



VST INDUSTRIES LIMITED

ANNUAL REPORT 2021-22



INNOVATIVE. RESPONSIBLE. FOCUSED.

Contents

CORPORATE OVERVIEW

VST at a Glance	2
Board of Directors	4
Management Team	5
Chairman's Statement	8
Managing Director & CEO's Message	10

PERFORMANCE OVERVIEW

Distinctive Brand Portfolio	12
Key Performance Indicators	14

HOW WE CREATE VALUE

Value Creation Model	16
Strategic Priorities and Progress	18

ESG APPROACH

Reducing our Environmental Footprint	21
Committed to an Inclusive Workplace	24
COVID-19 Response	28
Promoting Community Well-being and Prosperity	30
Ensuring ESG Compliant Governance	34

STATUTORY REPORTS

Corporate Information	35
Notice of Meeting	37
Report of the Board of Directors & Management Discussion and Analysis	44
Report on Corporate Governance	56
Annexure to the Directors' Report	76
Business Responsibility & Sustainability Reporting (BRSR)	88

FINANCIAL STATEMENTS

119

FY 2021-22 Highlights

FINANCIAL HIGHLIGHTS

₹ 1,56,067 Lakhs

Revenue

₹ 32,023 Lakhs

Net profit

₹ 207.4

Earnings per share

24.5%

EBIT margin

₹ 1,07,430 Lakhs

Net Assets employed

₹ 140

Dividend per share

40.7%

RoCE

NON-FINANCIAL HIGHLIGHTS

~25%

Of energy requirements generated from renewable energy

₹ 775 Lakhs*

CSR expenditure

400

Solar streetlights

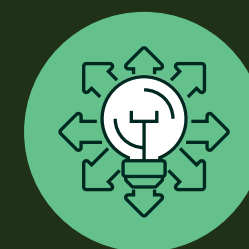
10

Classrooms and a drinking water facility

1,685 Smart Toilets

* Excludes spent on ongoing project - ₹230 lakhs from unspent CSR amount of preceding financial year.

INNOVATIVE. RESPONSIBLE. FOCUSED.

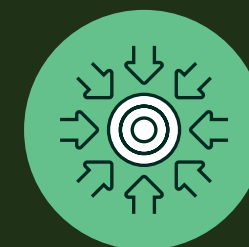


At VST Industries, our strategic approach is driven by consumer choice and product relevance. In the past six years, innovation has become a strategic lever to achieve our goals and objectives while creating a distinct brand positioning.

In line with this innovation focus, we continue to introduce new concepts that provide a unique experience to variety-seeking adult consumers. We also expanded into new markets, strengthened brand salience, and invested in developing an integrated digital ecosystem.

At the same time, we made significant progress in our commitment towards society and the environment. We have set bold targets under various sustainability objectives, including energy management, emission control, water management, employee recognition and farmer livelihood.

Looking ahead, our focus will continue to be on driving innovation while elevating our ESG performance by upholding recognised standards on people practices, community interventions, environmental initiatives, and corporate governance.

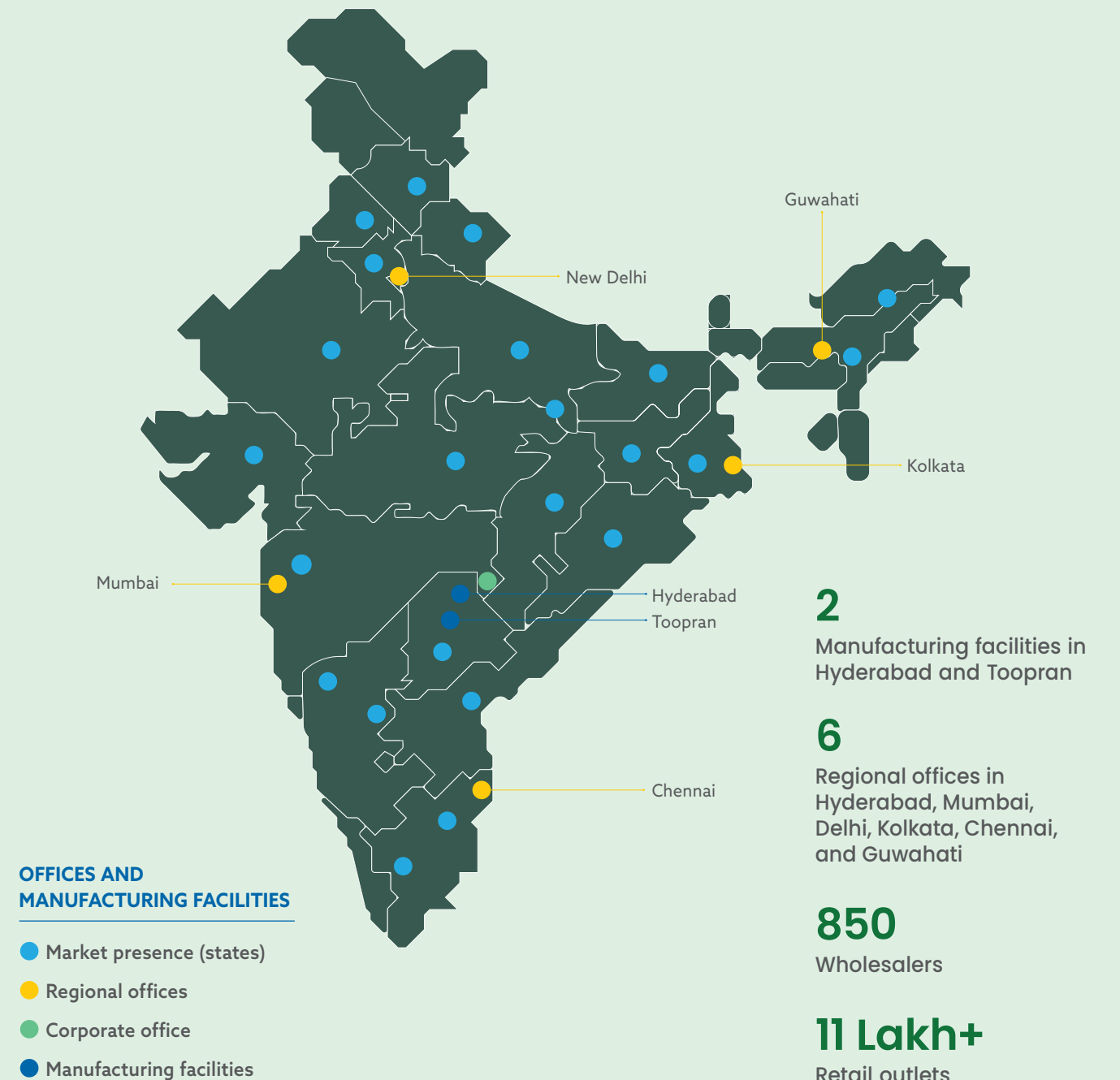


VST at a Glance

VST Industries Limited is an established cigarette company in India manufacturing and distributing cigarettes, and trading in unmanufactured tobacco. We are an associate undertaking of British American Tobacco Plc., a leading global player in combustibles.



We have made continued investments in increasing geographic footprint across regions. We have been able to achieve operational coverage of more than 80% of the country, from 60% in FY 2014-15. We have also increased our outlet coverage from 7 to more than 11 lakhs in the same period. This expansion has been driven by our new brand portfolio, therefore transforming our retail presence from 1-2 SKUs per region to more than 3-4 SKUs per region currently.



Board of Directors



Left to Right

MR. S. THIRUMALAI
Non-Executive Director

MR. NARESH KUMAR SETHI
Non Executive Director &
Chairman of the Board

MR. ADITYA DEB GOOPTU
Managing Director & CEO

MR. SUDIP BANDYOPADHYAY
Independent Non-Executive Director

MS. RAMA BIJAPURKAR
Independent Non-Executive Director

MR. RAJIV GULATI
Independent Non-Executive Director

Management Team



MR. ADITYA DEB GOPTU
Managing Director & CEO



MR. KALYAN BASU
President-Marketing



DR. T. LAKSHMI NARASIAH
Vice President-Leaf



MR. S. SRIRAM
Vice President - Technical



MR. ANISH GUPTA
Chief Financial Officer



MR. AJAY CHAUDHARY
Vice President-Digital
Transformation



MS. ISHITA BARDHAN
Chief Human Resource Officer



MR. PHANI MANGIPUDI
Company Secretary and Head -
Legal & Secretarial

Board of Directors – Profile

MR. NARESH KUMAR SETHI

Non-Executive Director & Chairman of the Board

Mr. Sethi joined the Board of Directors of VST Industries Limited as a Non-Executive Director to represent the interests of the Promoter Group - British American Tobacco (BAT) in 2018. Mr. Sethi is a Member of the Nomination and Remuneration Committee, Stakeholders Relationship Committee and Corporate Social Responsibility Committee and an invitee to the Audit Committee of the Company.

Mr. Sethi holds a Degree in Chemical Engineering from IIT, Varanasi and completed his Post Graduate Diploma in Management from IIM, Calcutta. He is a Global Consumer Products General Manager and Strategy/Transformation Leader with a strong track record of leading large, complex businesses, consistently delivering exceptional results and sustainable shareholder value.

MS. RAMA BIJAPURKAR

Independent Non Executive Director

Ms. Bijapurkar joined the Board of Directors of VST Industries Limited as an Independent Non-Executive Director in 2019. Ms. Bijapurkar is the Chairperson of Nomination and Remuneration Committee and Stakeholders Relationship Committee and Member of the Audit and Corporate Social Responsibility Committees of the Company

Ms. Bijapurkar holds a B.Sc. (Hons) degree in Physics from Delhi University and a Post Graduate Diploma in Management from IIM Ahmedabad. Ms. Bijapurkar is a recognised thought leader on market strategy and India's consumer economy, and has over 30 years of experience in market strategy consulting and market research. She has her own independent market strategy consulting practice, is a widely experienced independent director and is also a visiting faculty at IIM Ahmedabad.

Ms. Rama Bijapurkar is a Director on the Boards of Nestle India Limited, Apollo Hospitals Enterprise Limited, Cummins India Limited, Mahindra & Mahindra Financial Services Limited, Sun Pharmaceutical Industries Limited, Sun Pharma Distributors Limited, Sun Pharma Laboratories Limited and of People Research on India's Consumer Economy.

MR. SUDIP BANDYOPADHYAY

Independent Non Executive Director

Mr. Bandyopadhyay joined the Board of Directors of VST Industries Limited as an Independent Non-Executive Director in 2019. Mr. Sudip is the Chairman of the Audit and Risk Management Committees and a Member of the Nomination and Remuneration Committee of the Company.

Mr. Bandyopadhyay is a rank holder Chartered Accountant and a Cost Accountant with over 31 years of rich and diverse experience in various areas of finance and financial services. He is also a Gold Medalist from Calcutta University.

Mr. Bandyopadhyay is currently the Group Chairman of Inditrade (JRG) Group of Companies. Inditrade has significant presence in Agri Commodity Financing, Micro Finance business and MSME lending. He sits on the Boards of a number of listed and unlisted domestic companies. He is also an investor in many Fintech and other Technology related ventures. He has significant presence in business media through his regular interaction on leading business channels, business newspapers and magazines.

MR. RAJIV GULATI

Independent Non-Executive Director

Mr. Gulati joined the Board of Directors of VST Industries Limited as an Independent Non-Executive Director in 2019. Mr. Gulati is the Chairman of the Corporate Social Responsibility Committee and Strategy Committee and Member of the Audit, Nomination and Remuneration Committee and Stakeholders Relationship Committees of the Company.

Mr. Gulati has completed his Masters in Pharmaceutical Technology from IIT-Varanasi and Post Graduate Diploma in Management from IIM, Ahmedabad. He is a well-known veteran with three decades of rich Pharma industry experience. Mr. Gulati is an Independent Consultant advising several PE firms in making judicious investments in the Pharmaceutical sector and has been the Pharma Chair of American Chamber of Commerce and Indo American Chamber of Commerce in Past. Currently Rajiv serves as Trustee of Delhi Pharmaceutical Trust.

MR. S. THIRUMALAI

Non-Executive Director

Mr. Thirumalai is a Non-Executive Director on the Board of VST Industries Limited since 2019. Prior to this he was the Independent Non-Executive Director of the Company. Mr. Thirumalai is a Member of the Audit, Stakeholders Relationship Committee and Corporate Social Responsibility Committees of the Company.

