

45th Annual Report
2012-13



VST TILLERS TRACTORS LTD.



A VST GROUP
ENTERPRISE

LORD GANESHA



**Idol of Lord Ganesha at
VST Tillers Tractors Limited**

“NOTICE IS HEREBY GIVEN that the **45th Annual General Meeting of VST TILLERS TRACTORS LTD** will be held at Woodlands Hotel Pvt. Ltd. No.5, Rajaram Mohan Roy Road, Bangalore – 560 025 on **Wednesday, August 14th, 2013** at 3.00 P.M. to transact the following business.

Ordinary Business:

1. To receive, consider, approve, and adopt the audited Balance Sheet as at March 31, 2013, Profit and Loss account and Cash Flow Statement for the year ended on that date together with the Directors’ and Auditors’ Report thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. V.K Surendra, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. M.K Bannerjee who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

Special Business:

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

“**RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, and other applicable provisions, if any of the Companies Act, 1956 (the Act) read with Schedule XIII of the Act and subject to the approval of the Central Government, if required and / or such other approvals as may be necessary, the approval of the members be and is hereby accorded to the reappointment of Mr. V.V Pravindra as Wholtime Director designated as Deputy Managing Director of the company for further period of five years with effect from 28th July, 2013 to 27th July, 2018 on the terms and conditions including remuneration payable to him as Wholtime Director and minimum remuneration payable to him in case of absence or inadequacy of profit in any year as mentioned below

Salary

- a. Basic Salary- Rs. 1,00,000/- per month.
- b. House Rent Allowance- Rs. 30,000/-per month.
- c. Flexi Benefits- Rs. 70,000/- per month.

Perquisites

In addition to salary, the following perquisites are allowed and classified into three categories, “A”, “B”, and “C”:-

CATEGORY - A

- a. Contribution to Provident Fund shall 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 Dy. Managing Director on full pay and allowances according to the rules of the Company but not more than 34 (thirty four) days leave for every 12 (twelve) months service. However, leave accumulated but not availed will be allowed to be en-cashed.

CATEGORY - B

Provision of Car for use On Company’s business, telephone and other communication facilities at residence will not be considered as perquisites.

CATEGORY - C

Commission

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

RESOLVED FURTHER THAT the Managing Director of the company be and is hereby authorized to alter and vary the terms and conditions from time to time in such manner as it may deem fit in the best interest of the Company within the limits specified in Companies Act, 1956 read with Schedule XIII of the Act including any Statutory modification thereto, for the time being in force.

RESOLVED FURTHER THAT the Managing Director of the Company be and is hereby authorized to take such steps as may be necessary to give effect to this resolution.”

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER OF THE COMPANY. The proxies to be effective should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
2. The Register of Members and Share Transfer Books of the Company will be closed from August 10th, 2013 to August 14th, 2013 (both days inclusive) in connection with payment of dividend and Annual General Meeting.
3. Dividend if declared shall be payable to all those members whose names appear in the register of members or to the beneficial owners as per the records of depositories, as at the closing of business hours on August 9th, 2013.
4. Members desirous of obtaining any information on the annual accounts are requested to write to the Company at an early date to facilitate compilation and dissemination of the same at the AGM
5. Unpaid/Unclaimed dividend details.
Pursuant to the provisions of section 205A(5) of the Companies Act, 1956, any dividend unpaid or unclaimed for seven year will be transferred to the Investor Education and Protection Fund established by the Central Government pursuant to section 205C of the Companies Act, 1956. No claims shall lie against the fund or company in respect of individual amount which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment. The members are requested to encash their dividend warrants who have not encashed so far. During the year 2012-13 Rs.1,68,484 has been transferred to IEPF.

The Details of Unclaimed/Unpaid dividend as on 31/03/2013 is given below.

UNPAID/UNCLAIMED DIVIDEND			
Financial Year	Date of Declaration of Dividend	Last date for claiming unpaid/unclaimed Dividend	Unpaid/unclaimed Amount(In Rs)
2005-06	29/08/2006	28/08/2013	223347.00
2006-07	28/08/2007	27/08/2014	354200.21
2007-08	29/08/2008	28/08/2015	288155.00
2008-09	21/08/2009	20/08/2016	344452.50
2009-10	13/08/2010	12/08/2017	597720.50
2010-11	11/08/2011	10/08/2018	626436.00
2011-12	13/08/2012	12/08/2019	682902.00

ANNEXURE TO THE NOTICE

Explanatory statement pursuant to section 173(2) of the Companies Act, 1956.

Item No. 6

The Board at its meeting held on 30th May, 2013, has reappointed Mr. V.V Pravindra as a Whole time Director of the Company designated as Deputy Managing Director for further period of 5 years with effect from 28th July, 2013 to 27th July, 2018, subject to approval of shareholders.

