

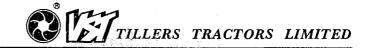
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29th ANNUAL REPORT 1996-97

LORD GANESHA



IDOL OF LORD GANESHA AT V.S.T. TILLERS TRACTORS LTD.,



BOARD OF DIRECTORS

MR. V.K.SURENDRA

Chairman

MD

CS

RO

TRA

AGM

YE

MR. V.T.VELU

MR. V.T.KRISHNAMOORTHY

MR. S.HASHIMOTO MR. K.HARADA

MR. K.TERAO

MR. H.ICHIKAWA

Alternate to Mr.S.Hashimoto MR. K.UCHIDA Alternate to Mr.K.Terao MR. K.FUSE Alternate to Mr.K.Harada

MR. M.K.BANNERJEE MR. S.LOGANADAN MR. R.SUBRAMANIAN

MR. V.P.MAHENDRA Managing Director MR. A.T.NAHENDER Director (Operations)

COMPANY SECRETARY

MR.A.S.KESHAVAMURTHY

AUDITORS M/s. BRAHMAYYA & COMPAN

10/2, Khivraj Mansion,

Kasturba Road, Bangalore 560 0

BANKERS M/s. Canara Bank

M/s. Karnataka Bank Limited M/s. State Bank of Indore

M/s. Canbank Factors Limited

LEGAL ADVISERS MR.N.JAYARAMAN

FACTORS

112/12, First Floor, (5th Main Road Corner)

XI Cross Road, Malleswaram

Bangalore 560 003

REGD. OFFICE & FACTORY

Plot No.1, Dyavasandra Industrial Layout,

P.B.No.4801, Whitefield Road,

Mahadevapura Post, Bangalore 560 048

INFORMATION

- Please bring your copy of the Annual Report along with you to the meeting as no extra copies will be distributed owing to limited number of copies printed.
- Members are requested to send their queries, if any, relating to the Annual Accounts and Reports atleast one week prior to the date of meeting to facilitate computation of information.
- Members/their proxies/representatives are advised to bring their Attendance Slip duly filled in for attending the meeting. An Attendance Slip and Proxy form are attached at the end of this Annual Report
- Please note that no gifts will be distributed at the meeting.

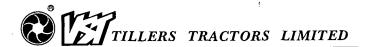
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NOTICE

Notice is hereby given that the Twentyninth Annual General Meeting of V.S.T. TILLERS TRACTORS LIMITED will be held on Wednesday the 10th September 1997 at 3.30 p.m. at the Institution of Engineers (India), No.3, Dr.B.R.Ambedkar Veedhi, Bangalore 560 001 to transact the following business:

ORDINARY BUSINESS

- To receive, consider and adopt the Balance sheet as at 31st March 1997 and Profit and Loss Account for the year ended 31st March 1997 together with Schedules from 1 to 20 along with the Reports of the Directors and the Auditors.
- To declare a dividend.
- To elect a Director in place of Mr.V.T.Velu who retires by rotation and being eligible, offers himself for re-election.
- To elect a Director in place of Mr.S.Hashimoto who retires by rotation and being eligible, offers himself for re-election.
- To elect a Director in place of Mr.M.K.Bannerjee who retires by rotation and being eligible, offers himself for re-election.
- To appoint Auditors of the Company and fix their remuneration

SPECIAL BUSINESS

To consider and if thought fit to pass with or without amendment the following resolution as an Ordinary Resolution :

RESOLVED that Mr.K. Terao be and is hereby appointed as a Director of the company.

By Order of the Board of Directors for VST TILLERS TRACTORS LIMITED

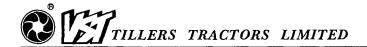
Place: Bangalore

Dated: 28th June 1997

A.S.KESHAVAMURTHY Company Secretary

NOTES:

- A member entitled to attend and vote at the meeting is entitled to appoint one or more
 proxies to attend and vote instead of himself on a "POLL" and A PROXY NEED NOT
 BE A MEMBER. The proxy form is annexed hereto. Proxies in order to be effective must
 be received at the Company's Registered Office not later than fortyeight hours before the
 commencement of the meeting.
- 2. The Register of Members and the Share Transfer Books of the company will remain closed from 02.09.97 to 10.09.97 (both days inclusive).
- 3. Explanatory Statement pursuant to Section 173 (2) of The Companies Act, 1956 in respect of Special Business is annexed hereto.
- 4. Documents relating to any of the items mentioned in the Notice and the accompanying Explanatory Statement are open for inspection at the Registered Office of the Company on any working day during business hours.
- 5. Members are requested to notify immediately any change in their address to the company.
- 6. Members are requested to bring their copy of the Annual Report with them to the meeting.
- 7. The dividend on the equity shares as recommended by the Directors when declared at the Annual General Meeting will be made payable to those Shareholders whose names stand in the Register of Members of the Company as on 1st September 1997 to whom dividend will be posted.
- 8. The dividend will be paid to the entitled shareholders within 42 days from the date of declaration of the dividend.
- 9. Members who have not encashed the dividend warrants for the financial year ended 31st March 1996 are requested to surrender the unencashed warrants to the company and obtain payment. If the warrants are lost, members may write to the company immediately since the unclaimed dividend will be credited to the General Reserve Account of Central Government after the prescribed period.
- 10. Members desirous of obtaining any information on the Annual Accounts to be explained at the meeting are requested to write to the company at an early date to facilitate computation of information.



EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956

The following Explanatory Statement sets out all material facts relating to Special Business mentioned in the accompanying Notice of the 29th Annual General Meeting of the Company to be held on Wednesday, the 10th September 1997.

ITEM NO. 7

M/s.Mitsubishi Heavy Industries Limited, Tokyo has withdrawn the nomination of Mr.Y.Ishijima from the post of Director of the company with effect from 24th March 1997 and appointed Mr.K.Terao in his place. The Board in its meeting held on 24th March 1997 appointed Mr.K.Terao as an Additional Director with effect from 24th March 1997. Being an Additional Director, he will cease to be a Director from the date of the 29th Annual General Meeting.

Mr.K.Terao is the General Manager of General Machinery International Operations Department, Mitsubishi Heavy Industries Ltd., Japan.

The company has received a notice from a member under Section 257 of the Companies Act 1956, signifying his intention to propose the name of Mr.K.Terao for appointment as a Director at this Annual General Meeting.

Your Directors are of the opinion that it would be in the best interests of the Company to appoint Mr.K. Terao as a Director and accordingly commend the resolution for approval of the Shareholders.

Except Mr.K.Terao, no other Director is interested in the resolution.

By Order of the Board of Directors for VST TILLERS TRACTORS LIMITED

Place : Bangalore

Dated: 28th June 1997

A.S. KESHAVAMURTHY Company Secretary

DIRECTOR'S REPORT

The Directors present the 29th Annual Report and Accounts for the year ended 31.3.97

FINANCIAL RESULTS

(Figures in Rs. in Lacs)

	Year 96 - 97	Year 95 - 96
Income	5933.93	5400.84
Profit before deprn, & Interest	587.28	606.68
Interest	244.44	151.25
Depreciation	66.29	43.33
Profit before tax	276.54	412.10
Tax	60.00	90.00
Profit after tax	216.54	322.10
Balance b/f	91.57	56.91
Transfer from Investment Allowance Reserve	2.89	-
Surplus available for appropriation to:	311.00	379.00
Proposed Dividend	76.03	87.44
General Reserve	150.00	200.00
Profit and Loss a/c	84.97	91.57

DIVIDEND

The directors recommend a dividend of Rs. 1.80 per share

PERFORMANCE

The year under review was fraught with issues which had direct bearing on the performance of your company. On the external front, the liberalisation of economic policies has perhaps unintentionally posed a potential threat to power tiller industry in India which had recently started looking up. In the last three decades many units manufacturing power tillers closed down and your company which had struggled long for survival had just begun to thrive. In the recent past, liberalisation process initiated by the Government has helped entrepreneurs to channelise import of powertillers from China at comparatively very low cost paying a custom duty of only 22%. Though your company is equipped to boldly face the competition on the product strength and positioning, it is on uneven ground to match the cost of chinese power tillers. Under the circumstances your company could not secure the full share of market growth for power tillers and was also not able to protect the operating profit margin. However your directors are confident that on the lasting values of durability, quality & service your company will ultimately emerge successful. Although the revival of subsidy on power tillers boosted the market, the delay in translating the policy decision to reach the

beneficiaries had a negative impact during the first nine months of the year. So far as the tractors are concerned, your company has not been able to capitalize on the favourable demand, as the cost effective indigenisation and scale of operations continue to adversely affect the production of tractors.

Similarly on the long term wage settlement accord reached during the year, the company had to prioritize long term objectives over the bottom line concern for the current year. The wage agreement was drawn within the frame work of certain policy guidelines focused on productivity and work culture. It is unfortunate that during the period the production did not gear up to meet the market demand which resulted fall in turnover during the peak season. Your directors are confident that the employees who have stood by the company in its difficult times will reconcile to the changing scenario and rebuild the confidence of the shareholders and associates.