Mr. Thirumalai is a Fellow Member of Institute of Chartered Accountants of India, Institute of Company Secretaries of India, Certified Associate of Indian Institute of Bankers and a law graduate. He has also attended the Advanced Management Program at Harvard Business School, Boston, USA. He has diversified experience of over four decades and specializes in Finance, Taxation and Legal affairs, especially in the tobacco sector.

MR. ADITYA DEB GOOPTU

Managing Director & CEO

Mr. Gooptu is the Managing Director & CEO of VST Industries Limited. He is a Member of the Stakeholders Relationship Committee and Corporate Social Responsibility Committee of the Company.

Mr. Gooptu holds a Bachelor's degree in Engineering from Jadavpur University and a Post Graduate Diploma in Management from IIM, Ahmedabad. He has also attended the Advanced Management Program at the Harvard Business School. Mr. Gooptu has spent over 17 years in Godfrey Phillips India in various roles and most recently as Executive Vice President & Business Head - Cigarettes before joining the Company.

Chairman's statement



Dear Shareholders,

The year 2021-22 witnessed another year of robust performance of your Company in the light of several challenges posed by the multiple waves of COVID-19 & its impact on supply chains, raw material costs, and inflationary pressures emerging out of prevailing geo-political scenario. Our learnings from the first wave of being agile & flexible coupled with prudent risk management helped us deliver yet another good performance in 2021-22. As we look forward to the future with optimism, I am extremely grateful to our stakeholders who supported us throughout and continue to place their immense trust in us.

Business Performance

Industry witnessed recovery in the second half of FY 2021-22 with the normalization of business environment. We made significant progress across our strategic levers in FY 2021-22. Your Company delivered a strong performance across financial parameters reflecting strong business fundamentals and future avenues for growth driven by a robust and diverse innovation led brand portfolio. Our cigarette revenues at ₹ 1,559 Crores were up by 5.9%, compared to FY 2020-21. We grew our net comprehensive income to an all-time high of ₹ 320 crores. We have strengthened our brand portfolio through considerable investments in consumer relevant innovations. 2 of the Company's trademarks continue to be among the Top 10 brands in the industry.

Trends and Emerging Context

Sustained price stability at convenient price points is driving industry recovery even as non-duty paid cigarettes continue to benefit from large price distortion. Moving forward, headwinds on supply and demand side such as high inflation have the potential to slow the rate of recovery. Your company has maintained a strong corporate culture & demonstrated a performance driven mindset in these challenging times.

Performance in the last two years gives me enough confidence that the management of your company under the able leadership of Mr. Aditya Deb Gooptu is well prepared to steer through the current volatilities.

Responsible Business

Your company is committed towards environment sustainability with an objective of setting an example in business responsibility with thoughtful initiatives, growth opportunities, and infrastructure developments. In the light of this, your Company is making a tangible difference in its operations by setting up a solar plant at its factories and corporate office and also in the regions where the Company operates through its social initiatives. During the year, under the VST Swachh Ghar Mission – construction of 1685 Household/School toilets was undertaken followed by creating awareness on safe hygiene habits; under the 'VST Cares' Mission – Covid support to communities was extended; under the 'Project Gyandeept' - infrastructure support for 10 schools was provided; and on projects promoting sustainability, 400 solar street lights were installed with support from gram-panchayats.

Dividend

The Board is pleased to declare the Company's highest ever dividend of ₹ 140 per share, an impressive increase of 23% over FY 2020-21.

Nurturing Our People

In a dynamic and rapidly evolving business environment with multiple business challenges, we strive to provide continuous re-skilling and upskilling opportunities to make our employees 'future ready'. In addition, we provide scope for learning and guidance to our people for career advancement while taking care of their health and wellbeing. I take pride in acknowledging the efforts of our employees whose support to the company has been overwhelming during testing times.

Looking ahead

We have made significant progress in terms of business performance, brand building, product innovation and geographic expansion. Moving forward, we are aligning our brand portfolio to changing consumer preferences by creating a robust pipeline of value-added innovative variants. We are also strengthening our brands to drive growth with increased investments in consumer facing initiatives. The years ahead will continue to pose significant macro level challenges with the potential to impact consumer disposable income. Your company will be focussed on judicious cost management while supporting business growth.

As we progress further, VST is cognisant of its responsibility to society and environment and we have therefore outlined a bold ambition under the ESG framework. It demonstrates our commitment to the communities we work to serve. The Board through its CSR committee also has strategic oversight over the ESG initiatives. We are glad to share that the 1st Business Responsibility & Sustainability Report (BRSR) forms part of this annual report, ahead of the mandatory reporting period applicable for the Company.

As a responsible corporate citizen, we have a strong footprint in Telangana & Andhra Pradesh in the areas of health, sanitation, environment sustainability & education. These initiatives cover 98 villages and about 282 schools.

As we embark on yet another exciting & challenging year, I want to extend my deepest gratitude to our Board of Directors, as well as the entire management team, for reviewing performance and leading our dedicated team of employees. I look forward to their continued support in the future.

I would also like to thank our stakeholders, including our workers, business and supply chain partners, farmers, and, most importantly, you, our valued shareholders, for continuing to believe in our vision and ability.

Thank you,

NARESH SETHI

Non-executive Chairman

Managing Director & CEO's Message



Dear Shareholders,

It gives me immense pleasure to share that we have delivered another year of good performance in FY 21-22 despite challenges on various fronts. We have successfully navigated multiple challenges, have emerged stronger & are well poised to deliver another good performance going forward.

I am glad to share some significant highlights of FY 2021-22.

Business Performance

We grew in absolute volumes and registered a good financial performance. Our net comprehensive income grew to a historic high of INR 320 crores. This growth was primarily driven by brand strengthening, innovation, robust product mix and cost optimization initiatives in the face of inflationary pressures.

Strategic priorities

We strive to grow our volumes and market share by focusing on continuous innovation and market expansion. We have increased investments in strengthening our trademarks strongly supported by customer-facing activities, integrated digital ecosystem, & relevant technical upgradations. We have also renewed our focus on people development to build VST of future. Sustainability remains at the core of all our initiatives.

Innovation: As we strive to develop unique, relevant & differentiated products that meet the preferences of adult consumers, we continue to invest in our R&D capabilities and personnel training. During FY 2021-22, we introduced Total Royal Twist, a Kesar and Saunf variant of Total, which had a favourable response.

Market expansion: Establishing presence in new markets to achieve a 100% national footprint has been a key focus area for us over the last seven years. We have made significant progress by expanding our coverage from 60% of India in FY 2014-15 to more than 80% in FY 2021-22. During the year, we have expanded our operations into two new states, with satisfactory results. We have plans to strengthen our distribution infrastructure and increase investments including in salesforce digitization. In our business, successful establishment of footprint in a new market keeps giving returns over a decade or more, with depth of portfolio deployment. This will continue to be a key focus in years to come.

Brand portfolio: Our brands continue to enjoy favourable disposition among young, adult consumers. We are continuously striving to make our trademarks stronger & increase consumer appeal through relevant innovations. We continue to invest in Total to further strengthen its national footprint. Total & Charms continue to be among the top 10 brands in the cigarette category. We will continue to provide our consumers delightful value at an affordable price of our products with the great innovation.

Sales Capability & Digitisation: We are aggressively digitizing our TM&D function (Trade marketing & distribution) for cost optimization & to develop market specific interventions.

People: I take pride in the agility & commitment of our employees that was at full display as we successfully overcame challenges related to COVID & beyond. To further maximize potential our people, professionally & personally, we have renewed focus on employee engagement & development. New tools have been incorporated to identify developmental plan for all individuals to cope up with ever changing business scenario, provide greater avenues for career growth & identify talent.

Sustainability focus

We also enhanced our ESG performance during the year, which we believe is a critical enabler of our long-term sustainability. We are steadily minimising our carbon impact by taking suitable initiatives. Your company set up a solar plant in January 2022 in the Hyderabad factory & corporate office. The plant currently accounts for about 25% of overall energy consumption. As part of our corporate citizenship programmes, we reiterated our commitment to health, infrastructure development, and community well-being.

Board guidance

I express my gratitude to the Board, who with their vast experience, industry expertise, leadership and wisdom have provided us with guidance to think in the new contexts and make effective decisions in the rapidly changing environment.

Way Ahead

As we work together on these strategic priorities, I would like to reassure all stakeholders that we are prepared to weather challenges emerging from COVID impact and other geo-political developments. I am confident that we will strengthen our strong foothold in the industry and continue to create long-term value for our stakeholders.

Thank you,

ADITYA GOPTU,

Managing Director & CEO

Distinctive Brand Portfolio

Our consistent focus on innovation has helped us create a brand portfolio catering to diverse needs of adult consumers. Over the last few years, we have introduced multiple first-to-market innovations.

Our portfolio comprises New-Age Brands and Growth Heritage Brands.

NEW-AGE BRANDS

Total First mover in capsule segment with very innovative product concepts. Gained widespread popularity with modern adult consumers across the country. Leader in the capsule segment and the 2nd brand in the cigarette category with a near pan-India presence.



Editions VST's 1st successful king size brand with a strong presence in South India



GROWTH HERITAGE BRANDS

Charms A generational brand with a multi-region presence



Special Strong presence in East



Moments Strong presence in North India



Total's New Brand Architecture

Total has created a record of being the most successful new brand in the last three decades. Total has heralded a new wave of innovation in the Indian cigarette category.



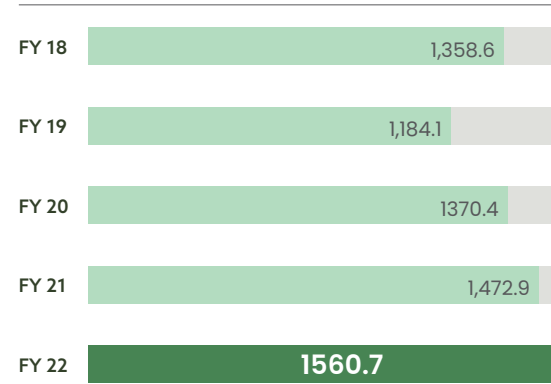
A New Variant Catering to Consumers' Preferences

We developed Total Royal Twist, a kesar & saunf variant of Total.

Key Performance Indicators

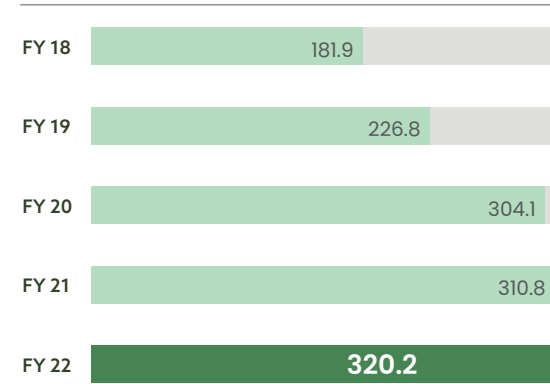
Financial

Revenue from operations (₹ in Crores)



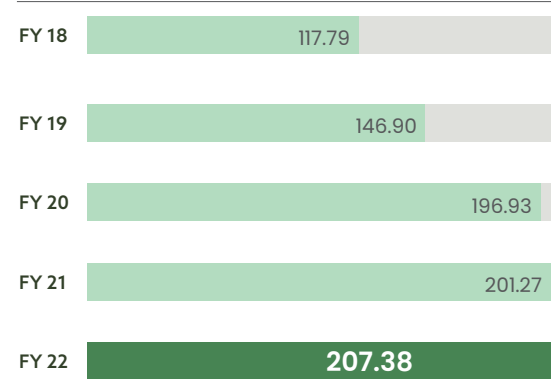
⬆️ 6.0% ⬆️ 3.5%

PAT (₹ in Crores)



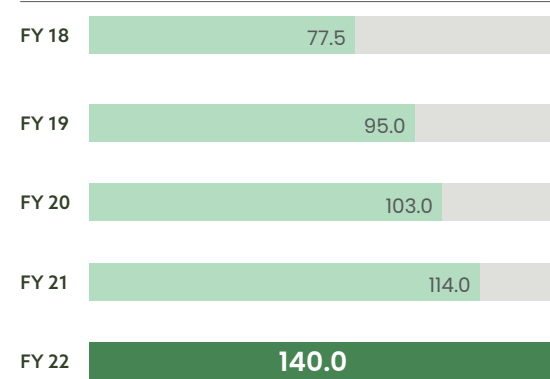
⬆️ 3.0% ⬆️ 15.2%

Earnings Per Share (₹)



