

THIRTY EIGHTH ANNUAL REPORT 2005-2006

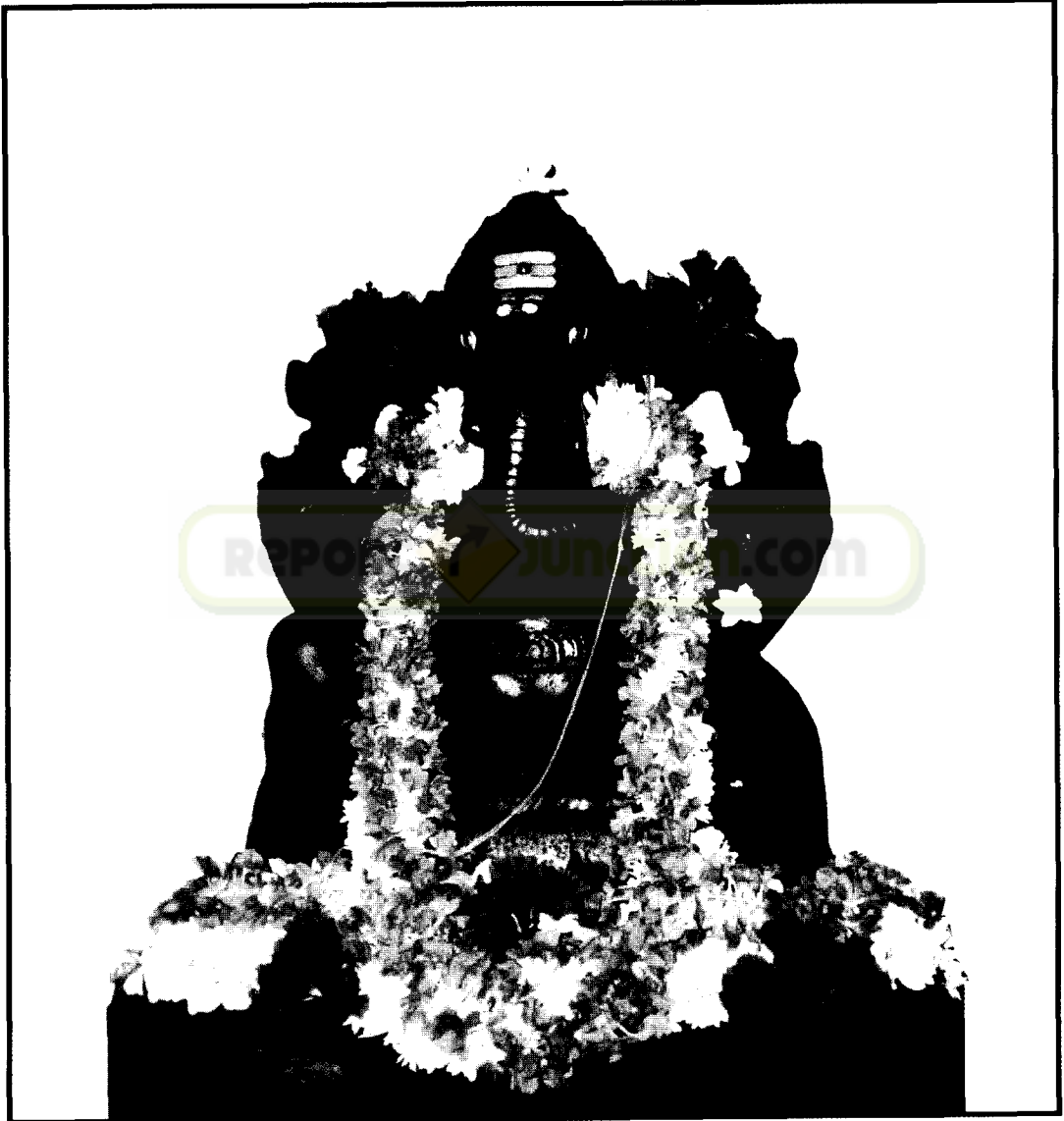


V.S.T. TILLERS TRACTORS LIMITED



AWTUV

LORD GANESHA



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

CONTENTS

Board of Directors	1
Notice	3
Directors' Report	6
Report on Corporate Governance	11
Auditors' Report	19
Balance Sheet	22
Profit & Loss Account	24
Schedules	26
Notes on Account (form part of Schedule)	35
Balance Sheet Abstract and General Business Profile	48
Cash Flow Statement	49



