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**ANNUAL REPORT**  
**2004-2005**

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**V.S.T. TILLERS TRACTORS LIMITED**



# LORD GANESHA



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**BOARD OF DIRECTORS :** Mr. V.K.Surendra *Chairman*  
Mr. V.T.Velu  
Mr. V.V.Vijayendra  
Mr. A. Hishikawa  
Mr. K. Tanaka *Alternate to A. Hishikawa*  
Mr. M. Tanaka  
Mr. R.Subramanian  
Mr. M.K.Bannerjee  
Mr. V. Ramachandran  
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

**COST AUDITORS :** M/s. Rao, Murthy & Associates  
No.23/33, Surveyor's Street  
Basavanagudi, Bangalore - 560 004

**BANKERS :** M/s. Canara Bank  
M/s. State Bank of India  
M/s. Canbank Factors Limited

**LEGAL ADVISERS :** M/s. AZB & Partners  
67-4, 4th Cross, Lavelle Road  
Bangalore - 560 001

**REGD. OFFICE :** 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



## NOTICE

Notice is hereby given that the **THIRTYSEVENTH** Annual General Meeting of **V.S.T. TILLERS TRACTORS LIMITED** will be held on Friday the 29th day of July 2005 at 3.00 p.m. at "Krishna Hall", Woodlands Hotel Pvt. Ltd., No.5, Rajaram Mohan Roy Road, Bangalore - 560 025 to transact the following business :

### ORDINARY BUSINESS

1. To consider and adopt the audited Balance Sheet as at 31st March 2005, Profit and Loss Account for the year ended on that date and the Report of the Board of Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of **Mr.M.Tanaka** who retires by rotation and being eligible, offered himself for re-appointment.
4. To appoint a Director in place of **Mr.A.Hishikawa** who retires by rotation and being eligible, offered himself for re-appointment.
5. To appoint a Director in place of **Mr.V.Ramachandran** who retires by rotation and being eligible, offered himself for re-appointment.
6. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration. The retiring Auditors M/s.Brahmayya & Company, Chartered Accountants, being eligible, offered themselves for re-appointment.

### SPECIAL BUSINESS

1. To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

RESOLVED that pursuant to section 198, 269, 309, 310, 311 and other applicable provisions if any and Schedule XIII to the Companies Act, 1956 **Mr.A.T.Nahender** be and is hereby re-appointed as **Director (Operations)** of the Company for a further period of five years with effect from 27th November 2005.

FURTHER RESOLVED that subject to the overall limits of managerial remuneration fixed by the Companies Act, 1956, the Managing Director of the Company be and is hereby authorized on behalf of the Shareholders to revise the remuneration of **Mr.A.T.Nahender** suitably as he deems fit whenever the remuneration is revised to the Management Staff of the Company.

RESOLVED FURTHER that the salary, perquisites and benefits set out herein below shall be applicable from 1st January 2005 whereas the commission payable at one percent on the net profit of the Company subject to a maximum of annual salary drawn shall be applicable from 1st April 2004.

### SALARY

Rs.60,000 per month in the scale of Rs.60,000 -1,500.

**PERQUISITES**

In addition to salary, the following perquisites are allowed and classified into four categories, "A", "B", "C" and "D" as follows:-

**CATEGORY - A**

- a) Medical Reimbursement - Expenses incurred for self and family subject to a ceiling of one month's salary per year or three months' salary over a period of three years.
- b) Leave Travel Allowance - for self and family once in a year not exceeding two months basic salary.
- c) Club Fees - Upto Rs.200 per month. (Annual / Monthly Subscription for clubs subject to a maximum of two clubs. This will not include admission and life membership fee.)
- d) Medical Insurance Premium for Spouse & Children: Actuals subject to a limit of Rs.2,400 per annum.
- e) Furnishing & Other Allowance - Reimbursement upto Rs.50,000 (Rupees fifty thousand only) per annum or Rs.2,00,000 (Rupees two lakhs only) over a period of four years towards furnishing/ repair/ maintenance of own house.
- f) Fuel Allowance for car : To & Fro from Residence to Office on actual basis.

Note: For the purpose of this Part, "family" means the spouse, dependent children and dependent parents of the Director (Operations).

**CATEGORY - B**

- a) Contribution to Provident Fund will not be included in the computation of the ceiling on perquisites to the extent it is not taxable under the Income-tax Act.
- b) Gratuity payable shall not exceed one half month's salary for each completed year of service subject to a ceiling specified in the Gratuity Act.
- c) Earned/Privilege Leave shall be allowed to the Director (Operations) on full pay and allowances according to the rules of the Company but not more than 37 (thirty seven) days leave for every 12 (twelve) months service. However, leave accumulated but not availed of will be allowed to be en-cashed.

**CATEGORY - C**

Provision of Car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls made on telephone and use of car for private purpose shall be billed by the Company to the Director (Operations)

**CATEGORY - D****COMMISSION**

One percent on the net profit of the Company subject to a maximum of annual salary drawn.

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

Sd/-

**(B.L.Akshara)**

*Company Secretary*

Place: Bangalore

Dated: 31st May 2005

**NOTES :**

1. A member entitled to attend and vote at the meeting is entitled to appoint proxies to attend and vote instead of himself/herself on a " POLL " and the PROXIES NEED NOT BE MEMBERS. The proxy form is annexed to this Annual Report. Proxies in order to be valid must be deposited at the Company's Registered Office not less than forty eight hours before the commencement of the meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 22/07/2005 to 29/07/2005 (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 are open for inspection at the Registered Office of the Company on any working day during business hours.
5. 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.