Background Details - Mr. V V Pravindra, aged about 48 years, is a Commerce graduate having experience in Operational Management and Corporate Governance. Mr. V V Pravindra also belongs to the promoter group. He has been contributing to the Company for the past 17 years in various capacities including policy matters.

Job profile and his suitability - Subject to the superintendence, direction and control of the Board, Mr. V. V. Pravindra shall monitor the administrative operations, corporate policies and responsibilities of

the Company including its overall development.

Remuneration proposed - as set out in the resolution for the Item No.6. The remuneration to Deputy Managing Director has the approval of the Board of Directors.

Except Mr. V.V Pravindra, Mr.V.K Surendra and Mr.V.P Mahendra none of the other directors of the Company are interested in the resolution.

The Board recommends the resolution as set out at item No.6 of the notice for your approval.

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

Place: Bangalore
Date: May 30, 2013

Chinmaya Khatua
Company Secretary

Board of Directors : Mr. V.K. Surendra - *Chairman*
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. Chinmaya Khatua

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.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.

**INFORMATION ABOUT DIRECTORS RETIRING BY ROTATION AND SEEKING
RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING.**

Particulars	Mr. V.K Surendra	Mr. M.K. Bannerjee
Date of Birth & Age	18/05/1941, 72 years	16/08/1946 & 67 Years
Appointment on	29/09/1980	12/06/1990
Qualifications	Commerce graduate	MBA
Expertise in specific functional Areas	Automobile Distribution Management and Business Administration	Operations Management & Software Development
List of outside Directorships held.	VST Motors Ltd, Gove Inv. & Finance Co.Ltd, K.S. Investments Pvt Ltd, VST Service Station Pvt Ltd, VST Auto Agency Ltd, VTK Investments Pvt Ltd, Chennai Auto Agency Pvt Ltd, VST & Sons Pvt. Ltd, VST Auto Parts Pvt. Ltd	Oakdene (India) Software Services Pvt.Ltd, M K Bannerjee Software Services Pvt. Ltd, I – Data Professional Services Pvt.Ltd, Babel Systems (India) Pvt Ltd, Tech Brahma Services Pvt Ltd.
Member of Committees of Board		Member- Audit committee
Member of Committees in other Company.		Babel Systems (India) Pvt Ltd- Audit Committee Chairman