BOARD OF DIRECTORS : Mr. V.K.Surendra *Chairman*
Mr. V.T.Velu
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 **THIRTY EIGHTH** Annual General Meeting of **V.S.T. TILLERS TRACTORS LIMITED** will be held on 29th day of August 2006 at 3.00 p.m. at Wood Lands Hotel Pvt., Ltd. No.5, Rajaram Mohan Roy Road, Bangalore - 560 025 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2006, Profit and Loss Account for the year ended on that date together with the Report of the Board of Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of **Mr.R.Subramanian** who retires by rotation and being eligible, offered himself for re-appointment.
4. To appoint a Director in place of **Mr.M.K.Bannerjee** who retires by rotation and being eligible, offered himself for re-appointment.
5. To appoint Auditors and fix their remuneration. The retiring Auditors M/s.Brahmayya & Company, Chartered Accountants, being eligible, offered themselves for re-appointment.

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

Sd/-

(**B.L.Akshara**)

Company Secretary

Place: Bangalore

Dated: 27th July 2006

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself/herself on a " POLL " and the proxy need not be a member. The proxy form is annexed to the Annual Report. Proxies in order to be valid must be deposited at the Company's Registered Office not later 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 22nd of August 2006 to 29th of August 2006 (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 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.



BRIEF RESUME OF DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT SINCE LAST ANNUAL GENERAL MEETING

Particulars	Mr.R.Subramanian	Mr.M.K.Bannerjee
Date of Birth & Age	03-10-1943 & 63	16-08-1946 & 60
Appointed on	12-10-1990	12-06-1990
Qualifications	FCA, AICWA, ACS, ACIS (London), MAC	MBA
Expertise in specific functional Areas	Finance & Accounts	Operations Management, Software Development

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

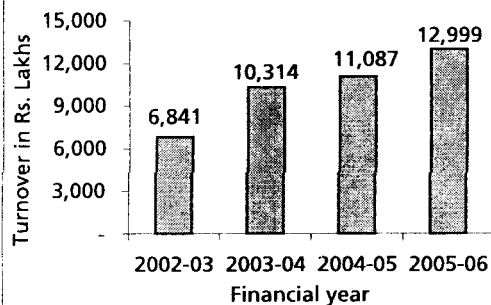
Place: Bangalore
Dated: 27th July 2006

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

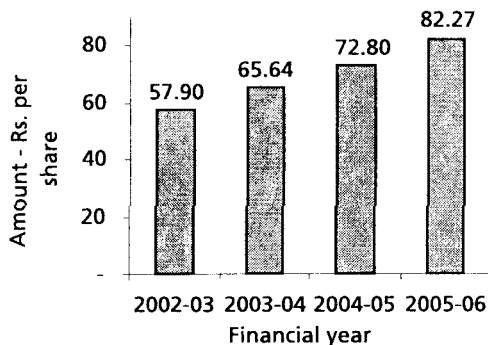
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FINANCIAL INDICATORS