⬆️ 3.0% ⬆️ 15.2%

Dividend Per Share (₹)

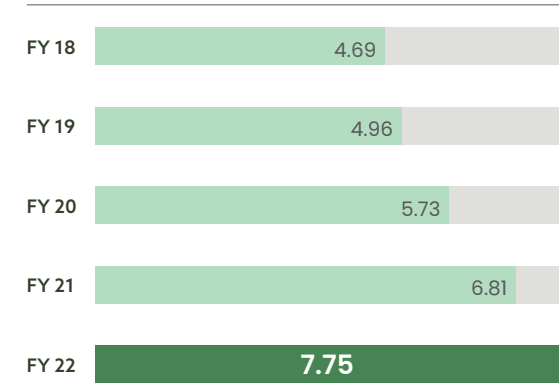


⬆️ 22.8% ⬆️ 15.9%

⬆️ y-o-y ⬆️ 5 year CAGR

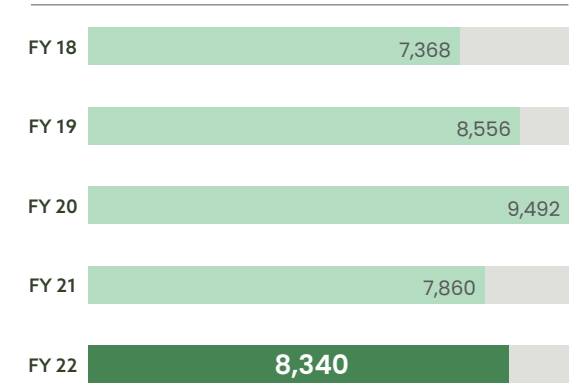
Non-financial

CSR Expenditure (₹ in Crores)



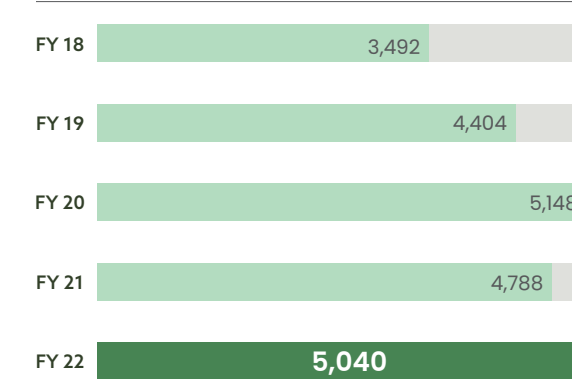
⬆️ 13.8% ⬆️ 13.4%

Volumes (Million Cigarettes)



⬆️ 6.1% ⬆️ 3.1%

Consumer spend (₹ in Crores)



⬆️ 5.2% ⬆️ 9.6%

Value Creation Model

EXTERNAL ENVIRONMENT

OUR RESOURCES

Financial Resources

Our commendable financial track record enables us to continue investing in our strategic growth drivers in order to generate a steady and long-term revenue growth and, consequentially, support a progressive dividend policy.

₹ 1544.19 lakhs

Equity Share Capital

Manufacturing and other assets

- 2 factories and 6 regional offices
- Raw materials: 5107 tonnes of tobacco

Human Resources

369 employees and 404 workmen work with a growth mindset to help us achieve our mission

Intangible Assets

Our brand portfolio, innovative product development, and laudable work culture, help us achieve and sustain market leadership.

VALUE CREATION PROCESS

Strategic priorities

- Innovation
- Developing strong brands
- Expanding geographic footprint
- Sustainable business

Enablers



Stakeholder Relationships



Business Processes



THE VALUE WE CREATE

₹ 1,17,816 Lakhs

Net revenue

₹ 31,951 Lakhs

Total comprehensive income

₹ 207.4

Earnings per share

₹ 140.0

Dividend per share 23% growth from previous year

24.5%

EBIT

40.7%

Return on Capital Employed

6%

Volume growth vs last year

1

successful new product launched

2

of the Top 10 cigarette brands are owned by VST
Introduced a new variant under the brand Total

Strategic Priorities and Progress

Our strategic framework is built on four growth pillars: innovation, market expansion, powerful brand portfolio and digitisation, with sustainability as the underlying theme. These strategies are linked to our long-term growth aspirations in a dynamic operating landscape, and also enable us to mitigate the risks associated with emerging opportunities.

INDUSTRY LANDSCAPE

India is the world's second-largest tobacco producer and third-largest tobacco exporter. The Indian tobacco sector was valued at ₹ 1,269.9 billion in 2020 and is expected to grow at a CAGR of 12.5% between 2020-25. The cigarette category is expected to register a strong value growth during this period.

Trends

- Convenient pricing of established trademarks is a key factor driving consumption.
- Changing legislation and taxation remain the key challenges for the tobacco industry.

OUR RESPONSE

Our strategic approach, backed by our inherent strength and track record, allows us to seize opportunities and further strengthen our market position. We have made significant progress in this mission

Technical: Driving Manufacturing Excellence

We are continuously striving for manufacturing excellence to ensure best-in-class quality delivering superior consumer experience and develop a world class product portfolio.

Technology Enhancement: We are upgrading existing machinery with latest state-of-the-art versions that will produce modern packaging formats aimed at achieving higher salience for our strategic brands.

INNOVATION

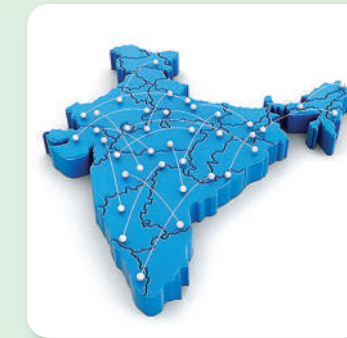


At VST, we leverage innovation to create new products that appeal to adult smokers' preferences. To identify the demand and establish a robust product pipeline, we actively engage with the best consumer and technical partners. Over the last five years, our relentless focus on innovation has helped us introduce multiple first to market offers. Our R&D team is continuously exploring innovations around blends, flavors and filters to support the marketing team. Future brand successes hinge on consumer discernible innovation with a quick turnaround time.

Progress in FY22

We introduced a new variant with a blend of Kesar and Saunf flavour which has generated good consumer response.

MARKET EXPANSION



This is a key strategic focus as we endeavour to increase our market share and volume. Our long term ambition is to drive VST trademarks across the length & breadth of the country.

Progress in FY22

We have expanded our operations in the West with satisfactory results. We have plans to further strengthen our distribution infra in the region.

BRAND ENHANCEMENT



We are continuously investing to make our brands stronger through relevant value additions and first-to-market innovations.

Progress in FY22

For both Total and Editions, our new age brands, we introduced a new brand architecture to stay ahead of the consumer evolutionary curve. All variants of Total and Editions will have a common design architecture.

DIGITISATION



We are investing in a fully integrated digital infrastructure across the supply chain, from procurement to trade purchase.

Progress in FY22

We have taken long strides in digitizing TM & D. All sales related data is being captured real time which is enabling analysis at multiple levels, generating actionable insights and driving market efficiencies.

Our Approach to ESG

As a responsible corporate citizen, our endeavour is to drive a socially inclusive and well-governed business. We have accelerated our progress to integrate Environmental, Social and Governance (ESG) priorities and are committed to transform ourselves into a high ESG focused organization. We are gradually embedding relevant ESG aspects across our value chain with the purpose of ensuring long-term sustainability of our business.

We conducted a ESG materiality assessment in FY 2021-22 to comprehensively understand relevant ESG topics. The analysis had three phases: benchmarking, analysis of global trends and interviews with internal and external stakeholders. We identified 24 ESG material topics as particular areas of focus for our company and stakeholders. We have segregated these topics under the 5 Strategic ESG Pillars.

TRANSFORMING TOWARDS A SUSTAINABLE FUTURE				
Sustainable Operations	Care for People	Inclusive Growth	Sustainable Agriculture	Responsible Governance
Energy Emissions Water Waste management Sustainable material Circular economy Biodiversity	Employment Labour-management relations Diverse and inclusive work environment Training and education Human rights Health & safety	Community initiatives Consumer welfare Littering prevention	Farmer livelihood Climate resilience Water Waste management	Business ethics Regulatory compliance Responsible sourcing Innovation Policy advocacy Illicit tobacco trade prevention
CONTRIBUTING TO THE UN SDGS				



Reducing our Environmental Footprint

At VST Industries, we implement the global best practices to reduce the impact of our operations on the environment, including increasing the share of renewable energy in the energy consumption mix, various energy-conservation measures, and emission-reduction initiatives.

ENERGY AND EMISSIONS MANAGEMENT

We have constantly undertaken various initiatives to ensure sustainability of our operations at all stages. At our manufacturing facilities, we have taken measures to minimize environmental footprint by adopting multiple energy conservation initiatives. Our manufacturing facilities are accredited with ISO 14001:2015 (Environmental Management System)

Some highlights of our initiatives are

Rooftop Solar

Installed 472 KW in Azamabad; 200 KW in Toopran; 330 KW at corporate office capacity of rooftop solar

Green Building

Our Toopran manufacturing facility has also renewed its "Gold Rating Green factory building" Certification from CII-IGBC, which is valid up to March 2024

Fuel substitution

We have replaced HSD with cleaner fuel PNG (Piped Natural Gas) for our boiler operations at Toopran

~25%

include approximately symbol Of energy requirements generated from renewable energy

36%

Reduction in boiler carbon emissions

Renewable Energy

We are committed to reducing our carbon footprint by utilising renewable energy. We installed solar power plants of capacity 800KW at the Azamabad plant and 200 KW at the Toopran plant. Moreover, our corporate office is entirely powered by renewable energy.



Energy Conservation

We also undertook several measures to conserve energy:

- Reduced energy consumption by 1.6% at the DRF plant by implementing a closed-loop system
- Lowered energy consumption by 0.3% by installing LED lights
- Carried out power quality audit and reduced the harmonics from 35% to 2.3% through the installation of active harmonic filters, which checked energy losses by 1.9%.
- Conducted Air Audit and undertook requisite measures that saved 0.2% energy

Conversion of Boiler Fuel from Oil to Natural Gas

We switched our boiler fuel system from High-Speed Diesel (HSD) to piped natural gas (PNG), which resulted in a reduction in carbon emission.



Water management

We continuously monitor our water consumption to ensure proper maintenance of our water supply facilities to minimise loss. We have created 10 rainwater harvesting pits at both the manufacturing facilities (6 pits at Azamabad and 4 pits at Toopran) amounting to a combined rainwater harvesting potential of 1,37,606 m³. Our manufacturing facilities are zero liquid discharge sites with recycled water being used for gardening and other domestic applications.



Waste management

We constantly strive to segregate the waste generated by our factories into hazardous and non-hazardous waste which is then disposed off through appropriate mechanism in place. Hazardous waste is disposed by State Pollution Control Board (SPCB) approved third party recycler. We have partnered with PCB approved recycler for implementation of Extended Producer Responsibility (EPR).

Biodiversity

VST's purpose towards minimising its environmental footprint across the value chain involves enrichment and caring for ecological security and balance. We have ensured that our operations and offices are not in or around ecologically sensitive areas. We have obtained No Objection Certificate (NOC) issued by the pollution control board and acquired consent to operate (CTO) from the department and get the same reviewed periodically.

Sustainable materials & circular economy

We are constantly enhancing our raw material utilisation and increasing use of our sustainable materials. We have ingrained the 3R philosophy of effective waste management into our business operations with the objective of minimising impact of resource scarcity. We use 100% Biodegradable BOPP film in packaging our products.

Way Forward

We are planning to implement various measures in the areas of waste management, water conservation, recycling, etc. We are also working towards further increasing our renewable energy consumption subject to regulatory clearances.. We aim for Green Factory Building Certification in the near future.



Committed to an inclusive workplace

At VST, we are focused on creating a high-performance culture for business growth and excellence while building an inspired and motivated workforce. We implemented well-designed processes and systems to ensure our workforce is aligned with our organisational objectives.



