

Thirty Fourth Annual Report **2001-2002**



V.S.T. TILLERS TRACTORS LTD.



Lord Ganesha



Idol of Lord Ganesha at V.S.T. TILLERS TRACTORS LTD.,



BOARD OF DIRECTORS : Mr. V.K.Surendra *Chairman*
Mr. V.T.Velu
Mr. R.Obata
Mr. S.Sugiyama
Mr. M.Udoguchi *Alternate to Mr.S.Sugiyama*
Mr. M.K.Bannerjee
Mr. S.Loganadan
Mr. R.Subramanian
Mr. V.V.Vijayendra
Mr. V.P.Mahendra *Managing Director*
Mr. A.T.Nahender *Director (Operations)*

COMPANY SECRETARY : Mr.B.L.Akshara

AUDITORS : M/s. Brahmayya & Company
10/2, Khivraj Mansion,
Kasturba Road, Bangalore 560 001

BANKERS : M/s. Canara Bank
M/s. State Bank of India
M/s. State Bank of Indore

FACTORS : M/s. Canbank Factors Limited

LEGAL ADVISERS : M/s.A.Murali Associates
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

REQUEST TO MEMBERS

1. Please bring your copy of the Annual Report to the meeting as no extra copies will be distributed owing to limited number of copies printed.
2. Members are requested to send their queries, if any, relating to the annual accounts and reports at least one week prior to the date of meeting to facilitate computation of information.
3. 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
4. Please note that no gifts will be distributed at the meeting.



V.S.T. TILLERS TRACTORS LIMITED

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NOTICE

Notice is hereby given that the THIRTYFOURTH ANNUAL GENERAL MEETING of V.S.T. TILLERS TRACTORS LIMITED will be held on Tuesday the 30th July 2002 at 3.00 p.m. at Woodlands Hotel, No.5, Rajaram Mohanroy Road, Bangalore 560 025 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance sheet as at 31st March 2002 and Profit and Loss Account for the year ended 31st March 2002 together with Schedules from 1 to 19 along with the Reports of the Directors and the Auditors.
2. To declare a dividend
3. To elect a Director in place of Mr.V.T.Velu who retires by rotation and being eligible, offers himself for re-appointment.
4. To elect a Director in place of Mr.S.Loganadan who retires by rotation and being eligible, offers himself for re-appointment.
5. To elect a Director in place of Mr.V.V.Vijayendra who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors of the Company and fix their remuneration

By order of the Board of Directors

for **VST TILLERS TRACTORS LIMITED**

Place: Bangalore
Dated: 3rd June 2002

(B.L.Akshara)
Company Secretary

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint 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 valid must be deposited 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 25.7.2002 to 30.7.2002 (both days inclusive)
3. Documents relating to any of the items mentioned in the Notice are open for inspection at the Registered Office of the Company on any working day during business hours.
4. Members are requested to notify immediately any change in their address to the Company.



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5. Members are requested to bring their copy of the Annual Report with them to the meeting.
6. 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 24th July 2002.
7. The dividend will be paid to the entitled shareholders within 30 days from the date of declaration of the dividend.
8. Members desirous of claiming tax exemption are requested to file necessary certificate/declaration in Form 15/15G at the Registered Office of the Company on or before 24th July 2002.
9. 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.

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DIRECTORS' REPORT

Dear Shareholder,

Your Directors are pleased to present before you, a report on the performance of your Company alongwith audited accounts for the year ended 31st March 2002.

FINANCIAL HIGHLIGHTS

The financial results are summarised below :

(Rupees in lacs)

	Year 2001-02	Year 2000-01
TURNOVER	6244	8548
OTHER INCOME	214	50
TOTAL INCOME	6458	8598
PROFIT BEFORE DEPRECIATION & INTEREST	579	1264
INTEREST	172	133
DEPRECIATION	138	132
PROFIT BEFORE TAX	269	999
TAX	97	358
PROFIT AFTER TAX	172	641
BALANCE B/F	611	360
SURPLUS AVAILABLE FOR APPROPRIATION	783	1001
TO : DIVIDEND	58	140
TRANSFER TO GENERAL RESERVE	95	250
PROVISION FOR DIMINUTION IN INVESTMENTS	227	-
BALANCE CARRIED FORWARD	403	611

PERFORMANCE REVIEW

The year 2001-02 has been generally sluggish for the manufacturing industries and in particular for the Tiller/Tractor Industry. There has been steep decline in the total production and sales in the lower HP range of tractors with the industry reporting a negative growth of around 25 percent. Added to this, the Central subsidy on Power Tillers was suddenly withdrawn under the premise of Minimum Performance Standard as was reported at the last General Meeting of the Shareholders. The major markets for your Company which were totally dependent on subsidy was adversely affected resulting in unprecedented fall of 40% (Rs.2,508 lacs as against Rs.4,193 lacs) on the turnover for the first 6 months and operating loss of Rs.70 lacs.



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However, it is heartening to note that with the relisting of Power Tillers for the subsidy schemes, the demand for Power Tillers has improved substantially in the later part of the year thereby increasing the turnover to Rs.3,736 lacs (last year Rs.4,356 lacs). Yet the smart recovery in the second half of the year could not entirely recover the shortfall in sales in the first half and your Company could achieve only 73% of the previous year's turnover and 46% of the previous year's operating profit i.e., Rs.579 lacs as against Rs.1264 lacs.

