

Board of Directors : Mr. V.K. Surendra - *Chairman*
Mr. A. Hishikawa
Mr. R. Subramanian
Mr. M.K. Bannerjee
Mr. V. Ramachandran
Mr. K.K. Rai
Mr. V.P. Mahendra - *Managing Director*
Mr. B.C.S. Iyengar - *Executive Director*
Mr. V.V. Pravindra - *Dy. Managing Director*

**Company Secretary
and Compliance Officer** : Mr. Subash B.K.

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

Legal Advisers : M/s. J. Sagar Associates
Advocates & Solicitors
2, Frontline Grandeur
14, Walton Road, Bangalore - 560 001

Regd. Office : Plot No.I, 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.

Information as required under clause 49 (IV)(G) of the Listing Agreement
Brief resume of Directors seeking Appointment / Re-appointment

Particulars	Mr. V.K. Surendra	Mr. V. Ramachandran
Date of Birth & Age	18-05-1941 & 69 Years	26/01/1948 & 62 Years
Appointment on	29-10-1980	29-01-2004
Qualifications	Commerce Graduate	Bachelor of Engineering
Expertise in specific functional Areas	Automobile Distribution Management and Directorship of Companies	34 years of experience in Auto Component Industry, evolving long-term strategies and plans, investment decisions and formulating management policies. He was Vice Chairman and Managing Director of Kar Mobiles Ltd., Bangalore. He is Chairman, Southern Region of Auto Component Manufacture's Association.

