

# 48<sup>th</sup> Annual Report 2015-16



**V.S.T. TILLERS TRACTORS LTD.**



## LORD GANESHA



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

<b>Board of Directors</b>	: Mr. V.K. Surendra - <i>Chairman</i>
	Mr. R. Subramanian - <i>Independent Director</i>
	Mr. M.K. Bannerjee - <i>Independent Director</i>
	Mr. K.M. Pai - <i>Independent Director</i>
	Ms. K.P. Anuradha - <i>Independent Director</i>
	Mr. V.P. Mahendra - <i>Vice Chairman &amp; Managing Director</i>
	Mr. B.C.S. Iyengar - <i>Executive Director (Resigned w.e.f.30/04/2016)</i>
	Mr. V.V. Pravindra - <i>Non-Executive Director</i>
	Mr. V.T. Ravindra - <i>Non-Executive Director</i>
	(Appointed as additional director w.e.f.27/05/2016)
<b>Chief Executive Officer</b>	: Mr. K.U. Subbaiah
<b>Chief Financial Officer</b>	: Mr. R. Thiagarajan
<b>Company Secretary and Compliance Officer</b>	: Mr. Chinmaya Khatua
<b>Statutory Auditors</b>	: M/s. Brahmaya & Co. 10/2, Khivraj Mansion, Kasturba Road, Bengaluru - 560 001
<b>Cost Auditors</b>	: M/s. Rao, Murthy & Associates No.23/33, Surveyor's Street Basavanagudi, Bengaluru - 560 004
<b>Secretarial Auditors</b>	: M/s. K. Narayana Swamy & Co "Amudhasurabi" # 48, 8th Cross, Visvesvaraya Colony Akash Nagar, B.Narayanapura Extn., Bengaluru - 560 016
<b>Bankers</b>	: M/s. Canara Bank M/s. State Bank of India
<b>Legal Advisers</b>	: M/s. J. Sagar Associates Advocates & Solicitors 2, Frontline Grandeur 14, Walton Road, Bangalore - 560 001
<b>Regd. Office</b>	: Plot No.1, Dyavasandra Industrial Layout, Whitefield Road, Mahadevapura Post, Bengaluru - 560 048 Ph : 080-67141111 e-mail: vstgen@vstillers.com website: www.vstillers.com