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

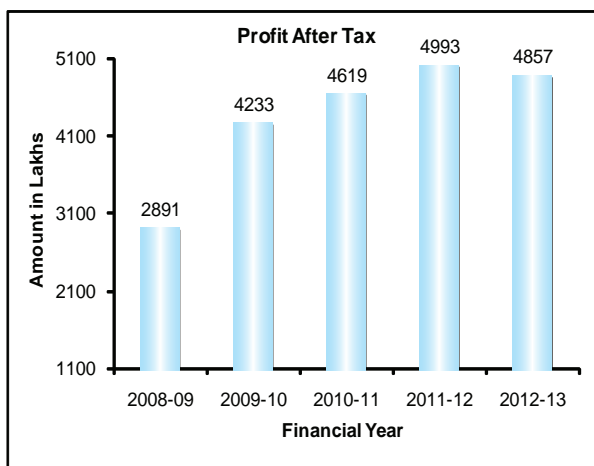
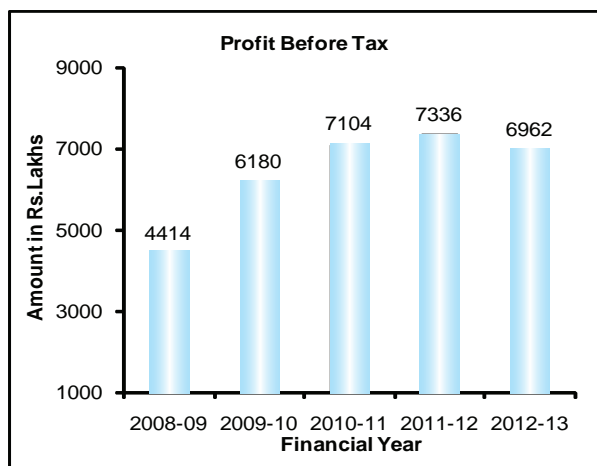
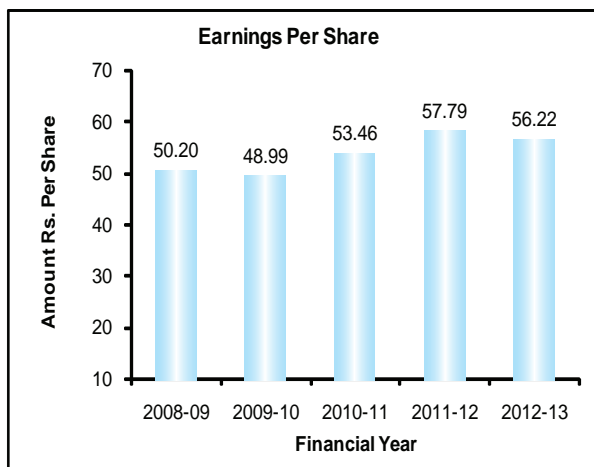
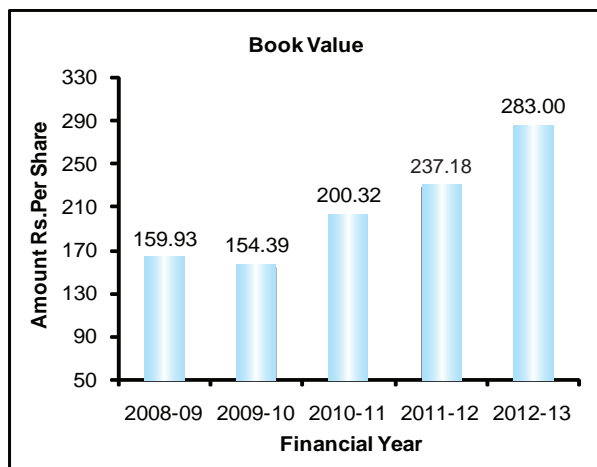
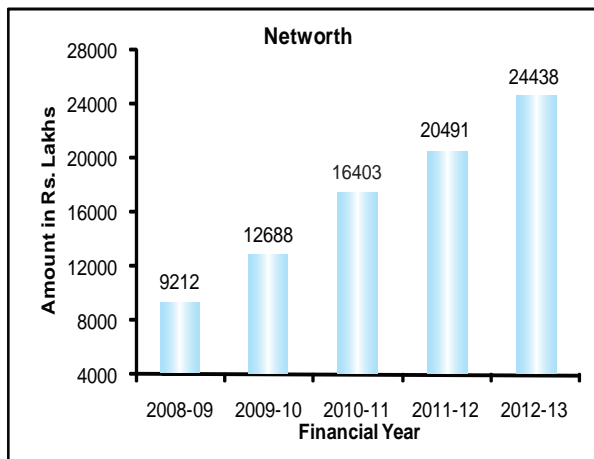
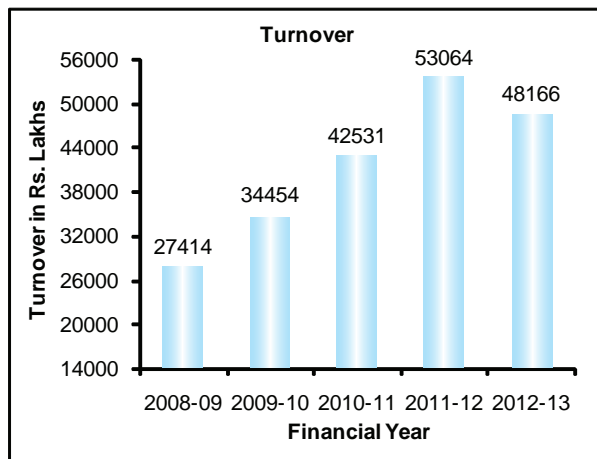
Chinmaya Khatua
Company Secretary

Place: Bangalore
Date: May 30, 2013

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FINANCIAL INDICATORS



Dear Shareholder,

Your Directors have pleasure in presenting the 45th Annual Report of the Company and the audited statement of accounts for the year ended March 31, 2013.

FINANCIAL PERFORMANCE

(Rupees in lacs)

Period	Year 2012-13	Year 2011-12
TURNOVER	48166	53064
OTHER INCOME	210	463
TOTAL INCOME	48376	53527
PROFIT BEFORE DEPRECIATION & FINANCE COST	7425	7743
FINANCE COST	128	86
DEPRECIATION	335	321
PROFIT BEFORE TAX	6962	7336
INCOME TAX	2105	2343
PROFIT AFTER TAX	4857	4993
BALANCE B/F	4297	3008
SURPLUS AVAILABLE FOR APPROPRIATION TO:	9155	8001
PROPOSED DIVIDEND	778	778
PROPOSED TAX ON DIVIDEND	132	126
TRANSFER TO GENERAL RESERVE	3000	2800
BALANCE CARRIED FORWARD	5245	4297

COMPANY'S PERFORMANCE

The year under report was challenging for your Company with growth slowing down in the agriculture sector impacting sales. The turnover for the year stood at, Rs.482 crores which is 10% lower than previous year figure of Rs. 530 crores. However the operating profit at Rs. 69 crs. was almost on par with the previous year due to higher realisation. EBIDTA margin was constant at 14% and the profit after tax is Rs. 48 crs as against Rs.50 crs. Power Tillers sold during the year was 21231 units as against the previous year's 26154 units while Tractor sales were lower at 6233 units compared to 7038 units during 2011-12. Your Company has also marketed 404 nos Rice Transplanters in the rice growing regions in India which is slowly shifting in favour of these machines due to shortage of labour.