On the overall analysis, the company's performance has suffered a set back and does not compare well with the projections made in the Letter of Offer.

COMPARATIVE STATEMENT

(Rs.in lakhs)

	as per Letter of Offer	achieved
Sales	9169	5897
Interest	336	244
Depreciation	234	66
Profit before tax	681	277
Profit after tax	400	217
E.P.S.	10.43	5.6

EXPANSION PROJECT

As on date of reporting your directors are happy to note that the current year has commenced with a satisfactory note. The expansion project has been completed with the additional capacity and other facilities in place, consequently your company is confident of reporting improved operating results during the current financial year.

SUBSIDIARY COMPANY

As reported earlier the company has promoted a joint venture unit VST Precision Components Ltd., at Mysore. The company has invested Rs.200 lacs and the joint venture partner Kinsho Mataichi Corporation, Japan a sum of Rs.150 lacs. The Industrial Finance Corporation of India Ltd has sanctioned a term loan of Rs.700 lacs for the project estimated to cost Rs.1300 lacs. With the promoters equity and the term loan disbursements the Subsidary company has been able to partially complete the project and commence operations since end January,1997. The Subsidary company has incurred a marginal loss of Rs.3.21 lacs on a turnover of Rs.65.85 lacs. However there is no cash loss. The performance of the Subsidary company is expected to significantly improve with the completion of the project by September 1997.

INDUSTRIAL RELATION

The triannual wage settlement which was due for renewal from 1.4.96 was finalised during the year. The negotiations were cordial, peaceful and professional.

DIRECTORS

During the year Shri.V.T.Velu who had served the company as managing director for more than two decades and as chairman since 1989 laid down the office as Chairman with effect from 2nd December 1996.

Your directors have no words to express the invaluable service rendered by Shri.V.T.Velu who was largely responsible for the company growing to its present stature. Your directors wish to place on record the unique precedence set by Shri.V.T.Velu on corporate governance by not drawing any remuneration throughout his service in the company. The directors are very happy to note that Shri.V.T.Velu continues to be on the Board to guide the affairs of the company.

The Board of Directors in their meeting held on 26th November 1996 appointed Shri.V.K.Surendra as chairman of the company. Shri.V.K.Surendra has been on the Board as director of the company since September 1980 and also been closely associated with the company since inception.

The directors retiring by rotation are Mr.V.T.Velu, Mr.M.K.Bannerjee and Mr.S.Hashimoto. They being eligible offer themselves for re-election.

The directors place on record their appreciation of the services and personal contribution rendered by the following directors who relinquished their office during the year.

- 1. Mr. Y. Ishijima
- 2. Mr. K. Asada
- 3. Mr. S. Sahoo
- 4. Mr. T.K. Subramanian

FIXED DEPOSITS

During the year under report, your company did not accept any fixed deposits from the public.

AUDITORS

M/s.Brahmayya & Company, auditors of your company will retire at the conclusion of the 29th Annual General Meeting and are eligible for reappointment.

PERSONNEL

As required by the provisions of Sec 217(2-A) of The Companies Act 1956, read with Companies (Particulars of Employees) Rule 1975 as amended, the names and other particulars of the employees are set out as an annexure to the Directors Report. However as per the provisions of Sec 219(1)(b)(iv) of The Companies Act, 1956, the report and the

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accounts are being sent to all the shareholders of the company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the secretary at the registered office of the company.

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

Information as required under Section 217(1)(e) of the Companies Act, 1956, is appended as Annexure-I.

ACKNOWLEDGMENT

During the year the company has paid the final instalments of loan to the financial institutions. It is time to place on record the timely assistance and support extended by the Industrial Finance Corporation of India, Industrial Credit and Investment Corporation of India and Industrial Development Bank of India, especially during our difficult times. We look forward to their association in our future corporate plans.

Your directors acknowledge with gratitude the confidence reposed in your company by the members, banks, our joint venture partners, namely Mitsubishi Heavy Industries ltd., Mitsubishi Corporation and Mitsubishi Agricultural Machinery Co Ltd., Japan, vendors, dealers and other business associates who have stood by the company allthrough. Your directors also wish to place on record their appreciation to the valuable contribution made by the employees of the company.

By Order of the Board for VST TILLERS TRACTORS LIMITED

Dated: 28th June 1997

Place : Bangalore

V.K.SURENDRA Chairman