PEOPLE-FOCUSED APPROACH

Our HR activities are centred around three themes:

- **Lead and Develop:** We encourage our people to continuously upgrade their skills to improve productivity and performance. In addition, we also conduct assessment and development workshops for the employees to inculcate the right behaviours, in alignment with the organisational culture.
- **Attract and Engage:** We also focus on attracting and retaining high-potential employees as well as training them for future leadership roles
- **Transform and Reinvent:** With the changing business environment, we focus on transforming processes, workflows, and mindsets to overcome business challenges.

Cultural change

Re-skilling programs for our workmen have been initiated with specific focus on quality orientation needed to achieve excellence. RISE campaign on world-class product quality was started during the year. As a consequence, there has been a positive improvement in the Retail Quality Inspection (RQI) scores and machine productivity. This change in quality orientation is an ongoing process and relevant measures will be initiated periodically.



EMPLOYEE ENGAGEMENT

We value our employees and recognize how they constantly set new benchmarks enabling us to win consistently and generate long-term value.

Gold Star: We launched a recognition initiative to promote a culture of appreciation and drive desired behaviours in the Company.

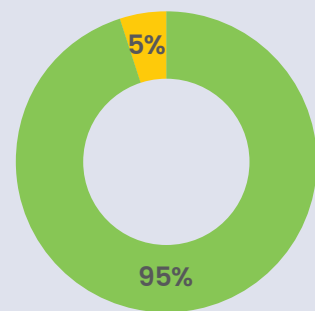
GOAL Forward Programme: It is an employee engagement programme conducted to motivate our team and help them navigate through uncertain times.



DIVERSITY AND INCLUSIVITY IN OUR WORK ENVIRONMENT

Our commitment to promote an inclusive work environment involves hiring employees only based on their merit and skill. We have conducted numerous diversity and inclusiveness sessions for our employees on a periodic basis.

TOTAL WORKFORCE OF 369 EMPLOYEES AND 404 WORKMEN



● Male
● Female

100%

Of our workers are part of unions

3.5years

Agreement signed with the union in FY 2021

85

Employee Engagement Score 2020

¹ As on March 31, 2022

LEARNING AND DEVELOPMENT

We have invested significant resources in nurturing talent by enhancing their skills and leadership capabilities. We assess training needs annually based on conversations between the employee and their reporting manager.

We train 100% of employees and workers on health and safety measures and skill upgradation.

At senior levels, we use the leadership models and workshops for future readiness and honing the right skills for growth and execution.



HUMAN RIGHTS

We have strengthened our monitoring systems and systematic implementation of policies and procedures to maintain and enhance our work environment by upholding human rights of every individual. Our commitment to human rights adheres to applicable regional laws and the principles and guidelines enshrined in existing international standards. We have zero complaints registered regarding violations of human rights.

HEALTH & SAFETY

Our manufacturing facilities are ISO 45001: 2018 certified, which shows our commitment to ensuring the highest standards of health and safety for our workforce. We are committed to zero accidents in our own operations.

Risk Management - We continuously conduct Hazard Identification and Risk Assessments (HIRA) and Job safety Analysis (JSA) for routine and non-routine jobs.

Health and Safety Training - We carry out daily shop floor trainings and toolbox talks for our workers at the manufacturing facilities.

Safety Performance - We continuously monitor progress against internal benchmarks on key health and safety parameters which has helped us improve our performance continually.

Maintaining compliance - We maintain relevant licenses and documentation as per requirements of the Factories Act and management standards.



COVID-19 Response

We remain committed to the well-being of our people and the expanded partner network. In response to the COVID-19 pandemic, we stood by our people and their families, as well as other key stakeholders to help them tide over this crisis by undertaking several focused interventions.

VACCINATION CAMPAIGNS

We organised vaccination camps across India for our employees and their families. These camps were conducted in partnership with leading hospitals like Global Hospitals in Hyderabad. Over 95% of VST's key stakeholders including employees and the extended partner workforce in front line sales were vaccinated during FY 2022.



VST Cares

In addition to vaccination, we conducted many satellite programmes under the label "VST Cares." Since the beginning of the pandemic, we have been taking various measures such as:

- Spreading awareness about COVID protocols, health advice, etc.
- Partnered with Apollo Hospital for a homecare facility to support our COVID-infected employees.
- Ensured availability of COVID kits and oxygen generators at all our offices.
- Provision of financial support for COVID-infected employees through special COVID medical policy.
- Supporting an initiative to build a ten bedded COVID hospital for the Hyderabad Police.

Business Continuity Plan

VST has a well-structured Business Continuity Plan that has been explicitly communicated to the functional heads of the Company. During the second and third waves of the pandemic, we followed all safety guidelines and effectively managed the situations using hybrid modes of working.



Promoting community well-being and prosperity

Our culture of giving back allows us to establish trust, deepen relationships and make positive changes. Over the years, we have been contributing to the overall development of the communities around us.

To promote inclusive growth and equitable development for the underserved communities, we formulated a Corporate Social Responsibility (CSR) policy focusing on areas such as health & sanitation, education and environment.

ENVIRONMENT

To support environmental sustainability, we installed 400 solar streetlights in seven villages in the Jogulamba- Gadwal districts of Telangana.



HEALTH AND SANITATION

'Swachh Ghar' programme for the construction of toilets

In partnership with Gramalaya, a non-profit organisation, we constructed household toilets in the individual homes of farmers living in and around the Jogulamba Gadwal district of Telangana.



400
Solar streetlights installed during FY22

1,685
Household toilets constructed during FY22

Health and sanitation

- VST 'Swachh Ghar Mission' - Household/ School toilets construction and creating awareness on safe hygiene habits
- VST cares - Extending Covid support to communities

Promoting education

- 'Project Gyandeeep' - Providing infra support for schools (buildings, library, etc) & vocational training for employability
- Midday meals program for school children

Environment

- Projects promoting sustainability in association with gram-panchayats eg: Installation of Solar streetlights in villages
- Solid Waste Management & Water Conservation

Consumer welfare

Our marketing practices are strictly governed by the Cigarettes and Other Tobacco Products (prohibition of advertisement and regulation of trade and commerce, production, supply and distribution) Act, 2003 (COTPA). The provisions are also aligned with the FCTC treaty by WHO.

We have established a toll-free number on which distributors/ customers can register their complaints. The complaints where received are checked by grievance redressal executive and transferred to the concerned department.



Supporting Hospitals

During the year, we supported KIMS Foundation & Research Centre in Hyderabad in setting up an Oxygen Generator plant. Apart from masks distribution and vaccinations, we also sponsored a CII initiative to build ten bedded COVID hospital for the Hyderabad Police.



Integrating healthy environment, social equity and economic profitability for farmers

We are focused on operating our upstream value chain in a more responsible manner and ensuring good agricultural practices are undertaken at scale. This involves developing and enhancing systems that protect and restore the environment, improve livelihood of farmers and strengthen resilience & wellbeing of the farming community.

Farmer livelihood

Our farmers are one of our most valuable business partners. We endeavour to promote better livelihood for our farmers and protect them from external factors such as climate change, pandemic etc. We have undertaken significant initiatives to ensure their social wellbeing and maintaining a stable income.

Protection of Human rights

Farmer agreements include Agrilcultural Labour Practice (ALP) code which illustrates the various aspects of human rights the farmers are expected to adhere. This also includes zero tolerance towards child labour.

Growing Tobacco Safety

We are gradually ensuring that farmers, and the farm workers have access to adequate PPE kits and we strive to provide PPEs to 100% of our contracted farmers going forward

Investing in the Farming Community

We have provided technical assistance to improve soil quality & productivity and mechanization of field operations

Climate resilience

The world is experiencing climate change risks and its effects at a very large scale. Crop yield is very dependent on the climate of an area, making it very vulnerable to climate change risks. The change in the quality and the quantity of crop yields not only impacts our business but also our farmers. Responsible use of natural resources in order to address these climate risks is key to our climate resilient business strategy.

Way Forward

Going forward, we will continue to extend our support towards the underserved community. In addition, we will also expand our CSR interventions in the areas of drinking water, tobacco farmer livelihoods, energy, and exploring the needs of women farmers.

Steps undertaken to make our business more climate resilient

Sustainable alternatives

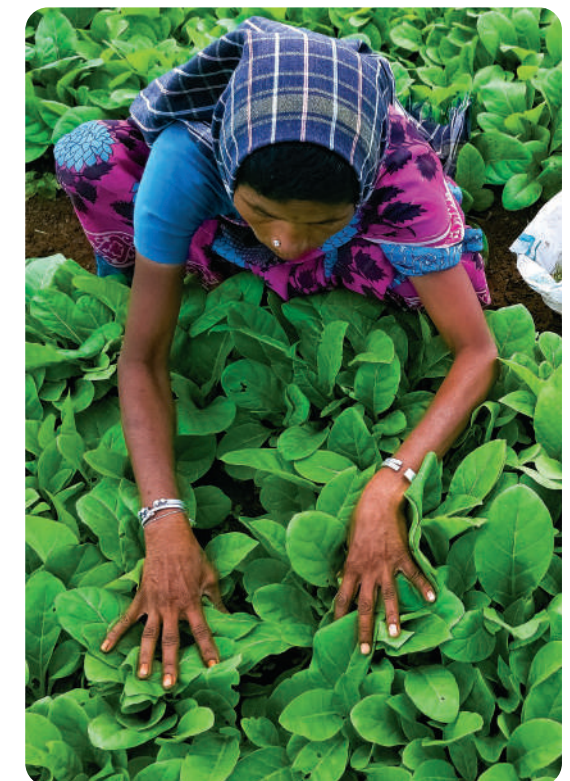
Initiated a pilot programme by introducing biochemicals as fertilizers. Our target is to have 30% of biofertilizer/ biochemicals based crop protection agents

Low carbon curing

Our contract farmers are primarily using sun and air curing method with no use of forest wood for curing and modified barn structure which requires less energy for curing.

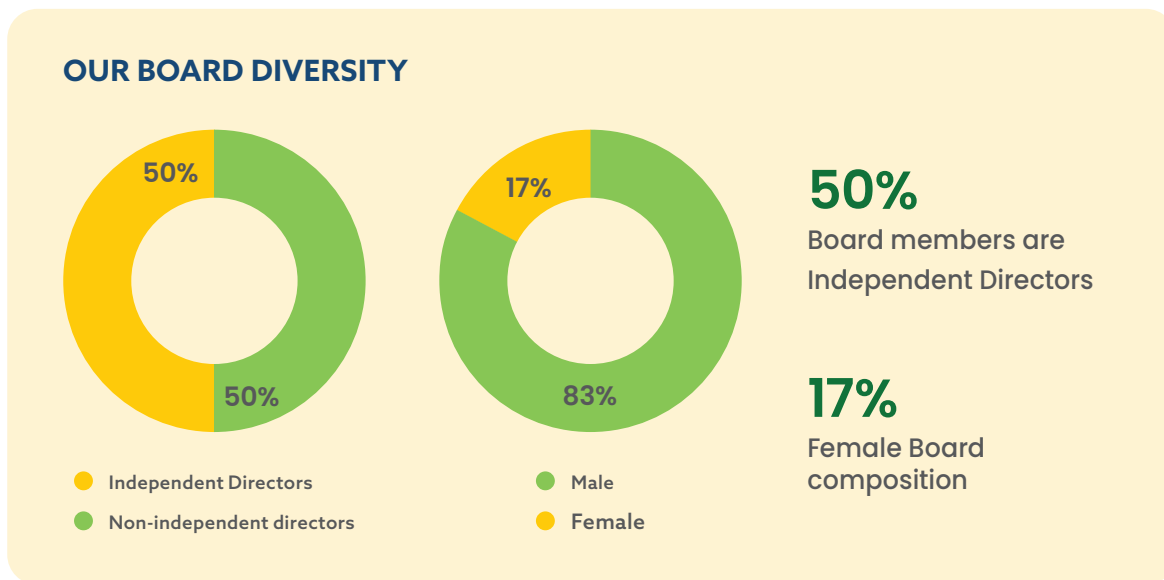
Water stewardship

Introducing farmers to drip irrigation technology which involves installing micro sprinklers for nursery operations and green manuring to improve water holding capacity of the soil



Ensuring ESG compliant Governance

We adhere to the highest standards of corporate governance in letter and spirit. We ensure responsible governance by maintaining transparency & integrity in business decision making, having robust policies and systems with clear accountability, and achieving highest standard of compliance.



OUR ESG GOVERNANCE

We have established a three layered ESG governance structure at the Board, corporate and unit level.