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

Sd/-

**(B.L.Akshara)**

*Company Secretary*

Place: Bangalore

Dated: 31st May 2005

## **EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956**

Mr.A.T.Nahender was first appointed as Director (Operations) in the year 1995 for a period of five years and he was re-appointed in the year 2000 for a further period of five years.

The present term of appointment will expire on 26th November 2005. The Board in its meeting held on 31st May, 2005 re-appointed him subject to the approval of Shareholders in the General Meeting for a further period of 5 years commencing 27th November 2005 on the terms and conditions setout in the resolution.

The Board is of the opinion that it would be in the best interest of the Company to re-appoint Mr.A.T.Nahender for a further period of five years on the terms and conditions as set out in the resolution which are within the limits as specified under Section 198, 309 and Schedule XIII of the Companies Act 1956 and thus recommend the resolution for approval.

None of the Directors except Mr.A.T.Nahender are interested in this subject/resolution.

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

Place: Bangalore  
Dated: 31st May 2005

Sd/-  
**(B.L.Akshara)**  
Company Secretary



**DIRECTORS' REPORT**

Dear Shareholder,

Your Directors are pleased to present a report on the performance of your Company along with audited accounts for the year ended 31st March 2005.

**FINANCIAL HIGHLIGHTS**

The financial results are summarized below:

(Rupees in lacs)

	<b>Year 2004-05</b>	<b>Year 2003-04</b>
TURNOVER	<b>11086</b>	10314
OTHER INCOME	<b>186</b>	124
TOTAL INCOME	<b>11272</b>	10438
PROFIT BEFORE DEPRECIATION & INTEREST	<b>1346</b>	1285
INTEREST	<b>171</b>	153
DEPRECIATION	<b>299</b>	225
PROFIT BEFORE TAX	<b>876</b>	907
INCOME TAX	<b>327</b>	170
DEFERRED TAX	<b>(37)</b>	158
PROFIT AFTER TAX	<b>586</b>	579
BALANCE B/F	<b>575</b>	428
SURPLUS AVAILABLE FOR APPROPRIATION TO:	<b>1161</b>	1007
DIVIDEND	<b>144</b>	144
TAX ON DIVIDEND	<b>20</b>	19
TRANSFER TO GENERAL RESERVE	<b>500</b>	300
PROVISION FOR DIMINUTION IN INVESTMENTS	-	(31)
BALANCE CARRIED FORWARD	<b>497</b>	575

**COMPANY'S PERFORMANCE**

During the year under report, your Company improved upon the previous year's record turnover by achieving sales of Rs.111 crores which is 7.5% higher than the previous year turnover. The operational profit increased to Rs.1346 lakhs from Rs.1285 lakhs. Profit after tax (PAT) was marginally higher at Rs.586 lakhs as against Rs.579 lakhs in the previous year.

The sale of power tillers during the year was lower at 7625 units as against the previous year's sale of 8083 units. This was primarily due to non-availability of subsidies in the States of Assam and other North-Eastern regions. However, it is heartening to note that your Company's tractor sales have grown to 933 Units as against 529 units in the previous year. This was in line with the upward trend witnessed by the Indian Tractor Industry.

This Precision Components Division, besides contributing to the revenue, continues to supply critical engine components for manufacturing tillers & tractors. During the year under review, this division was successfully certified for TS16949 Standards. This certification would help in further developing overseas market for engine component business. Three

new customers were added and new development of crank shafts and connecting rods for exports to these customers commenced. This division is presently, focusing on enhancing its operational competencies and work culture to meet the stringent requirements of overseas customers in terms of both quality standards as well as time schedules.

The dramatic increase in steel price in the course of the year has lead to significant impact on the manufacturing cost structure and profitability of this division. Steps are being taken to pass on the higher raw material costs to our overseas buyers wherever possible.

### **DIVIDEND**

Your Directors recommend a dividend of Rs.2.50 per equity share of face value of Rs.10 for the year 2004-05. The outflow on account of equity dividend would be Rs.164 lakhs including tax on dividend.

### **DIRECTORS**

The Directors retiring by rotation are Mr.M.Tanaka, Mr.A.Hishikawa & Mr.V.Ramachandran, being eligible, offered themselves for re-appointment.

### **CORPORATE GOVERNANCE**

A separate Report on Corporate Governance pursuant to clause 49 of the Listing Agreement is appended.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies Act, the Directors' Responsibility Statement, reporting the compliance with the Accounting Standards is attached to this report as Annexure-1.

### **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 37th Annual General Meeting and being eligible, offered themselves for re-appointment.

### **PARTICULARS OF EMPLOYEES**

Information in accordance with Section 217(2A) of the Companies Act 1956 is not applicable to your 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 attached as Annexure-2.

### **MANAGEMENT DISCUSSION AND ANALYSIS**

#### Industry Structure and Developments

Your Company is a major player in the power tiller industry in India and maintains its focus on producing high quality tillers and tractors with value for money to the farmer. Several low cost Chinese brand of power tillers are being imported and your Company with its present market position is taking new initiatives to increase sales through it's wide dealer network. The Central and State Governments have been giving priority to agriculture and rural development by providing subsidies to small and marginal farmers. It is pertinent to note that almost 70 percent of the power tillers sold by your Company is through Government Schemes. Any change in Government policy on subsidies will have a direct impact on power tiller sales.

#### Opportunities and Threats

Recent indication of 7 percent GDP growth of the Indian economy, credit availability to farmers and normal monsoon provides opportunities for higher sales and optimum utilization of capacities. The core business of your Company is dependent on domestic demand for food grains at a remunerative price. The procurement policy on food