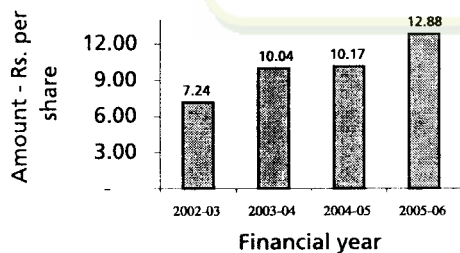
Turnover



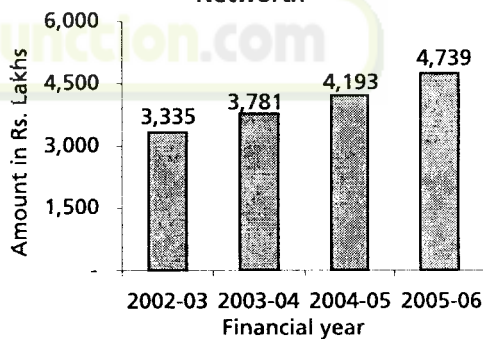
Book value



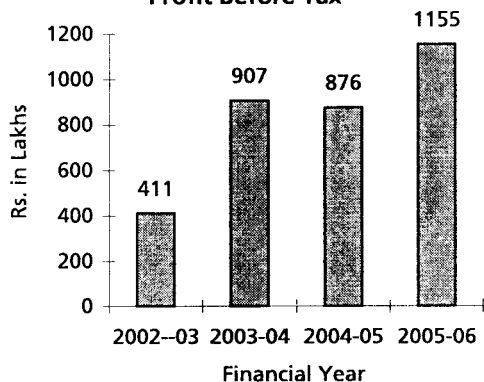
Earnings per share



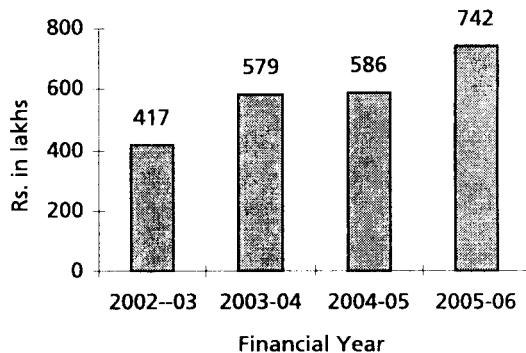
Networth



Profit Before Tax



Profit After Tax



**DIRECTORS' REPORT**

Dear Shareholder,

Your Directors are pleased to present the 38th Annual Report and the Audited Statement of Accounts for the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

The financial results are summarized below:

(Rupees in lacs)

	Year 2005-06	Year 2004-05
TURNOVER	12999	11086
OTHER INCOME	165	186
TOTAL INCOME	13164	11272
PROFIT BEFORE DEPRECIATION & INTEREST	1563	1346
INTEREST	137	171
DEPRECIATION	271	299
PROFIT BEFORE TAX	1155	876
INCOME TAX	414	290
PROFIT AFTER TAX	741	586
BALANCE B/F	497	575
SURPLUS AVAILABLE FOR APPROPRIATION TO:	1238	1161
DIVIDEND	173	144
TAX ON DIVIDEND	24	20
TRANSFER TO GENERAL RESERVE	500	500
BALANCE CARRIED FORWARD	541	497

COMPANY'S PERFORMANCE

During the year under report, your company has been on a consistent upward path in sales, profits and margins. The turnover increased by 17% from Rs.111 crores in 2004-2005 to an all time high of 130 crores. The operating profit increased by over 16% to 1563 lakhs due to higher realizations and lower interest cost. The profit after tax was higher by 26% from 586 lakhs to 741 lakhs. Consequently, earnings per share grew from Rs.10.17 to Rs.13.10 for 2005-2006. On the backdrop of the year with a good financial performance your company is presently debt free.

The sale of Power Tillers increased to 8489 units as against the previous year sales of 7625 units. With respect to Tractors, your company sold 1249 units as against 933 units an increase of 33%. This improvement in sales has been achieved in line with the overall increase in demand complemented by better government support prices for crops, opening new markets, normal monsoons and availability of finance to farmers. The last factor plays a key role since more than 80% of tractor sales is on credit.

The performance of Precision Components Division located at Mysore continued to be challenging due to lack of consistency in overseas orders. Due to a sudden order cancellation, this division suffered losses on account of underutilization of capacity during the year. In addition, the substantial reduction in DEPB benefits on exports and increase in the price of steel and other input material has had an adverse impact on margins. However a subsequent increase in orders for supply of crankshafts and connecting rods to one of its customers during the year has shored up its revenues thereby achieving optimal production.

DIVIDEND

Your Directors recommend a dividend of Rs.3 per equity share on face value of Rs.10 for the year 2005-06. The outflow on account of equity dividend would be Rs.197 lakhs including tax on dividend.

DIRECTORS

The Directors retiring by rotation are Mr.R.Subramanian & Mr.M.K.Bannerjee being eligible, offered them selves 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 38th 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

During the year under review, the Indian economy witnessed a GDP growth rate of 8% with agriculture contributing around 2.4% and is estimated to grow to 3.2%. The central and state governments continue to give priority to agriculture through various subsidy schemes. This apart, banks have promoted farm mechanization by providing timely finance which has generated good demand for power tillers and your company continues to maintain its lead in the power tiller industry in India by delivering a superior value product. The performance is even more satisfying when viewed in the light of the competitive pressure from low cost Chinese brand power tillers. In the domestic tractor segment, the industry as a whole grew to 262000 units during 2005-2006 from 226000 units in the previous year. The western and southern States of Maharashtra, Gujarat, AP, Karnataka and Kerala primarily contributed to the above growth. Your company commands a niche market share in Maharashtra and Gujarat in the smaller HP tractors and sales in this segment are expected to grow in the coming years. To cater to newer markets, the manufacturing