- **CSR & ESG Committee:** This is our Board level committee headed by an Independent Director. The committee is responsible for reviewing performance, providing strategic directions and necessary feedback to the Corporate ESG committee.
- **Corporate ESG Committee:** Led by our MD & CEO, this committee is tasked with planning ESG strategy, overall performance review, providing strategic update and operational direction.
- **ESG Council:** This is our unit level committee headed by our respective unit heads. This committee is responsible for ESG KPIs monitoring, unit level ESG performance review, project implementation and monitoring.

Our overall ESG strategy and reports are implemented under the leadership of our Company Secretary who reports directly to the MD & CEO.

Corporate Information

BOARD OF DIRECTORS

- Naresh Kumar Sethi
Chairman
(DIN 08296486)
- Aditya Deb Gooptu
Managing Director & CEO
(DIN 07849104)
- S. Thirumalai
Non-Executive Director
(DIN 00011899)
- Rama Bijapurkar
Independent Non-Executive Director
(DIN 00001835)
- Sudip Bandyopadhyay
Independent Non-Executive Director
(DIN 00007382)
- Rajiv Gulati
Independent Non-Executive Director
(DIN 06820663)

BOARD COMMITTEES

AUDIT COMMITTEE

- Sudip Bandyopadhyay *Chairman*
- Rama Bijapurkar *Member*
- Rajiv Gulati *Member*
- S. Thirumalai *Member*

STAKEHOLDERS RELATIONSHIP COMMITTEE

- Rama Bijapurkar *Chairperson*
- Rajiv Gulati *Member*
- Naresh Kumar Sethi *Member*
- S. Thirumalai *Member*
- Aditya Deb Gooptu *Member*

NOMINATION AND REMUNERATION COMMITTEE

- Rama Bijapurkar *Chairperson*
- Rajiv Gulati *Member*
- Sudip Bandyopadhyay *Member*
- Naresh Kumar Sethi *Member*

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

- Rajiv Gulati *Chairman*
- Rama Bijapurkar *Member*
- Naresh Kumar Sethi *Member*
- S. Thirumalai *Member*
- Aditya Deb Gooptu *Member*

RISK MANAGEMENT COMMITTEE

- Sudip Bandyopadhyay *Chairman*
- Rama Bijapurkar *Member*
- Naresh Kumar Sethi *Member*
- S. Thirumalai *Member*
- Aditya Deb Gooptu *Member*
- Kalyan Basu *Management Member*
- Anish Gupta *Management Member*
- S. Sriram *Management Member*

CORPORATE EXECUTIVE COMMITTEE

- Aditya Deb Gooptu *Managing Director & CEO*
- Anish Gupta *Chief Financial Officer*
- Ajay Chaudhary *Vice President Digital Transformation*
- Ishita Bardhan *Chief Human Resource Officer*
- Kalyan Basu *President-Marketing*
- Phani K. Mangipudi *Company Secretary & Head-Legal & Secretarial*
- S. Sriram *Vice President-Technical*
- T. Lakshmi Narasaiah *Vice President-Leaf*

AUDITORS

BSR & ASSOCIATES LLP
Chartered Accountants
Hyderabad – 500 034

REGISTERED OFFICE

PLANT LOCATIONS

1-7-1063/1065 Survey No.288/289
Azamabad, Muppireddy Palli,
Hyderabad – 500 020 Toopran, Medak
Telangana Telangana

REGISTRAR & SHARE TRANSFER AGENTS

KFin Technologies Ltd.
Selenium Tower B, Plot No.31 & 32
Financial District, Nanakramguda,
Serilingampally, Gachibowli
Hyderabad – 500 032, Telangana
Phone : +91 40 6716 2222
E-mail : einward.ris@kfintech.com
Website : www.kfintech.com

STATUTORY REPORTS

Notice of Meeting	37
Report of the Board of Directors & Management Discussion and Analysis	44
Report on Corporate Governance	56
Annexure to the Directors' Report	76
Business Responsibility & Sustainability Reporting (BRSR)	88

FINANCIAL STATEMENTS

Independent Auditors' Report	119
Balance Sheet	128
Statement Of Profit And Loss	129
Statement Of Changes In Equity	130
Statement Of Cash Flows	132
Notes To The Financial Statements	133



Notice

NOTICE is hereby given that the Ninety First Annual General Meeting of VST INDUSTRIES LIMITED will be held on **Friday, 29th July 2022** at 10.00 A. M. (IST) through Video Conferencing (VC) / Other Audio Visual Means (OAVM) for transacting the following business:

ORDINARY BUSINESS

1. To consider and adopt the Audited Financial Statements of the Company for the year ended 31st March 2022, and the Reports of the Board of Directors and Auditors thereon.
2. To declare a final Dividend of ₹ 140/- per Equity Share for the year ended 31st March, 2022.
3. To appoint a Director in place of Mr. Naresh Kumar Sethi [DIN: 08296486] who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS

4. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 197 of the Companies Act, 2013 and Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, approval of the Members of the Company be and is hereby accorded to the remuneration payable to Mr. Naresh Kumar Sethi [DIN:08296486], Non-Executive Director of the Company, apart from the remuneration as applicable to the other Non-Executive Directors of the Company for a period of up to 3 years with effect from 1st August, 2022 within the applicable limits prescribed under the Companies Act, 2013 and SEBI Regulations as amended and more specifically as set out in the Explanatory Statement annexed to the Notice convening this Meeting."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to settle any question, difficulty or doubt, that may arise in giving effect to this Resolution and to do all such acts, deeds and things as may be necessary, expedient and desirable for the purpose of giving effect to this Resolution."

5. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 197 of the Companies Act, 2013 and Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, approval of the Members of the Company be and is hereby accorded to the remuneration payable to Mr. S. Thirumalai [DIN: 00011899], Non-Executive Director of the Company apart, from the remuneration as applicable to the other Non-Executive Directors of the Company for a period of up to 3 years with effect from 1st August, 2022 within the applicable limits prescribed under the Companies Act, 2013 and SEBI Regulations as amended and more specifically as set out in the Explanatory Statement annexed to the Notice convening this Meeting."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to settle any question, difficulty or doubt, that may arise in giving effect to this Resolution and to do all such acts, deeds and things as may be necessary, expedient and desirable for the purpose of giving effect to this Resolution."

By Order of the Board

Phani K Mangipudi

Company Secretary &
Head of Legal & Secretarial
ACS 17557

Dated this 26th day of April, 2022
Azamabad, Hyderabad - 500 020

NOTES :

1. In compliance with the provisions of the Companies Act, 2013 (Act), SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 (Listing Regulations) read with MCA circulars, the AGM of the Company is being held through VC/OAVM. The deemed venue for the Ninety First AGM shall be the Registered Office of the Company.
2. A Member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a Member of the Company. Since this AGM is being held through VC/OAVM, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for the AGM and hence the Route Map, Proxy Form and Attendance Slip are not annexed to this Notice.
3. Corporate Members are requested to send, a duly certified copy of the Board Resolution pursuant to Section 113 of the Companies Act, 2013 authorising their representative to attend the AGM through VC/OAVM on their behalf and vote through remote e-voting. The Resolution shall be sent to the Scrutiniser by email through its registered email address to saravana1015@gmail.com with a copy marked to evoting@kfintech.com.
4. M/s. KFin Technologies Limited (Kfintech) will be providing facility for voting through remote e-voting, for participation in the Ninety First AGM through VC/OAVM and e-voting during the AGM.
5. Members may join the Ninety First AGM through VC/OAVM by following the procedure which shall be kept open for the Members from 9.45 a.m. i.e. 15 minutes before the time scheduled to start the AGM and the Company may close the window for joining the VC/OAVM 15 minutes after the scheduled time to start the Ninety First AGM. The detailed instructions for participating in the Ninety First AGM through VC/OAVM are given as a separate attachment to this Notice.
6. Members may note that the VC/OAVM provided by Kfintech allows participation of at least 1000 Members on a first-come-first-served basis. The large shareholders (i.e. shareholders holding 2% or more shareholding), promoters/promoter group, institutional investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination & Remuneration Committee and Stakeholders Relationship Committee, Auditors, etc. can attend the AGM without any restriction on account of first-come-first-served principle.
7. Members attending the AGM through VC/OAVM shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.
8. The Register of Members of the Company shall remain closed from Friday, 15th July 2022 to Friday, 29th July 2022 (both days inclusive) for payment of dividend, if declared.

Dividend, if declared, will be paid within 30 days from the date of the AGM to those Members whose names appear in the Register of Members of the Company on 29th July 2022 or to their mandatees, subject however to the provisions of Section 126 of the Companies Act, 2013 or any amendment thereto or re-enactment thereof. In respect of dematerialised shares the dividend will be payable on the basis of beneficial ownership as on 14th July 2022, as per details to be furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for this purpose.
9. Brief profile of the Directors proposed to be re-appointed is given towards the end of this Notice pursuant to Regulations 36(3) of the Listing Regulations and Secretarial Standard issued by Institute of Company Secretaries of India. None of the directors is related to one another.
10. **The Securities and Exchange Board of India (SEBI) vide its circular No. SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2021/655 dated 3rd November, 2021 has mandated furnishing of PAN, KYC details, nomination and compulsory linking of PAN and Aadhaar by the shareholders holding shares in physical form. Letters pursuant to this circular enclosing the forms have been sent to the Members on 4th February 2022. The forms are also available in the websites of the Company www.vsthyd.com and Kfintech www.kfintech.com. Members holding shares in physical form are advised to update their KYC details with the Company's Registrar and Transfer Agents, Kfintech.** Similarly, Members holding shares in electronic form should inform their Depository Participants (DP) of any change in their registered address, mandate/bank details/e-mail address and PAN.
11. The shares of the Company are under compulsory demat trading. **SEBI vide its circular No. SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2022/8 dated 25th January, 2022 has further mandated issuance of securities in dematerialised form for all the investor service requests.** Members holding shares in physical form are therefore requested to convert their shares into dematerialised form.

12. SEBI has directed listed companies to use electronic payment modes such as NEFT, RTGS, ECS etc., for payment to the investors. Members are requested to update their bank details such as MICR, IFSC code etc., with the Registrar and Transfer Agents, KFintech by submitting a cancelled cheque, while Members holding shares in electronic form are requested to update such bank details with their respective Depository Participants.
13. Members who have multiple folios in identical names or joint names in the same order are requested to intimate the Registrar and Transfer Agents, KFintech about these folios to enable consolidation of all such shareholdings into one folio.
14. Members holding shares in single name and physical form are advised to make nomination in respect of their shareholding in the Company. The Nomination Form SH 13 prescribed under the Companies Act, 2013 can be obtained from the Registrar and Transfer Agent or can be downloaded from the Company's website www.vsthyd.com.
15. Members are requested to refer to the "Shareholder Referencer" of the Report on Corporate Governance which inter-alia contains details regarding unclaimed dividend. Members wishing to claim dividends that remain unclaimed are requested to correspond with the Registrar and Share Transfer Agents as mentioned above, or the Company Secretary, at the Company's registered office. Members are requested to note that dividends that are not claimed within seven years from the date of transfer to the Company's unclaimed dividend account, will, as per Section 124 of the Companies Act, 2013, be transferred to the Investor Education and Protection Fund (IEPF). Shares on which dividend remains unclaimed for seven consecutive years will also be transferred to the IEPF as per Section 124 of the aforesaid Act, and applicable Rules thereunder.
16. The Register of directors and key managerial personnel and their shareholding, maintained under Section 170 of the Act, and the Register of Contracts or Arrangements in which the directors are interested, maintained under Section 189 of the Act, including certificate from statutory auditors on implementation of VST ESOP 2020, will be available electronically for inspection by the members during the AGM. All documents referred to in the Notice will also be available for electronic inspection without any fee by the members from the date of circulation of this Notice up to the date of AGM, i.e. July 29, 2022. Members seeking to inspect such documents can send an email to investors@vstind.com.
17. Pursuant to Section 108 of Companies Act, 2013 read with Rule 20 of Companies (Management and Administration) Rules, 2014 as substituted by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of Listing Regulations, the Company is pleased to offer voting by electronic means to the Members to cast their votes electronically on all items of business set forth in this Notice. The detailed instructions for e-voting are given separately to this Notice. Members who have cast their vote by remote e-voting prior to the Ninety First AGM may also participate in the AGM through VC/OAVM but shall not be entitled to cast their vote again. Only those Members, who will be present in the Ninety First AGM through VC/OAVM and have not cast their vote on the Resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote through e-voting system in the AGM by following the same procedure as in the remote e-voting.
18. The Company has appointed Mr. B.V. Saravana Kumar, Company Secretary in Practice, who in the opinion of the Board is a duly qualified person, as a Scrutiniser who will scrutinise the electronic voting process in a fair and transparent manner. The Scrutiniser shall within 48 hours from the date of conclusion of the Meeting, submit his report of the votes cast in favour or against, if any, to the Chairman of the Company or any other person authorized by the Chairman and the result of the same will be disclosed forthwith. The result declared along with the Scrutinizer's Report shall be placed on the Company's website www.vsthyd.com. The Company shall simultaneously forward the results to BSE Limited and National Stock Exchange of India Limited, where the shares of the Company are listed.
19. In compliance with the MCA circulars and the SEBI circulars, Notice of the AGM along with the Annual Report 2021-22 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/Depositories. Members may note that the Notice and the Annual Report 2021-22 will also be available on the Company's website www.vsthyd.com, and websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively.
20. Pursuant to Finance Act 2020, dividend income will be taxable in the hands of the Members w.e.f. 1st April, 2020 and the Company is required to deduct tax at source from dividend paid to Members at the prescribed rates. For the prescribed rates for various categories, the shareholders are requested to refer to the Finance Act, 2020 and amendments thereof. The shareholders are requested to update their PAN with the Company/KFintech (in case of shares held in physical mode) and depositories (in case of shares held in demat mode).