## INFORMATION

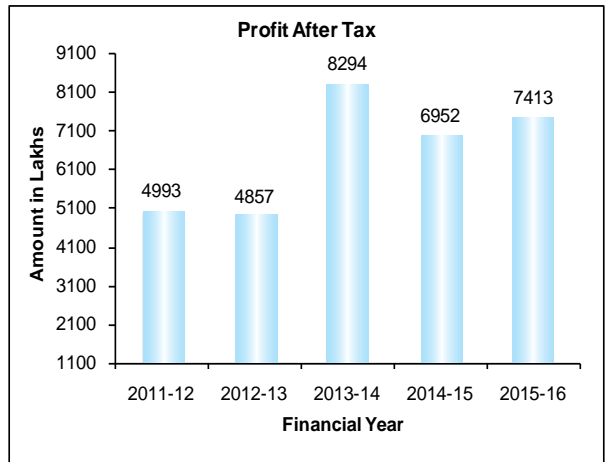
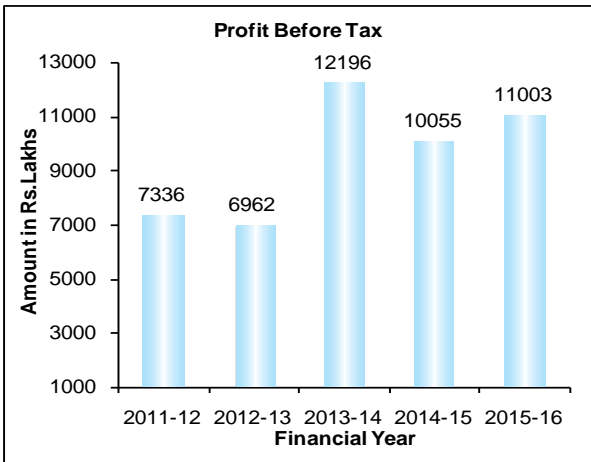
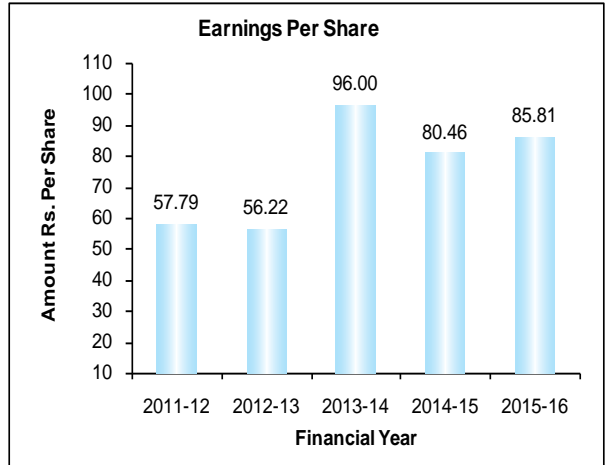
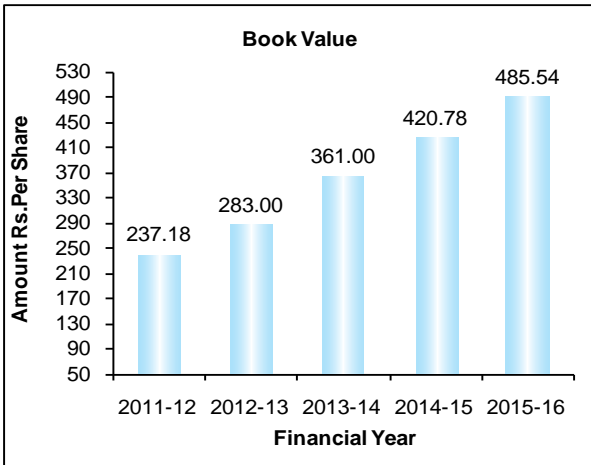
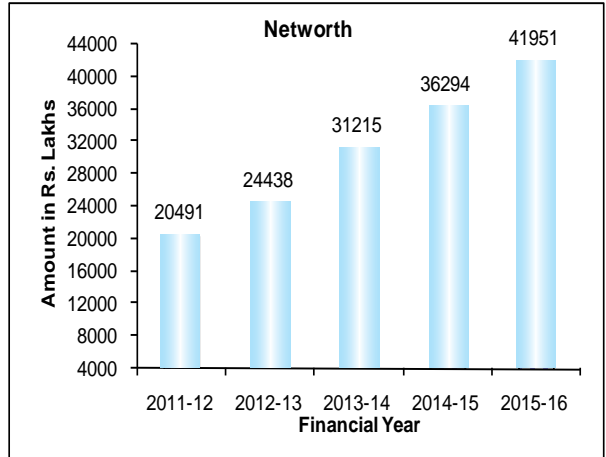
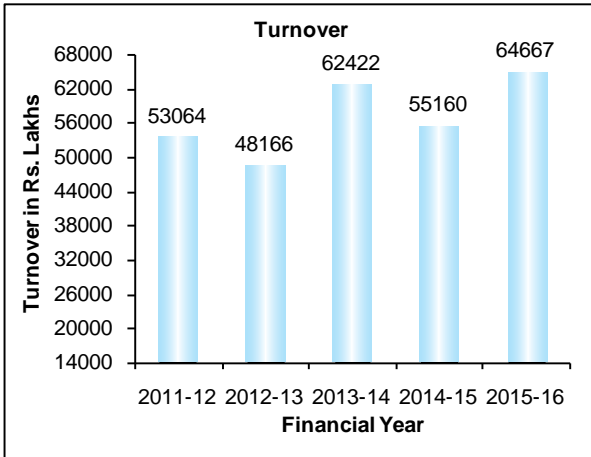
### REQUEST TO MEMBERS

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.

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## FINANCIAL INDICATORS



Dear Shareholder,

Your Directors have pleasure in presenting the 48th Annual Report of the Company and the audited statement of accounts for the year ended March 31, 2016.