By the Order of the Board
for **VST TILLERS TRACTORS LTD.**

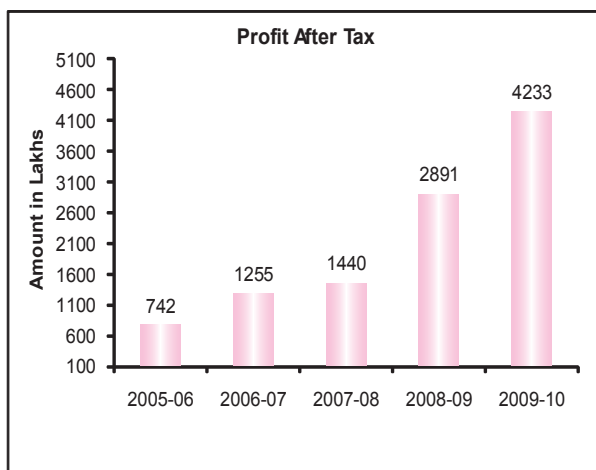
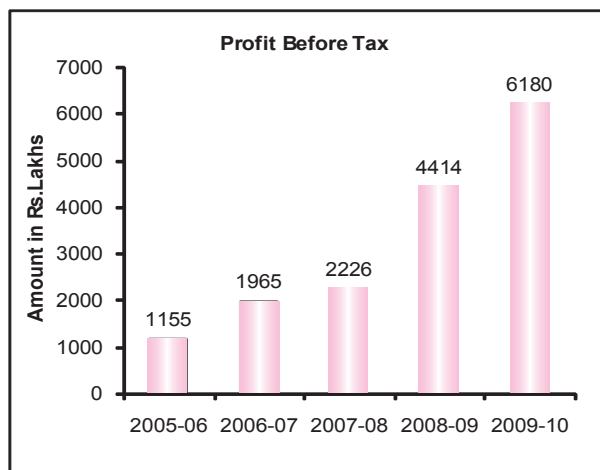
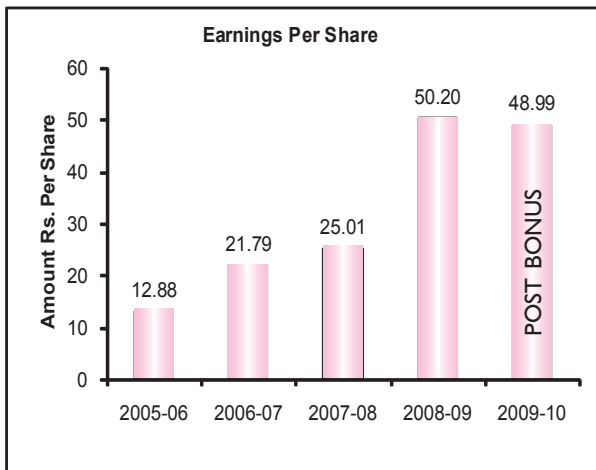
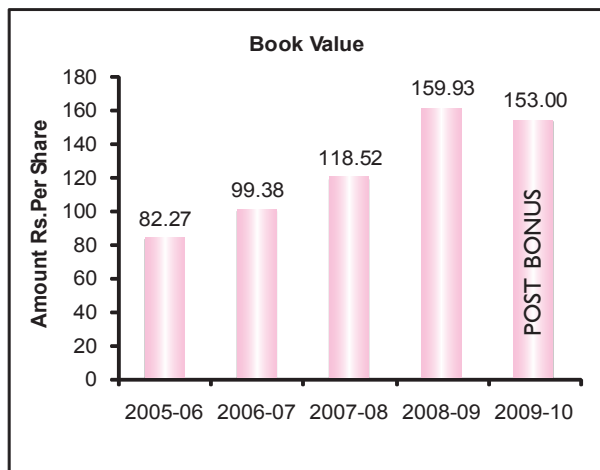
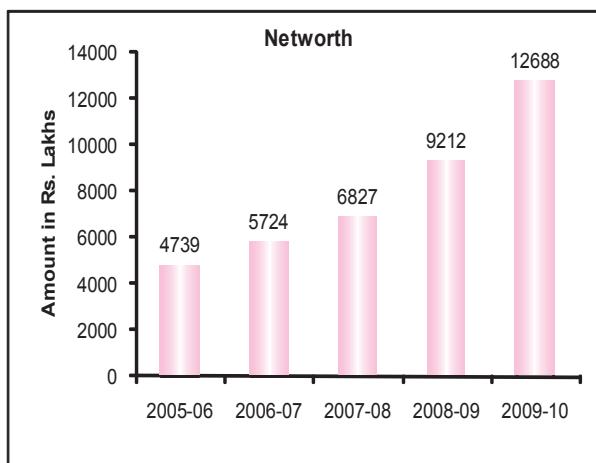
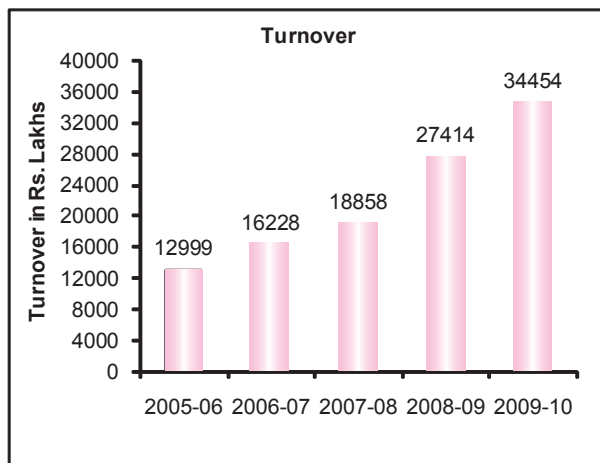
Place: Bangalore
Date: May 28, 2010

Subash B K
Company Secretary

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FINANCIAL INDICATORS



Dear Shareholders,

Your Directors record with deep sadness, the demise of founder Managing Director, Shri V.T.Krishnamoorthy. His guidance to your Company in the above capacity and subsequently as Chairman during the formative and difficult years was invaluable. We pay our respect and homage to the departed soul.

Your Directors are pleased to present the 42nd Annual Report and the audited statement of accounts for the year ended March 31, 2010.

FINANCIAL PERFORMANCE

(Rupees in lacs)

Period	Year 2009-10	Year 2008-09
TURNOVER	34454	27414
OTHER INCOME	277	482
TOTAL INCOME	34731	27896
PROFIT BEFORE DEPRECIATION & INTEREST	6506	4748
INTEREST	67	53
DEPRECIATION	259	281
PROFIT BEFORE TAX	6180	4414
INCOME TAX	1947	1523
PROFIT AFTER TAX	4233	2891
BALANCE B/F	1016	880
SURPLUS AVAILABLE FOR APPROPRIATION TO:	5249	3771
DIVIDEND	648	432
TAX ON DIVIDEND	108	73
TRANSFER TO GENERAL RESERVE	2000	2250
BALANCE CARRIED FORWARD	2493	1016

COMPANY'S PERFORMANCE

During the year under review your company continued to improve upon the progress made during the previous year by selling over 19000 Tillers which helped the Company to consolidate its position as market leader in the power tiller industry. The sale of tractors also increased significantly by over 3700 nos. Both these figures are a milestone.