A Resident individual shareholder with PAN and who is not liable to pay income tax can submit a yearly declaration in Form No.15G/15H, to avail the benefit of non-deduction of tax at source by email to einward.ris@kfintech.com by 11.59 p.m. IST on 14th July 2022. Members are requested to note that in case their PAN is not registered, the tax will be deducted at a higher rate of 20%.

Non-resident shareholders can avail beneficial rates under tax treaty between India and their country of residence, subject to providing necessary documents i.e. No Permanent Establishment and Beneficial Ownership Declaration, Tax Residency Certificate Form 10F, any other document which may be required to avail the tax treaty benefits by sending an email to einward.ris@kfintech.com. The aforesaid declarations and documents need to be submitted by the shareholders by 11.59 p.m. IST on 14th July 2022. The formats of the same can be downloaded from the website of the Company, www.vsthyd.com.

By Order of the Board

Phani K. Mangipudi

Company Secretary &
Head of Legal & Secretarial
ACS17557

Dated this 26th day of April, 2022
Azamabad, Hyderabad - 500 020.

STATEMENT PURSUANT TO SECTION 102(1) OF COMPANIES ACT, 2013

Item No. 4

The shareholders at the 88th Annual General Meeting of the Company held on 28th August 2019, approved an annual prorated remuneration up to ₹ 1.25 crores payable monthly from 1st August, 2019 for a period up to 3 years, which is due to expire on 31st July 2022.

Considering the continued contribution of Mr. Naresh Sethi with his vast experience of over three decades in the global tobacco industry coupled with specialized knowledge in the core business activity of the Company, which the Company wishes to leverage and benefit from his guidance in the non-executive role, the Board of Directors at their Meeting held on 26th April, 2022, based on the recommendation of the Nomination & Remuneration Committee has approved an annual prorated remuneration up to ₹1.25 crores payable monthly for a further period of up to 3 years from 1st August, 2022 subject to the approval of the shareholders.

In addition to receiving the sitting fees for attending the Meetings of the Board and Committees thereof, Mr. Naresh

Kumar Sethi would be entitled to remuneration by way of commission to the Non-Executive Directors as approved by the Members at the 87th Annual General Meeting of the Company. The total remuneration, including commission to be paid to the Non-Executive Directors of the Company shall not exceed 1% of the Company's net profits in terms of Section 197 and computed under Section 198 of the Companies Act, 2013 and shall be in compliance with the provisions of Regulation 17(6)(ca) of the Listing Regulations as amended.

None of the Directors or Key Managerial Personnel or their relatives other than Mr. Naresh Kumar Sethi has any concern or interest, financial or otherwise in this Resolution.

The Board recommends this item of business for your approval.

Item No. 5

The shareholders at the 88th Annual General Meeting of the Company held on 28th August 2019, approved an annual prorated remuneration up to ₹ 25 lakhs payable monthly from 1st August 2019 for a period up to 3 years, which is due to expire on 31st July 2022.

The Board of Directors at their Meeting held on 26th April, 2022, based on the recommendation of the Nomination & Remuneration Committee, and considering his diversified experience of over four decades in Finance, Taxation and Legal, more specifically in the tobacco sector, approved an annual prorated remuneration up to ₹25 lakhs payable monthly for a further period up to 3 years from 1st August, 2022 subject to the approval of the shareholders.

In addition to receiving the sitting fees for attending the Meetings of the Board and Committees thereof, Mr. S. Thirumalai would be entitled to remuneration by way of commission to the Non-Executive Directors as approved by the Members at the 87th Annual General Meeting of the Company. The total remuneration, including commission to be paid to the Non-Executive Directors of the Company shall not exceed 1% of the Company's net profits in terms of Section 197 and computed under Section 198 of the Companies Act, 2013 and shall be in compliance with the provisions of Regulation 17(6)(ca) of the Listing Regulations, as amended.

None of the Directors or Key Managerial Personnel or their relatives other than Mr. S. Thirumalai has any concern or interest, financial or otherwise in this Resolution.

The Board recommends this item of business for your approval.

DETAILS OF DIRECTORS SEEKING RE-APPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING

[Pursuant to Regulation 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Clause 1.2.5 of Secretarial Standard-2 on General Meetings]

Name of the Director	Mr. Naresh Kumar Sethi (As a Non-Executive Director)
DIN	08296486
Age	56 years
Date of first appointment on the Board	14.12.2018
Qualifications	-Chemical Engineer from IIT Varanasi -MBA from IIM Calcutta
Expertise in specific functional areas	Governance, Marketing and Business Strategy
Number of Meetings of the Board attended during the year	4
Listed entities [other than VST] in which Directorship and Committee membership is held	Nil
Listed entities in which resignation has been submitted in the past three years	Nil
Shareholding in the Company	Nil
Disclosure of inter-se relationships between Directors and Key Managerial Personnel of the Company	None

INSTRUCTIONS FOR REMOTE E-VOTING

The details of the process and manner for remote e-voting and voting during the AGM are explained below:

- Use the following URL for e-voting from KFintech website: <https://evoting.kfintech.com>.
- Members of the Company holding shares either in physical form or in dematerialised form, as on 14th July 2022, the cutoff date (Record Date), may cast their vote electronically.
- Enter the login credentials i.e., User ID and password mentioned in your email. Your Folio No./DP ID Client ID will be your user ID. However, if you are already registered with KFintech for e-voting, use your existing User ID and password for casting your votes.
- After entering the details appropriately, click on LOGIN.
- You will reach the Password change menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- You need to login again with the new credentials.
- On successful login, the system will prompt you to select the EVENT i.e., VST Industries Limited.
- On the voting page, the number of shares (which represents the number of votes) held by you as on the cut-off date will appear. If you desire to cast all the votes assenting/dissenting to the resolution, enter all shares and click 'FOR/AGAINST' as the case may be or partially in 'AGAINST', but the total number in 'FOR' and/or 'AGAINST' taken together should not exceed your total shareholding as on the cut-off date. You may also choose the option 'ABSTAIN' and the shares held will not be counted under either head.
- Members holding multiple folios / demat account shall choose the voting process separately for each folio / demat account.
- Cast your vote by selecting an appropriate option and click on SUBMIT. A confirmation box will be displayed. Click OK to confirm else CANCEL to modify. Once you confirm, you will not be allowed to modify your vote. During the voting period, Members can login any number of times till they have voted on the Resolution.
- The Portal will be open for voting from 9.00 a.m. on 25th July 2022 and closes at 5.00 p.m. on 28th July 2022.
- Members of the Company who have purchased their shares after the dispatch of the Notice but before the cutoff date (14th July 2022) may contact KFintech at Tel No. 1800 309 4001 (toll free) to obtain login id and password or send a request to einward.ris@kfintech.com.
- In case of any queries, you may refer the Frequently Asked Questions (FAQs) for shareholders and e-voting User Manual for shareholders available at the download section of <https://evoting.kfintech.com> or contact KFintech at Tel No. 1800 309 4001 (toll free).

Procedure to login through websites of Depositories

NSDL	CDSL
<p>Users already registered for IDeAS facility of NSDL</p> <ol style="list-style-type: none"> Click on URL: https://eservices.nsd.com Click on the "Beneficial Owner" icon under 'IDeAS' section. Enter your User ID and Password for accessing IDeAS. On successful authentication, you will enter your IDeAS service login. Click on "Access to e-Voting". Click on Company name or e-voting service provider and you will be re-directed to Kfintech website for casting the vote during the remote e-voting period or voting during the meeting. 	<p>Users already registered for Easi/Easiest facility of CDSL</p> <ol style="list-style-type: none"> Click on URL: https://web.cdslindia.com/myeasi/home/login or www.cdslindia.com and click on New System Myeasi. Enter your User ID and Password for accessing Easi/Easiest. Click on Company name or e-voting service provider for casting the vote during the remote e-voting period.
<p>2. Users not registered for IDeAS facility of NSDL</p> <ol style="list-style-type: none"> To register, click on URL: https://eservices.nsd.com Select "Register Online for IDeAS". Proceed to complete registration using your DP ID, Client ID, Mobile Number, etc. After successful registration, please follow steps given under Sr.No.1 above to cast your vote. 	<p>2. Users not registered for Easi/Easiest facility of CDSL</p> <ol style="list-style-type: none"> To register, click on URL: https://web.cdslindia.com/myeasi/Registration/EasiRegistration Proceed to complete registration using your DP ID, Client ID, Mobile Number, etc. After successful registration, please follow steps given under Sr.No.1 above to cast your vote.
<p>3. Users may directly access the e-voting module of NSDL as per the following procedure :</p> <ol style="list-style-type: none"> Click on URL: https://www.evoting.nsd.com/ Click on the button "Login" available under "Shareholder/Member" section. Enter your User ID (i.e. 16-digit demat account number held with NSDL), login type, Password/OTP and Verification code as shown on the screen. On successful authentication, you will enter the e-voting module of NSDL. Click on Company name or e-voting service provider and you will be re-directed to Kfintech website for casting the vote during the remote e-voting period or voting during the meeting. 	<p>3. Users may directly access the e-voting module of CDSL as per the following procedure :</p> <ol style="list-style-type: none"> Click on URL: www.cdslindia.com Provide demat account number and PAN. System will authenticate user by sending OTP on registered mobile & email as recorded in the demat account. On successful authentication, you will enter the e-voting module of CDSL. Click on Company name or e-voting service provider and you will be re-directed to Kfintech website for casting the vote during the remote e-voting period or voting during the meeting.
<p>Procedure to login through their demat accounts/website of Depository Participant</p> <p>Individual shareholders holding shares of the Company in Demat mode can access e-Voting facility provided by the Company using login credentials of their demat accounts (online accounts) through their demat accounts/websites of Depository Participants registered with NSDL/CDSL. An option for "e-Voting" will be available once they have successfully logged-in through their respective logins. Click on the option "e-Voting" and they will be redirected to e-Voting modules of NSDL/CDSL (as may be applicable). Click on the e-Voting link available against the name of Company or select e-Voting service provider "Kfintech" and you will be redirected to the e-Voting page of Kfintech to cast your vote during remote e-voting period or voting during the meeting.</p>	
<p>Members who are unable to retrieve User ID/Password are advised to use "Forgot User ID"/"Forgot Password" options available on the websites of Depositories/Depository Participants.</p>	
<p>Contact details in case of technical issue on NSDL website</p> <p>Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at toll free no.1800 1020 990 and 1800 22 44 30.</p>	<p>Contact details in case of technical issue on CDSL website</p> <p>Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evotin@cdslindia.com or contact at 022-23058738 or 022-23058542-43.</p>

INSTRUCTIONS FOR ATTENDING THE AGM THROUGH VC/OAVM ARE AS UNDER:

- Members will be able to attend the Ninety First AGM through VC/OAVM through Kfintech e-voting system at <https://evoting.kfintech.com> under shareholders login by using the remote e-voting credentials and selecting the EVENT for the Company's Ninety First AGM. Please note that the Members who do not have the User ID and Password for e-voting or have forgotten the User ID and Password may retrieve the same by following the remote e-voting instructions mentioned in the Notice of AGM to avoid last minute rush. Further, Members can also use the OTP based login for logging in to the e-voting system.
- Members will be required to use internet with a good speed to avoid any disturbance during the Meeting. It is recommended to join the Meeting through Google Chrome for better experience.
- Please note that Members connecting from mobile devices or tablets or through laptops etc. connecting via mobile hotspot, may experience Audio/Video loss due to fluctuation in their respective network. It is therefore recommended to use stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches.
- Members can submit questions in advance with regard to the financial statements or any other matter to be placed at the AGM, from their registered email

address, mentioning their name, DP ID and Client ID No./Folio No. and Mobile No. to reach the Company's email address investors@vstind.com at least 48 hours in advance before the start of the meeting i.e. 29th July 2022 by 10.00 A.M. IST. Such questions by the Members shall be taken up during the meeting and replied by the Company suitably.