**FINANCIAL PERFORMANCE**

(Rupees in lacs)

Period	Year 2015-16	Year 2014-15
OPERATING INCOME	64667	55160
NON-OPERATING INCOME	1227	1186
TOTAL INCOME	65894	56346
PROFIT BEFORE DEPRECIATION & FINANCE COST	12513	11208
FINANCE COST	256	212
DEPRECIATION	1254	941
PROFIT BEFORE TAX	11003	10055
INCOME TAX	3590	3104
PROFIT AFTER TAX	7413	6952
BALANCE B/F	5166	5023
SURPLUS AVAILABLE FOR APPROPRIATION TO :	12579	11974
INTERIM/FINAL DIVIDEND	1296	1296
PROPOSED TAX ON DIVIDEND	264	264
TRANSFER TO GENERAL RESERVE	-	5000
DEPRECIATION ADJUSTMENT	-	71
CSR EXPENDITURE	196	177
BALANCE CARRIED FORWARD	10823	5166

**COMPANY'S PERFORMANCE**

The year under report was riddled with adverse factors with second consecutive year of scanty rain fall in many parts of Western India and Central India affecting crops in many areas. In addition, the returns to the sugar cane and cotton growers were also severely affected, added to this was the non-availability of subsidy for power tiller in some of the key States in the Eastern Region. However Southern states and Gujarat had a healthy growth thereby nullifying the negative effect of the adverse factors. We could grow in power tiller volumes by over 19% while the overall industry grew by less than 3%.

The number of Power Tillers sold during the year was 27387 units as against the previous year sales of 23,103 units with the market share growth to over 55 % an increase of 5 % over the previous year

In the Tractor segment it was consecutive second year failure of monsoon which resulted in 10% de-growth of Industry in domestic market. Your company however gained 3.1% market share (Sub 30 HP segment) &

registered 17% growth in volume from 6694 nos. in 2014-15 to 7801 nos in 2015-16. Expansion of product variants, release of new Tractor model, strengthening the marketing strategy by expanding to new markets, improved marketing campaign to reach out to end user and offering innovative & affordable farm mechanisation solution enabled us to grow during the year.

**DIVIDEND:**

Your Directors had declared interim dividend of Rs.15/- (150%) per share for the financial year 2015-16 and the same was paid on 28/03/2016. The total outflow was Rs.1560 lacs including the dividend distribution tax. 264 lacs. The directors do not recommend any final dividend.

**Transfer to reserves**

An amount of Rs.108.23 crore is proposed to be retained in the surplus without transferring to general reserve for the year 2015-16.



**MANAGEMENT DISCUSSION AND ANALYSIS****Industry – Opportunities & Challenges**

Your company is fortunate to be in the business of priority sector and uniquely placed with a range of machineries required for mechanized paddy and other crop cultivation. The products target largely the small farmers who account for more than 70% of the land holding. The ever growing need to increase the production and productivity in agriculture vis-a-vis the shortage of rural labour force continues to be the key driver for business growth. The comparative statistics of China and other rice growing countries of Asia instantly point to the tremendous opportunities for power tillers and mechanized transplanters in India. At the same time the liberal imports from China, uncertainties in subsidy and the problems associated with the administration of schemes, pose a constant challenge to the industry for short term as well as long term planning. The mechanized transplantation of paddy is a difficult concept to market but is sure to grow steadily.

The general decline in tractor industry is a matter of concern, however there are signs that the demand for small tractors will keep growing. Lower investment, running and maintenance cost and the advantages of compact size tractors are becoming more important factors for buying decisions, especially for agricultural usage. As pioneers in this segment we foresee a paradigm shift in the mind set of farmers from big machines to appropriate needs.

**RISKS AND CONCERNS**

It is well known that in as much as subsidy has greatly helped the power tiller industry to grow, the absence or delay in the subsidy schemes adversely affects the demand. While farm mechanization continues to be in focus, the share of funds from the Centre to the States is getting reduced. Special schemes to give thrust for custom hiring of agricultural machinery to benefit small farmers is yet to gain large scale acceptance. Your company is constantly trying to work with the Government to address many of the impediments that are coming in the way of greater success in small farm mechanization.

We have always conceded that we are not insulated from competition both in power tillers and tractors. We believe that it is helping the concept to grow and we have to create a space for ourselves by honing our skills and competitive edge. Your company fully endorses the call to “Make in India” and fervently hopes that domestic manufacturers interest will be accorded preference.

**CURRENT YEAR OUTLOOK**

With prediction of normal monsoon and continued focus on farm mechanisation by the Government. We expect our revenue growth will be par with the overall industry growth.

**DETAILS OF DIRECTORS APPOINTMENT/ REAPPOINTMENT AND RESIGNATION:**

In accordance with the provisions of the Companies Act, 2013 Mr. V.P. Mahendra, Vice Chairman & Managing Director of the Company will retire at the ensuing AGM and he is eligible for reappointment.