The turnover for the year registered an increase by 26% from Rs 274 crores in 2008-09 to Rs.344 crores while the operating profit increased to Rs. 59 crores compared to Rs.39 crores. This was mainly due to higher growth and operating efficiency. Profit after tax amounted to Rs. 42 crores, an increase of 46% over the previous year. Consequently, earnings per share increased from Rs. 50.20 to Rs. 68.69 and

your company continues to remain debt free while short term borrowings were limited to only need based working capital requirements. Power Tillers and Tractors contributed 62% and 24% of the sales during the year. Export revenue from Precision Component Division declined by 58% due to the global recession in the component business.

The sale of power tillers during the year increased to 19068 units as against the previous year's sales of 16691 units, an increase of 14%. The company's tractor sales also accelerated to 3758 units as against 2327 units in the previous year. As a result of an aggressive plan to market Rice Transplanters, 858 units were sold mainly in the paddy growing belts of Punjab, Tamil Nadu and Kerala. This steadily shift towards mechanization has been due to acute shortage of labour and cost effectiveness of these machines.

The performance of the Component Division went through a difficult time due to the global economic slowdown and profits from exports declined on a standalone basis. During the second half of the year, export margins were impacted due to higher raw material prices. This apart, the strengthening of the Rupee against the Sterling and Euro compounded the problems as realizations declined. Despite these conditions, increase in production of components for captive consumption enabled this division to record a moderate increase in top line and sustain its operations.

DIVIDEND:

Your Directors have pleasure in recommending a dividend of Rs.7.50/- per equity share of Rs.10/- each for approval at the Annual General Meeting. The dividend if declared will result in an outflow of Rs.756 lacs including the distribution tax.

DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and Articles of Association, Mr. V K Surendra and Mr. V Ramachandran Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment.

CORPORATE GOVERNANCE:

The Company strives to ensure highest standards in Corporate Governance and levels of transparency and has been compliant with all the provisions of Clause-49 of the Listing Agreement. A certificate from the Auditors to this effect forms part of Corporate Governance Report.

DIRECTOR'S RESPONSIBILITY STATEMENT:

Pursuant to sec 217(2AA) of the Companies Act 1956, amended as per Companies (Amendment) Act 2000, the Directors confirm that:

In preparation of the Annual Accounts of your Company the Accounting Standards laid down by the Institute of Chartered accountants of India from time to time have been followed.

Appropriate Accounting policies have been selected and applied consistently, and reasonable and prudent judgment and estimates have been made so as to ensure that the accounts give a true and fair view of affairs of your company as at March 31, 2010 and the profits of your company for the year ended March 31, 2010.

Proper and sufficient care has been taken for the maintenance of appropriate accounting records in accordance with the provisions of the act for safeguarding the assets of your company and for preventing and detecting frauds and other irregularities.

The annual accounts have been prepared on a going concern basis.

The observations of Auditors in their report to Members have been adequately dealt with in the relevant notes to accounts. Hence no additional explanation is considered necessary.

AUDITORS:

M/s. Brahmayya & Company, Chartered Accountants, retire as Auditors of the Company at the conclusion of 42nd Annual General Meeting and are eligible for re-appointment.

PARTICULARS OF EMPLOYEES:

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1975, as amended, details of employee who was employed throughout the financial year and was in receipt of remuneration aggregating to not less than 24 lacs p.a. is as follows :

Mr. V P Manendra - Managing Director

Aged - 68 years

Gross Remuneration received - Rs. 35,39,518/-

Qualification - B.E. - Electrical

Experience - 30 Years

Date of Employment - 01/10/1980

Last position held - as Deputy Managing Director of the Company

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

Information under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March 2010 is enclosed as Annexure.

FIXED DEPOSITS:

Your Company has not accepted any fixed deposits within the meaning of Section 58A of the Companies Act, 1956 and rules made there under.

MANAGEMENT DISCUSSION AND ANALYSIS**Industry structure and developments:**

After witnessing a slowdown in the fiscal year ended 31st March 2009 India's economy was estimated to grow by 7.2% in 2009-10 after clocking an annual growth of over 6.8% in the preceding year. A large share of this growth is broad based with the recovery of the industrial sector which has now consolidated. The agriculture sector was an exception recording a growth of only 0.2% primarily due to widespread drought. This sector had grown by 1.6% in the previous year.