5. Members, who would like to ask questions during the AGM with regard to the financial statements or any other matter to be placed at the Ninety First AGM, need to register themselves as a speaker by sending their request from their registered email address mentioning their name, DP ID and Client ID No./Folio No. and Mobile No. to reach the Company's email address investors@vstind.com at least 48 hours in advance before the start of the meeting i.e. 29th July 2022 by 10.00 a.m. IST. Those Members who have registered themselves as a speaker shall be allowed to ask questions during the AGM, depending upon the availability of time.
6. During the AGM, the Chairman shall, after response to the questions raised by the Members in advance or as a speaker at the AGM, formally propose to the Members participating through VC/OAVM to vote on the Resolutions as set out in the Notice of the Ninety First AGM and announce the start of the casting of vote through e-voting system. After the Members participating through VC/OAVM, eligible and interested to cast votes, have cast the votes, the e-voting will be closed with the formal announcement of closure of the Meeting.
7. Only those Members who will be present in the AGM through the VC facility and have not casted their vote through remote e-voting are eligible to vote through e-voting in the AGM.
8. Members who need assistance or help during the AGM, can contact KFintech, Phone: +91 40 6716 2222.

Report of the Board of Directors & Management Discussion and Analysis for the year Ended 31st March, 2022

The Directors of your Company have pleasure in presenting before you the Annual Report together with the Audited Statements of Accounts for the year ended 31st March, 2022.

FINANCIAL SUMMARY

	(₹ Lakhs)	
	2021-22	2020-21
Revenue from Operations	156067	147289
Profit after Tax	32023	31079
Balance available for Appropriation in Retained Earnings	91764	78670
Amount transferred to General Reserves	3000	3000
Dividend paid	17599	15905
Balance in retained earnings	71165	59765
Key Ratios		
Earnings per Share (₹)	207.38	201.27
Dividend per Share (₹)	114.00	103.00

Value creation during the decade has been Compounded Annual Growth Rate (CAGR), 9.8% in Earnings Per Share (EPS) and 6.2% in Dividend Per Share (DPS).

DIVIDEND AND TRANSFER TO GENERAL RESERVE

The Directors are pleased to recommend a dividend of ₹ 140/- per equity share of ₹10/- each on the paid up equity share capital of the Company, for consideration and approval of Members at the ensuing Annual General Meeting (AGM). It is proposed to carry forward an amount of ₹ 3000 lakhs to General Reserve.

Pursuant to Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as 'Listing Regulations'), the Company adopted a Dividend Distribution Policy which sets out the principles and factors that should be considered by the Board for determining the distribution of dividend to its shareholders. The policy can be accessed on the Company's website at <https://www.vsthyd.com/mainsite/documents/Dividend-Distribution-Policy.pdf>.

MATERIAL CHANGES AND COMMITMENTS

Except as disclosed elsewhere in the Report, there have been no material changes and commitments which affect the financial position of the Company that have occurred between the end of the financial year to which the financial statements relate and the date of this Report. There has been no change in the nature of business of the Company during the year.

SHARE CAPITAL

The paid up Equity Share Capital as on 31st March, 2022 was ₹ 1544.19 lakhs. The Company has neither issued shares with differential rights as to dividend, voting or sweat equity shares.

EMPLOYEE STOCK OPTION PLAN

During the year under review, there has been no change in the VST Employee Stock Option Plan-2020 (VST-ESOP 2020) of the Company and further the said VST-ESOP 2020 are in compliance with SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021. During the financial year, the Company has granted 31,500 stock options pursuant to VST Employee Stock Option Plan 2020 (VST-ESOP 2020) to eligible employees.

The necessary disclosures for the year ended 31st March, 2022 in compliance with Regulation 14 of the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 is available on the website of the Company at <https://www.vsthyd.com/mainsite/Annual-Reports.html>.

MANAGEMENT DISCUSSION & ANALYSIS REPORT (MD&A)

Based on feedback from Members on the Annual Report and Accounts, this report includes MD&A as appropriate so that duplication and overlap between the Directors' Report and a separate MD&A is avoided and the entire material with Company's state of affairs is provided in a composite and comprehensive document.

INDUSTRY PERFORMANCE

The year 2021-22 started off with COVID 2nd wave impacting business in the first two months. Restricted mobility and restrictions led to significant drop in consumption. As the 2nd wave receded, industry volumes picked up and improved quarter-on-quarter. COVID 3rd wave during the end of third and beginning of fourth quarters had minimal impact on volume recovery.

Industry volumes in 2021-22 were 3% lower than pre-pandemic level though 14% higher than 2020-21. This recovery was led by a combination of consumer trends broadly centered around affordable (convenient price point) aspiration, variety in the form of indigenous flavors and milder smoker experience.

Illegal non duty paid cigarettes continue to benefit from large price gap (>70% vs. tax paid cigarettes) and remain a threat for legal players.

COMPANY PERFORMANCE

Your Company recovered well after the initial COVID led business disruption by registering growth in volumes and key financial parameters. Market share was impacted primarily due to large competition brands benefiting from sustained priced stability at convenient price points. Your Company ended the year with upward volume momentum.

Total, the company's flagship brand and leader in the capsule segment, continues to enjoy strong equity among adult smokers in mid market segment in large markets of North, East and South. Total is now present in almost all major markets across the country and is only the second brand to have such a wide appeal and presence.

Total's new variant with indigenous flavors launched this year generated good consumer traction in some large markets. This variant is poised for further growth in the next year. The new 'master brand' architecture was introduced starting with the lead variant. This new architecture will bring alive the brand story centered around 'innovation, quality, modernity' and establish coherence among variants. These initiatives will also help in overcoming the challenges of low priced 'me-too' competition brands with heavy inputs. Similar exercise is being carried out for other trademarks such as Editions and Charms.

Your Company continues to expand its geographic footprint by entering new markets such as Gujarat and Maharashtra while strengthening presence in already existing geographies. Significant progress has also been made in automating sales operations leveraging digital platforms

LEAF TOBACCO

Your Company's leaf function has registered a strong performance with an elevation in quality of the products offered and achieved a profit of ₹ 25 Crores. By leveraging

its expertise in all varieties of tobaccos, your Company procured high quality tobaccos for its own manufacturing in line with the changing volumes. It continues its domestic sales in addition to exports in spite of operational disturbances due to the pandemic.

Specific focus is directed towards the need to foster your Company's development of new varieties and high nicotine tobaccos to meet the changing requirements of tobacco in domestic and international markets. These developments are set in motion to cater to the needs of established customers while also attracting new customers year after year.

In the backdrop of changing climatic conditions, where the farming community faces challenges on cultivation your Company is paying attention to farmers' interest to sustain the tobacco cultivation. It is satisfying to note that your Company's farmers continue to grow tobacco with the lowest pesticide residue levels and low TSNA's (Tobacco Specific Nitrosamines) that are well within international standards. This also resulted in the development of backward regions in the leaf growing areas.

To further strengthen the commitment to Social and Economic upliftment of Companies' tobacco growing areas, your Company is continuing the sponsorship of initiatives like House Hold Toilets, Solar street lighting and school infrastructure to ensure higher standard of living of the farmers and their families

PRODUCTION AND PLANT MODERNISATION

Your Company has gained a competitive edge against other products in the market, with the introduction of innovative products from your Company's end. This upgrade in the products have been well received by the consumers.

The focus at the plants continue to be extended towards enhancement of capital efficiencies and cost optimisation.

RESEARCH & DEVELOPMENT ACTIVITY

To offer the differentiated products with high Product Quality, your Company's R&D has played a key role. This focus resulted in the development of quality blends with innovative capsule filter / differentiated flavor variants for new brands, which have been well accepted by consumers in the market place. The R&D lab of your Company received a "Certificate of continuation" of ISO 17025:2017, from NABL, Quality Council of India, Government of India, for the year 2021-22.

HUMAN RESOURCE DEVELOPMENT

Achievement of the business goals are intrinsically connected to employee engagement and motivation. Your Company is committed to providing a safe, healthy and inclusive work environment for all its employees and staff where they experience the joy of growth and development. As we strive to improve health and happiness, our first

priority in 2021 was to support and guide employees who are returning to work in person in a world where COVID-19 remains a factor.

For our people there are three key drivers that provide impetus to all internal people initiatives - Lead & Develop, Attract & Engage, Transform & Reinvent. Focused in the development of internal talent, your Company has co created with the staff new set of Managerial Competencies that are designed to drive long term growth for the company and individuals. Individual Development Plans have been drawn out to ensure this growth is charted out for each employee to enable him / her to achieve their highest potential. Training programmes have been rolled out to facilitate new age skills that are important for the digital transformation of the organisation. The first ever virtual training programme was conducted for the sales team in 2021.

Driving a high performance culture has been the long term objective for your Company and therefore your Company practices the Management by Objectives method to drive individual performance in the organisation. The performance curve for the year 2021 has been considerably flattened to ensure adequate recognition of performance at the individual level. This is a cultural shift that your Company has embarked upon that will bear fruits in the future.

Your Company has been focused to have a robust recruitment strategy balancing between buying vs building talent internally. The year 2021 has seen good traction for the employer brand of VST attracting senior and niche talent from all over India as well as abroad. Your Company has launched the VST Gold Star Recognition Program to create a culture of appreciation and recognise desired behaviors for success where there are five categories where internal permanent employees will be recognised every quarter.

Your Company, rolled out several engagement initiatives to help employees connect better to the leadership and each other. Indian festivals were celebrated together as one company across state borders.

Your Company has been focused on recruiting, retaining and developing diverse employees, creating awareness of diversity issues and embedding accountability for diversity throughout the organisation.

First ever ESOP was rolled in the company to the Leadership Team, in recognition to their continuous efforts of driving business performance of your company.

To create a safe environment for its female employees, your Company has constituted an Internal Complaints Committee as per the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act,

2013 and the Rules framed there under. However, no cases were filed during the year under the above Act.

As of 31st March 2022, your Company's workforce was 773 employees, with 369 Management staff and 404 Workmen.

ENVIRONMENT, HEALTH & SAFETY (EHS) AND COMMUNITY SERVICES

300 employees and 105 contract workmen have undergone EHS training, mock drills were also conducted for workers and management during the period to comply with the Company's EHS guidelines. Half-yearly and Annual EHS audits of the Company's operations were carried out to ensure compliance of EHS requirements. ISO 14001:2015 & ISO 45001:2018 Surveillance Audit was held at Azamabad & Toopran premises by M/s. Rina India Pvt. Ltd. and received a continuation certificate for ISO 14001:2015 & ISO 45001:2018 for both Azamabad & Toopran locations. Consent for Operation (CFO) was renewed for Toopran factory from Telangana State Pollution Control Board (TSPCB) for a period of 10 years - 2021 to 2031.

Your Company has received "Safety Innovation Award 2021" from the Institution of Engineers (India), New Delhi.

Your Company has renewed "Gold Rating" for IGBC Green factory building certification for Toopran factory from CII, Hyderabad.

The world is witnessing a very unique & unprecedented situation due to the Novel Coronavirus (COVID -19). Going by the dynamic nature of the COVID-19 pandemic with multiple waves and a variety of variants, your Company was more proactive in combating the threats posed by the virus.