Mr. V.T. Ravindra (DIN- 00396156) has been appointed by the Board as an additional director of the Company. His appointment as director of the Company has been included in the notice of 48th Annual General Meeting.

Mr. K.M. Pai has been appointed as an Independent Director with effect from 5th August, 2015, to fill the casual vacancy caused due to resignation of Mr. V. Ramachandran.

Mr. B.C.S. Iyengar has resigned from the directorship of the Company with effect from 30th April, 2016.

Mr.K.K. Rai and Mr.V.Ramachandran had resigned on 20/06/2015 and 25/06/2015 respectively.

During the year, no non-executive director had any pecuniary relationship or transactions with the Company other than the sitting fees and reimbursement of expenses incurred by them for attending meetings of the Company.

**KEY MANAGERIAL PERSONNEL (KMP)**

The following persons are Key Managerial Personnel (KMP) of the Company under section 203 of the Companies Act, 2013. There are no change in KMP during the year 2015-16.

1. Mr. V.P. Mahendra - Vice Chairman & Managing Director
2. Mr. R. Thiagarajan – Chief Financial Officer
3. Mr. Chinmaya Khatua - Company Secretary

### **CORPORATE GOVERNANCE:**

The Company strives to ensure good in Corporate Governance and levels of transparency with all the provisions of SEBI (Listing Obligation and Disclosure Requirement) Regulation, 2015. A certificate from the Auditors to this effect forms part of Corporate Governance Report.

### **DIRECTOR'S RESPONSIBILITY STATEMENT:**

Pursuant to subsection 5 of Section 134 of the Companies Act 2013, the Directors confirm that:

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) they 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 and loss of the company for that period;
- (c) they 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;
- (d) they have prepared the annual accounts on a going concern basis;
- (e) they, have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
- (f) they have devised proper systems to ensure compliance with the provisions of all applicable

laws and that such systems were adequate and operating effectively.

Based on the internal financial controls and compliance system established and maintained by the Company, the Board is of the opinion that the Company's internal financial controls were adequate during financial year 2015-16.

### **AUDITORS:**

M/s. Brahmayya & Co, Chartered Accountants who were appointed as Auditors of the Company for three financial years w.e.f FY 2014-15 at the 46th Annual General Meeting, have given their resignation to be effective from conclusion of the 48th Annual General Meeting, to accommodate the Auditors rotation as per Companies Act, 2013.

The Audit Committee and Board have recommended M/s. K.S. Rao & Co, Chartered Accountants as Auditors of the Company. The appointment of new Auditors is included in the notice of the 48th Annual General Meeting for shareholder approval.

### **COST AUDITORS:**

Pursuant to Section 148 of the Companies Act, 2013 read with The Companies (Cost Records and Audit) Amendment Rules, 2014, the cost audit records maintained by the Company is required to be audited. Your Directors had, on the recommendation of the Audit Committee, appointed M/s. Rao, Murthy & Associates, Cost Accountants to audit the cost records of the Company for the financial year 2016-17 on a remuneration of Rs.2 lakhs (Exclusive of service tax) plus out of pocket expenses. As required under the Companies Act, 2013, the remuneration payable to the cost auditor is required to be placed before the Members in a general meeting for their ratification. Accordingly, a Resolution seeking Member's ratification for the remuneration payable to M/s. Rao, Murthy & Associates., Cost Auditors is included in the Notice of the Annual General Meeting.

### **INTERNAL AUDITORS**

M/s. K.P.Rao & Co, Chartered Accountant were appointed as Internal Auditors under section 138 of the Companies Act, 2013 for the financial year 2015-16.



**SECRETARIAL AUDITORS**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s. K Narayana Swamy & Co, Company Secretaries in Practice to undertake the Secretarial Audit of the Company for the financial year 2015-16. The Secretarial Audit Report is enclosed herewith as Annexure-4.

**PARTICULARS OF EMPLOYEES:**

As required by provisions of section 197 of the Companies Act, 2013 read with Rule 5(2) and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, except Mr. V.P. Mahendra, Vice Chairman & Managing Director and Mr. K.U. Subbaiah, Chief Executive Officer, the details of which are given in Annexure-1, there are no employees who draw remuneration as set out in the aforesaid provision of the Companies Act, 2013.