The agricultural sector which contributes over 20% of India's GDP has in the recent past been given emphasis by the government through farm mechanization to enhance food production. In addition, the shortage of labour has also encouraged farm mechanization, consequent to which the demand for tractors, power tillers and other farm equipments has grown substantially. The power tiller industry which relies substantially on government subsidy is constantly exposed to higher levels of credit, as release of the subsidy in many states takes a considerable period of time. On the fiscal front, the RBI has ensured sufficient liquidity in the market and effected various monetary rate changes during the latter part of the year in view of the double digit inflation and rising agricultural commodity prices. It is expected that the support prices for crops being enhanced by the government, would also improve the capability of the farmer to buy agricultural machinery.

OPPORTUNITIES

Agriculture which contributes a major portion of the rural sector will continue to play a leading role in the growth of the economy.

The Agriculture sector is slated to register a growth of around 4% during the year 2010-11 through schemes such as National Food Security Mission, The Rashtriya Krishi Vikas Yojana (RKVY), Macro Management Scheme and other schemes. These schemes in addition to giving a thrust for higher mechanization also encourages farmers to make use of the power tillers and small tractors for other field operations. The opportunity for Rice transplanters to be used in larger numbers is now far greater than earlier as the transplanters are able to cover a larger area within available time frame for transplanting. These initiatives are expected to help this industry post steady growth.

RISKS AND CONCERNS

The Monsoons play a significant role in agriculture and the sale of our products could get impacted by deficiency in rainfall pattern. Credit availability and quick processing of bank loans to farmers is a key issue, as many farmers still lack access to finance due to reluctance of banks to process loans especially on account of various loan waiver schemes. As the industry is highly dependent on subsidy, allocation by the government is a key driver for the power tiller sector to perform in a robust manner. The industry has experienced undue delay in release of subsidy by various state governments and this phenomenon brings about periodic financial stress. Increase in prices of commodity items like steel, non ferrous metals and rubber could have a negative bearing on the demand. These cost escalations are difficult to be fully passed on to the customer through price increases particularly in the face of competition from low cost Chinese tillers.

The exports from the Components Division are exposed to global currency fluctuations and the impact of currency movements coupled with adverse changes in raw material price could affect profitability. This sector also has to face major challenges from auto component industry in China and Thailand and there is constant pressure to maintain prices from our overseas customers.

CURRENT YEAR OUTLOOK

The Indian economy has strongly recovered and is on the path to achieve around 8% growth with the Government targeting over 4% growth for agriculture. Various measures to accelerate reforms to increase agricultural production to ensure food security will augur well for our industry and we are cautiously optimistic in the current year. Additional infrastructure is also being planned to upgrade the facilities both in Bangalore and Mysore. This will enable your company to reach the higher anticipated targets. On the organization front, the management has found it necessary to strengthen the marketing structure and will to do so through the year. Besides the above, your company continues to take measures to improve quality and productivity and to make changes in the assembly layout and improve logistics.

At the Components Division, your company is consolidating its business with the existing customers. However, there is a concern to accept further orders in the long term due to frequent changes in the projection being made by the companies to whom we are exporting.

Internal Control Systems

Your Company maintains adequate internal control system, which provides reasonable assurance that transactions in significant areas are monitored to prevent any misuse. To strengthen this area your Company continued to strengthen its IT capabilities particularly in inventory management function. The ERP system will improve integration with vendors for better flow of information. Internal Audits are conducted and critical observations are reviewed by the Audit Committee on a quarterly basis.

Industrial Relation

Industrial relations have been cordial across all the plants. During the year your company entered into a 3 year wage settlement with its Union at Bangalore through amicable process of negotiation. With a view strengthen the organization in line with the company's expansion, various initiatives for building organizational capabilities and enhancing people productivity is being carried out.

Forward-Looking Statements

Statements in this release that are "forward-looking statements" are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially from those either expressed or implied due to factors such as Raw material prices, Government policies, Competition, tax regime, market acceptance of new products and services, continued acceptance of existing products and services, changes in licensing programs, product price discounts, delays in product development and related product release schedules, sales channel disruption.

All information in this release is as of May 28, 2010. The company undertakes no duty to update any forward-looking statement to conform the statement to actual results or changes in the company's expectations.