CURRENT YEAR OUTLOOK

The Agricultural Machinery manufacturers in India are passing through turbulent times with the farming community struggling to cope with the emerging challenges of globalisation. Further with the continuing liberalisation policy, the duty on import of Power Tillers has been slashed which has placed the Indian Manufacturers at a disadvantage with respect to product pricing particularly for imports from China. Your Company is confident of protecting its market share by its superior quality and technology and alongside pursuing its efforts in cost cutting measures. Your Company's continuing exercise on new market development and the revival of subsidy have cheered up the market. As such your Directors look forward to a significant improvement in the performance during the current financial year.

INVESTMENT IN V.S.T. PRECISION COMPONENTS LIMITED (VPCL)

VPCL was promoted by your Company during the year 1995 with the objective of manufacturing components for diesel engines catering to the export market and also for meeting your Company's internal requirements of precision components. During the year under review, the export turnover has been satisfactory but the domestic demand had suffered badly due to your Company's lower offtake. Your Directors are of the opinion

that this is only a passing phase and it is heartening to note that in the current year, VPCL has improved its performance on account of higher demand for its products from your Company. Nevertheless, in line with the emerging accounting standards and the Company's endeavour to follow prudent business practice, it was considered appropriate to take cognisance for the diminution in the value of investment in VPCL to the extent of Rs.198 lacs. The investment in VPCL was made from the long term resources of your Company and as such the diminution in value which resulted in gradual erosion of its networth has been appropriated out of the carried forward surplus without affecting the current year's operating profit.

CORPORATE GOVERNANCE

Your Company is aware of the importance of good corporate governance, which helps in building market confidence and improving investor protection. Adherence to the value system established through good corporate governance also inspires the trust and confidence of its customers, suppliers, lenders, dealers and the regulatory authorities.

At the behest of the Securities Exchange Board of India (SEBI), the Stock Exchanges have brought in a new clause in the Listing Agreement introducing a comprehensive Code on Corporate Governance. A separate Report on Corporate Governance is given in this Annual Report. A certificate from the Auditors of the Company regarding the compliance of conditions of Corporate Governance as stipulated in clause 49 of the listing agreement is appended to this report as Annexure 1.

INDUSTRIAL RELATION

Relation between employees and the management has remained cordial throughout the year. During the year under review, your Company announced a Voluntary Separation Scheme to all Employees belonging to the unionised category which resulted in

manpower reduction. The triannual wage agreement is due for renewal and discussions with the Employees Union is due to commence. Your Directors are confident that all employees thoroughly understand the changing scenario and will fully extend their co-operation to enable the Company to withstand the most testing period that it has been going through.

DIVIDEND

Your Directors recommend a dividend of Re.1.00 per equity share on face value of Rs.10 for the year ended 31st March 2002. The dividend is subject to approval of the Members at the AGM and will be paid to :-

- a) equity shareholders whose names appear on the Register of Members as on the date of book closure
- b) beneficial owners of equity shares as per the records of NSDL and CDSL as on the date of book closure

DIRECTORS

The Directors retiring by rotation are Mr.V.T.Velu, Mr.S.Loganadan and Mr.V.V.Vijayendra. They being eligible, offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, the Directors Responsibility Statement is appended to this report as Annexure-2.

FIXED DEPOSITS

During the year under report, your Company did not accept any Fixed Deposits from the public.

Dated: 3rd June 2002

Place: Bangalore

AUDITORS

M/s.Brahmayya & Company, Auditors of your Company will retire at the conclusion of the 34th Annual General Meeting and are eligible for re-appointment.

PARTICULARS OF EMPLOYEES

Information in accordance with Section 217(2A) of the Companies Act 1956 is not furnished as there is no employee drawing a remuneration of Rs.1,00,000 per month or Rs.12,00,000 per annum.

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-3.

ACKNOWLEDGEMENT

Your Directors acknowledge with gratitude the confidence reposed in your Company by the Members, Financial Institutions, our Joint Venture Partners, viz., Mitsubishi Heavy Industries Limited, Mitsubishi Corporation and Mitsubishi Agricultural Machinery Company Limited, Japan and Vendors and Dealers. The contribution made by the employees have also been significant and the Company looks forward to their continued support.

By order of the Board
for **VST TILLERS TRACTORS LIMITED**

(**V.K.SURENDRA**)

Chairman

**ANNEXURE-1****AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE**

We have reviewed the records and documents maintained by the Company in compliance with the conditions of Corporate Governance as stipulated in Clause-49 of the Listing Agreement with the Stock Exchanges for the year ended 31st March 2002.

On the basis of our review of the relevant records maintained by the Company and furnished to us for review and the information and explanations given to us by the Company, we certify that the Company has complied with the conditions of Corporate Governance as stipulated under Clause - 49 of the Listing Agreement with the Stock Exchanges.

For **Brahmayya & Company**
Chartered Accountants

Place : Bangalore
Dated : 3rd June 2002

(G. Srinivas)
Partner

ANNEXURE-2**DIRECTORS RESPONSIBILITY STATEMENT**

Pursuant to section 217(2AA) of the Companies Act, 1956, the Board of Directors confirm that:-

- (i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- (iii) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the directors have prepared the annual accounts on a going concern basis.