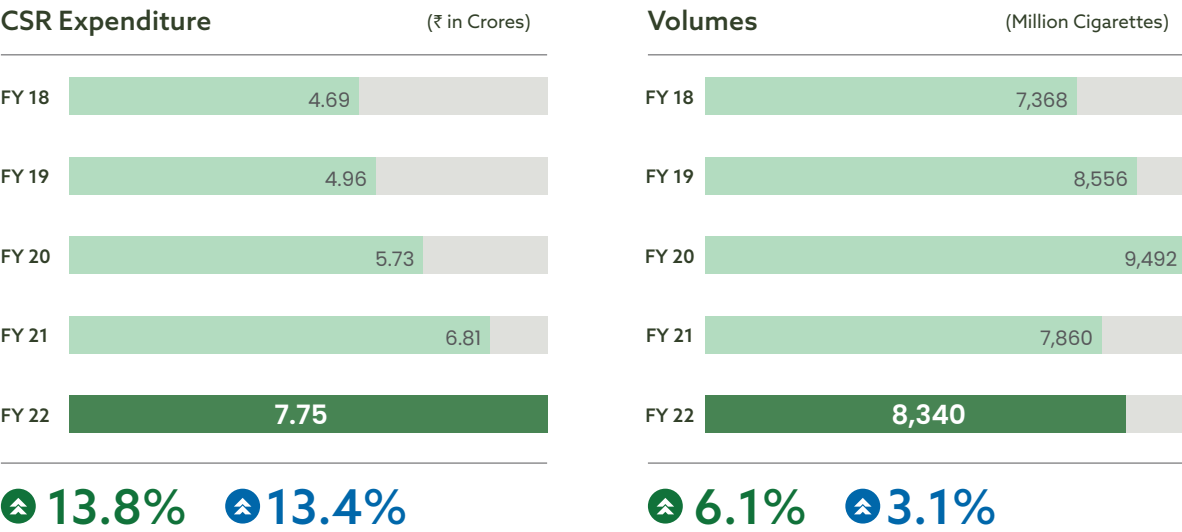
# Key Performance Indicators

## Financial



⬆️ y-o-y ⬆️ 5 year CAGR

## Non-financial



# Value Creation Model