On the financial front, your Company continues to remain debt free with cash flows adequately covering working capital requirements. However, on account of unprecedented fall in the demand during the year the Company was constrained to carry higher inventory. The

performance of the Precision Components Division continues to depend largely on captive consumption and consequently reported a subdued performance.

DIVIDEND:

Your Directors have pleasure in recommending a dividend of Re.9/- per equity share of Rs.10/- each for approval at the Annual General Meeting. The dividend if declared will result in an outflow of Re.909.70 lacs including the distribution tax.

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

During the year under review, the GDP of the Indian economy witnessed a growth of around 5.6% with agriculture contributing about 2%. The Central and State Governments continue to give priority to agriculture through various subsidy schemes for power tillers and small tractors. This apart, banks continue to play a key role in promoting farm mechanization by providing loans for the tractor industry. Your company commands a significant market share in Maharashtra

and Gujarat in the smaller HP tractors and sales in this niche market. However the growing market is presently witnessing intense competition from larger players. This segment is expected to do well in the coming years where your Company will continue to focus on.

During 2012-13 the Power Tiller industry witnessed around 18% de-growth. This sector relies heavily on Government subsidies and delays in implementing schemes in various states leads to demand distortions resulting in increased carrying costs. The industry is also witnessing intense competition from cheaper Chinese tillers. Furthermore, during the year, disposable income of farmers was affected due to sub normal monsoons especially in the Southern part of the Country resulting in lower sales.

The Indian tractor market which is the largest in the world saw a marginal decline during the year. Tractor sales lost traction due to high interest rates and lower disposal income levels of farmers. This apart, deficient monsoons impacted volumes. The tractor industry sold 590672 units compared to 607658 units in the previous year with major players catering to various segments from 14HP to above 50HP. New players have entered the below 20HP segment to tap the market potential with low cost tractors for small and marginal farmers.

OPPORTUNITIES

The Agriculture sector is slated to register a positive growth of around 2% during 2013. Favourable policies of the government coupled with increase in timely credit availability provides opportunities for higher sales of farm equipment and better utilization of capacities. Various Government schemes such as Rashtriya Krishi Vikas Yojana (RKVY), National Food Security Mission and Prime Minister Rojgar Yojana (PMRY) have given thrust to the demand for mechanization. With labour becoming an ever increasing challenge in the farm sector, low cost mechanization will fuel growth for power tillers and low HP tractors are expected to be one of the growth drivers for 2013-14.

RISKS AND CONCERNS

Credit flow to the agricultural sector, hardening of interest rates and timely monsoons play an important role with regard to demand for farm equipment. Given

the seasonal nature of demand and the fluctuations in subsidy release, inventory build-up for power tillers takes place during some parts of the year. Another concern is the delay in collecting subsidy dues in a few States, which exposes our industry to high levels of credit risk and high receivables. As in the past more players are importing Chinese made low cost tillers that have come to stay due to favourable Government policies resulting in stiff competition. Your Company's product quality and service back up is playing an important role in strengthening its competitive edge.

CURRENT YEAR OUTLOOK

The current year is expected to be a challenging one for the Indian industry. The weak economic environment with rising fiscal and current account deficits and sub-optimal industrial production are a concern. The Government is targeting over 4% growth for agriculture and there is clearly a need for improving agricultural productivity. Measures to accelerate reforms by the Government to increase agricultural production to ensure food security will augur well for our industry and we are cautiously optimistic for the current year. Though the competition is intensifying, there is considerable opportunity to increase tractor sales and your Company is poised to enhance its scale of operations and is revamping its sales and distribution network and efforts are on to build new markets. With an aim to strengthen its product portfolio and meet market demands your Company has recently launched a 22HP compact tractor with better features and aesthetics to gain market share. On the export front, the outlook for tractors though on a small base is encouraging and your Company has successfully homologated and obtained export certification to expand its global footprint.

On the organization side, your Management having strengthened Supply Chain is now in the process of reinforcing its marketing structure with an aim to focus on tractor growth. Various options are being studied to deploy key enablers in place to drive the company forward.

The steps taken to introduce rice transplanters in various States are proving to be successful. A new model transplanter introduced to deal with different soil conditions in parts of the Country. By entering new