ACKNOWLEDGEMENTS:

The Directors wish to convey their gratitude for the faith reposed in your Company by Mitsubishi Heavy Industries Limited, the financial institutions, employees and the customers at large.

for VST TILLERS TRACTORS LTD.

Sd/-

Place: Bangalore
Date : May 28, 2010

V. K. Surendra
Chairman

ANNEXURE

Information under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March 2010.

I. Conservation of energy :

As the industry is not a power intensive unit, no capital investment was made and hence no benefit could accrue.

2. A. Research and Development (R&D) :

- a. Technology up-gradation of VST 130DI Power tiller Engine to meet the prevailing as well as next emission norms is completed and is under productionisation.
- b. Small weeder for deweeding in Rice transplanted fields developed successfully, productionising is under progress.
- c. Conceptualization of Rice transplanting attachment to MT180D Tractor is in progress.
- d. Completed Conceptualization of seat for Power Tiller.
- e. The new Dragon Shakti 150DI tiller successfully completed approval tests and is available to Market under subsidy scheme

B. Technology Absorption:

- a. Technology absorption through upgradation of Existing CAD station with latest versions of software for both 3D and 4D configurations.

C. Benefits derived :

- a. Upgradation of CAD station has enhanced the product development capabilities.

D. Expenditure on R&D :

- a. The Company's expenditure on R&D (including capital expenditure) during the year was Rs. 42,35,887/-

E. Future plan of action :

- a. Existing K3C Engine of tractor, upgradation to next emission norm effective from October 2010.
- b. Higher horsepower tractor pilot lot release to Market.
- c. New Aesthetic for Tractor for higher power category.
- d. New light weight engine of 11 HP for Power Tiller.

3. Foreign exchange earnings and outgo:

- a) Complete information about exports, which have contributed towards foreign exchange earnings, is given in Para 6(f) of the Schedule 19 to the Audited Accounts annexed to this Report. Similarly, details of foreign exchange outgo on account of imports, expenditure on traveling, dividend etc. are shown in Para No.5(e), 5(f) and 5(h) respectively in Schedule 19, i.e., in Notes forming part of Accounts.
- b) Total foreign exchange used and earned :
 Foreign exchange earnings : Rs. 10,21,63,887.00
 Foreign exchange outgo : Rs. 10,08,29,773.00

CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

To,

The Board of Directors
VST TILLERS TRACTORS LTD

We, the undersigned, in our respective capacities as Chief Executive Officer and Chief Financial Officer of VST Tillers Tractors Limited ("the Company"), to the best of our knowledge and belief certify that:

- (a) We have reviewed the financial statements and the cash flow statement for the year ended on March 31, 2010 and based on our knowledge and belief, we state that:
 - (i) These statements do not contain any materially untrue statement or omit any material fact or contain any statement that might be misleading;
 - (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws, and regulations.
- (b) We further state that to the best of our knowledge and belief, there are no transactions entered into by the Company during the year, which are fraudulent, illegal, or violative of the Company's code of conduct.

We hereby declare that all the members of the Board of Directors and Management Committee have confirmed compliance with the Code of Conduct as adopted by the Company.

- (c) We are responsible for establishing and maintaining internal controls and for evaluating the effectiveness of the same over the financial reporting of the Company and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated, based on our most recent evaluation, wherever applicable, to the Auditors and Audit Committee:
 - (i) Significant changes, if any, in the internal control over financial reporting during the year;
 - (ii) Significant changes, if any, in the accounting policies made during the year and that the same has been disclosed in the notes to the financial statements; and
 - (iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in the Company's internal control system over financial reporting.

V. P. Mahendra
Managing Director & CEO
Bangalore, May 28, 2010

R. Thiyagarajan
V P Finance - & CFO

Auditors' Certificate on Compliance with the conditions of Corporate Governance under Clause 49 of the listing agreement(s)

To the Members,
VST Tillers Tractors Limited

We have examined the Compliance conditions of Corporate Governance of **V.S.T Tillers Tractors Limited** for the year ended on 31st March, 2010, as stipulated in clause 49 of the listing agreement of the said Company with stock exchange in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our responsibility has been limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned listing agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Brahmaya & Co.,
Firm Reg. No. : 000515S
Chartered Accountants

Sd/-

G. Srinivas
(Partner)

Membership No. 086761

Place : Bangalore
Date : 28th May, 2010