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

Information under Section 134 Companies Act, 2013 read with rule 8 (3) of the Companies (Accounts) Rules, 2014 is enclosed as Annexure-2.

**DEPOSITS:**

Your Company has not accepted any deposits within the meaning of Chapter- V of the Companies Act, 2013 and rules made there under.

**Internal Control System and their Adequacy**

The Company maintains adequate Internal Control Systems commensurate to the nature of its business and complexity of its operations. These are regularly tested for their effectiveness by Statutory as well as Internal Auditors with focused attention on validation of I T. Security.

The Significant observations made by the Auditors and follow up actions there on reported to the Audit Committee. The Audit Committee reviews the adequacy and effectiveness of the Company's Internal Control

Environment and monitors the implementation of the Audit recommendations.

**Industrial Relation**

Industrial relations have been cordial at the Bengaluru, Mysore and Hosur plants during the year. Wage settlements were cordially concluded in our Mysore and Bangalore plants during the year.

Your company has taken appropriate steps to build organizational capability which will enable the long term growth plans.

**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 and vendor channel disruption.

All information in this release is as of May 27, 2016, 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.

**Board Meeting**

Seven meetings of the Board of Directors were held during the year. For further details, please refer report on Corporate Governance of this Annual Report.

**Declaration of Independent directors.**

The Company has received declarations from Independent directors as mentioned in sub-section (6) of section 149 of the Companies Act, 2013.

**Committees**

The Company has constituted Audit Committee, CSR Committee, Nomination & Remuneration Committee,

Stakeholders Relationship Committee and Risk Management Committee. The details of the Committees are mentioned in Corporate Governance Report.

## Vigil Mechanism

The purpose of this policy is to provide a framework to promote responsible and secure whistle blowing. It is to protect employees wishing to raise a concern about serious irregularities within the Company.

The Company has vigil mechanism to deal with instance of fraud and mismanagement, if any. The details of the vigil mechanism is explained in the Corporate Governance Report and also posted on the website ([www.vstillers.com](http://www.vstillers.com)) of the Company.

## Auditors qualification, reservation or adverse remark or disclaimer.

The Statutory Auditors and Secretarial Auditors have given a “clean report” without any qualification, reservation or adverse remark or disclaimer. No fraud has been reported by the Auditors under section 143 (12) of the Companies Act, 2013.

## Loans, Guarantee & Investment

The Company has not given any loan or guarantee under section 186 of the Companies Act, 2013 during the year 2015-16. However the investments formed part of the notes to the financial statements provided in this Annual Report.

## Related Party Transactions

All related party transactions that are entered into during the financial year were on an arm's length basis. There

are no materially significant related party transactions made by the company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

All Related Party Transactions are placed before the Audit Committee and also before the Board for approval. Prior omnibus approval of the Audit Committee was obtained for the transactions which are of a foreseen and repetitive nature. The transactions entered into pursuant to the omnibus approval so granted are audited and a statement giving details of all related party transactions is placed before the Audit Committee and the Board of Directors for their information and approval. The policy on dealing with Related Party Transactions as approved by the Board can be accessed at [http://www.vstillers.com/sites/default/files/policies/policy\\_on\\_related\\_party\\_transc.pdf](http://www.vstillers.com/sites/default/files/policies/policy_on_related_party_transc.pdf)

## Material changes and commitments affecting the Financial Position

There are no material changes and commitments affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report;

## Risk Management Policy

The Company is having a risk management policy. The risk pertaining to business of the Company is discussed at the Audit Committee and at the Board Meetings on regular basis. The details of the policy are given below :

Risk Category	Risk Description	Mitigation
Industry Risk	Concentration on Agri Business <u>Specific Risks are:</u>	<input type="checkbox"/> Tapping of wider segments in products and geographies including its aftermarket foot print in the core business <input type="checkbox"/> Explore to releasing new models ahead of competition in the future. 5 year strategic business plan to be formulated.  <input type="checkbox"/> Explore & grow businesses in the Engines, Attachments and other Agricultural Machinery, while remaining focused on core business  <input type="checkbox"/> Diversification in non-agri segment
	- Industry Downturn in Agri Industry will adversely affect business	
	- Strong competition and ability to market models faster.	
	High focus on specific Segment <u>Specific Risks are:</u>	
	- Business will be adversely affected when Agri segment experiences sluggish growth	
	- Highly dependent on subsidy and Govt. policy on Agriculture development.	