Your Company has taken up several initiatives over the last one year that have been aimed at ensuring the wellbeing of our people as well as the extended partner network that is critical for business. Most of these initiatives have been path-breaking for the company as well as some of them unique to the whole industry.

Under the VST Cares banner, your Company had taken up several initiatives to support internal employees through the difficult times of the Covid Pandemic Delta variant in 2021. This included re-designing internal policies to ensure support for loss of life of employees. Medical support in the form of remote medical consultation in partnership with leading health care brands in the country and additional doctors were empaneled to provide regular support for employees. Portable Oxygen generators were made available in all regional and remote offices, in case of incidents of Covid, your Company sent a Covid Kit comprising of all necessary equipment and basic medicines to each employee and their family. Additional monetary support was extended for hospitalisation cases through the medical insurance policy.

Covid Vaccination drives not only covered all VST employees but was also extended to their immediate families.

Your Company took initiative during the year to support the frontline Dealer staff and in this regard your Company employees donated 1 days' salary as Covid support to Dealers staff.

RENEWABLE / GREEN ENERGY

Your Company has installed 1Megawatts PV technology solar power plant (800 KW for Azamabad and 200KW for Toopran plants). The solar plant has been commissioned in January 2022. This plant was constructed by using 2226 numbers of solar modules and it covers an area of 83,247 sft, which is VST's initiative on renewable energy towards the sustainable development. Your Company's focus is on accelerating the usage of renewable sources of energy and contributing to the goals of sustainability adopted by the Company.

This Solar power plant generates 25% of our electricity requirement and reduces 29% of Carbon foot print.

CLEANER FUEL FOR BOILER

As a part of reducing the emissions and carbon footprint, your Company has Converted Boiler primary fuel from HSD to cleaner eco-friendly fuel Piped Natural gas (PNG) in boiler operations instead of using High speed diesel (HSD). Piped Natural gas (PNG) is economical, safer and one of the cleanest burning fuel and helps improve the quality of air.

Your Company has taken this conversion towards environmental benefits to reduce the Carbon foot of 36% and fuel cost saving by ₹ 130 Lakhs per Annum.

FINANCE

a. Profits

The Profit after Tax of your Company for the year is ₹ 320.23 crores.

b. Treasury Operations

Your Company follows a SLR model (Safety, Liquidity and Return) in deployment of earmarked funds.

The changes (change of 25% or more) as compared to the immediately previous financial ratios of the Company including those listed out and specified under Schedule V (B)(1)(i) read with Regulation 34(3) and 53(f) of the Listing Regulations, as amended are disclosed in Note No.32 of Notes on Financial Statements to the Accounts in the Annual Report.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The Company has not taken any loans or given guarantees or made investments in any other Company covered and provided under Section 186 of the Companies Act, 2013 during the year.

RATING

The Credit Rating Information Services India Limited (CRISIL) has re-affirmed the rating of your Company to "FAAA/Stable" for Fixed Deposit Schemes, "AA+/Stable" for Long Term Non-Convertible Debentures and "A1+" for Non-fund based liabilities (Letter of Credit and Bank Guarantee).

FIXED DEPOSITS

Your Company has not accepted any deposits from public and as such no amount on account of principal or interest on deposits from public was outstanding as on the date of the balance sheet.

UNCLAIMED DIVIDENDS

Pursuant to the provisions of Sections 124 and 125 of the Companies Act, 2013, the Company has transferred on due dates, the unpaid or unclaimed dividends for the financial year ended 31st March, 2014 to the Investor Education and Protection Fund (IEPF) established by the Central Government.

Further, as per the provisions of Investor Education and Protection Fund (Uploading of Information regarding unpaid and unclaimed amounts lying with Companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on 31st March, 2021 on the website of the Company (www.vsthyd.com), and also on the website of the Ministry of Corporate Affairs, Government of India.

The details of the dividend due for transfer to IEPF as on 31st March, 2022 is given in the Report on Corporate Governance. The Company has completed the process of complying with the provisions of Section 124(6) of the Companies Act, 2013 read with the IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 and as amended by the Second Amendment Rules of 2017 by transferring 4514 shares on 29th September, 2021.

UNCLAIMED SHARE CERTIFICATES

Your Company has communicated to the Members whose share certificates have been returned undelivered to the Company that these would be transferred to the Unclaimed Suspense Account if not claimed by them, as required under Regulation 34(3) read with Schedule V[F] of the Listing Regulations as amended.

The status of unclaimed shares as on 31st March, 2022 is given in the Report on Corporate Governance.

CORPORATE GOVERNANCE

In terms of Regulation 34 of the Listing Regulations, a Report on Corporate Governance along with Compliance Certificate issued by the Statutory Auditors of the Company is annexed as “Annexure A” and forms part of this Report.

Your Company has taken adequate steps for strict compliance with the Corporate Governance guidelines, as amended from time to time.

MEETINGS

The Board met four times during the financial year. The Board and Committee Meetings are pre-scheduled and a tentative calendar of the Meetings finalised in consultation with the Directors are circulated to them in advance to facilitate them to plan their schedule. However, in case of special and urgent business needs, the approval is obtained by way of circular resolution. The details of the meetings held during the year are given in the Corporate Governance Report.

INTERNAL CONTROL SYSTEMS

- a. Your Company maintains an adequate and effective internal control system commensurate with the size and complexity. Your Company also has well documented Standard Operating Procedures (SOPs) for various processes which are periodically reviewed for changes warranted due to business needs.
- b. Your Company remains committed to improve effectiveness of internal financial controls and processes which would help in efficient conduct of its business operations, ensure security to its assets and timely preparation of reliable financial information.

The policies and procedures laid out by your Company capture the control environment prevalent in the organisation. Over a period of three years, the business processes of your Company is reviewed through an internal audit process which reviews the systems on a continuous basis. The objective being to identify potential risk areas and come up with a comprehensive risk mitigation plan.

The Audit Committee of your Board met four times during the year. Review of audit observations covering the operations, consideration of accounts on a quarterly basis and monitoring the implementation of audit recommendations were some of the key areas which were dealt with by the Committee. The Statutory Auditors/Internal Auditors were invited to attend the Audit Committee Meetings and make presentations covering their observations on adequacy of internal financial controls and the steps required to bridge gaps, if any. Chief Financial Officer is a permanent invitee to the Audit Committee and other executives of the Company are invited to address, respond or provide clarifications to relevant issues as and when required.

RISK MANAGEMENT

Your Company has constituted the Risk Management Committee as mandated by Listing Regulations to frame, monitor and implement the risk management plan for the Company. The Committee comprises of Directors and Senior Management as its Members as prescribed under Regulation 21 of the Listing Regulations as amended. The Company Secretary is the Secretary of the Committee. The Committee is responsible for monitoring and reviewing the risk management plan and ensuring its effectiveness.

Pursuant to the amendments notified by SEBI in its circular dated 5th May, 2021, the Board at its meeting held on 27th July, 2021 revised the terms of reference of Risk Management Committee to include the Business Continuity Plan (BCP), sustainability and reviewing the risk management policy at least once in two years.

Your Company has always endeavored to bring together elements of best practices for risk management in relation to existing and emerging risks faced by it at both strategic and operating level. The Company faces a variety of risks from external and internal sources. However, the objective is to be aware of different kinds of risks affecting the business. Rather than eliminating these risks, the decision making process at your Company considers sensible risk taking, and thereby proactive steps are taken to ensure that business is undertaken in an environment which encourages a reasonable amount of risk taking and enables the Company to leverage market opportunities effectively.

The Board is responsible for determining the nature and extent of the principal risks that your Company is willing to take to achieve its strategic objectives and for maintaining sound risk management system. With the support of the Audit Committee, it carries out a review of the effectiveness of your Company's risk management process covering all material risks including strategic, financial, operational and also compliance levels.

Your Company has substantial operations all over the country and competes on the basis of brand appeal, loyalty, price value connotations and strong trade relationships. The Company's position is influenced by the economic, regulatory and political situations both nationally and at a state level and of the competitors. The principal risks impacting your Company's business and steps undertaken to mitigate them are as under:

- (i) **Regulatory restrictions** could have an impact on long term revenue growth of the Company.

The Company operates under increasingly stringent regulatory regime (COTPA guidelines on packaging and labeling, advertising and promotion). This further gets complicated with adoption of differing regulatory regimes in different states and/or lack of consensus on interpretation/application.

Such restrictive regulations which are subjected to interpretation could result in not only penalties being imposed/loss of reputation, but also impair the Company's ability to communicate with adult smokers and/or to meet consumer expectations through new/innovative brand launches or geographic expansion.

The Company addresses this risk by engaging in continuous social dialogue with stakeholders and regulatory community through industry bodies. At the same time, it works on developing strategies and capabilities to effectively launch competitive and consumer acceptable brands within the changing regulatory environment.

- (ii) **Taxation changes** could have an impact on short-term revenue growth of the Company.

The Company's business is subjected to GST, excise and other cesses as may be made applicable, which could require the Company to take up product prices and in absence of such action, impact its business. The impact increases when due to changes in economic situation, consumer's disposal income reduces, resulting in down-trading to cheaper cigarettes including non-duty paid illicit cigarettes or alternative tobacco products.

Such risks are addressed by the company through: (a) engagement with tax authorities at levels where appropriate; (b) regular management review to build a well laddered brand portfolio across new segments including new brand creation; and (c) capability build-up through investments in distribution infrastructure to increase geographical spread.

- (iii) **Regional disruptions** could have an impact on short-term revenue growth of the Company as well as reputation.

Regional disturbances through state level restriction on trade or through terrorism and political violence including bandhs, strikes, have the potential to disrupt the Company's business operations. Such disruptions result in potential loss of assets and increased costs due to more complex supply chain arrangements and/or maintaining inefficient facilities.

The Company addresses this risk through developing secure multiple sourcing/delivery (supply chain) strategy and through Insurance cover and business continuity planning.

- (iv) **Counter party risk** could have a potential impact on Company's capital and profitability.

The Company generates positive cash flows which are predominantly invested with financial institutions and

mutual funds. Delay and/or default in settlement on maturity of such investments could result in liquidity and financial loss to Company.

Such risks are mitigated through investment based on principle of Safety; Liquidity & Returns (SLR) and with institutions having strong short-term and long-term ratings assigned by CRISIL.

(v) **Data risks**

The loss or misuse of sensitive information, or its disclosure to outsiders, including competitors and trading partners, could potentially have a significant adverse impact on the Company's business operations and/or give rise to legal liability. For this purpose, the Company has put in place information technology policies and procedures under its cyber security which are reviewed regularly. Further, information technology controls like data back-up mechanism, disaster recovery center, authorisation verification, etc. have also been established.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Your Company has formulated a Corporate Social Responsibility Policy with the objective to promote inclusive growth and equitable development of identified areas by contributing back to the society. Over the years, your Company has been involved in various social activities focusing on Health & Sanitation like construction of toilets under Swachh Ghar mission, Environment sustainability and Education.

The Company has with the help of Gramalaya, a non-profit organisation, constructed toilets in individual homes (of farmers living) in and around Jogulamba-Gadwal district of Telangana where your Company has its operations, under the 'Swachh Ghar' programme of your Company. In addition to construction of toilets, the villages and the communities in the area are also sensitised regarding the importance of health & sanitation. Over 1685 household toilets have already been constructed during the financial year, and your Company has plans to extend it further to other houses in the same area and thereafter extend it to other areas.

Your Company has taken up an initiative of supporting environment sustainability by installing 400 solar street lights in 7 villages/towns in Jogulamba-Gadwal districts of Telangana.

In addition to the above, your Company sponsored ₹ 175 Lakhs as Covid support to KIMS Foundation & Research Centre in Hyderabad for setting up Oxygen Generator plant and also sponsored a CII initiative to build ten bedded Covid hospital for the Hyderabad Police apart from distribution of masks and vaccinations.

Pursuant to the provisions of Section 135 read with Schedule VII of the Companies Act, 2013 as amended by the Companies Amendment Act of 2019 & 2020, the Corporate Social Responsibility (CSR) Committee of the Board of Directors was formed to recommend the policy on Corporate Social Responsibility and monitor its implementation. The composition of the CSR Committee is given in the Annual Report on the CSR activities. The CSR policy and the projects approved by the Board are available on the Company's website at : <https://www.vsthyd.com/mainsite/documents/corporate-social-responsibility-policy.pdf>.

The CSR Policy and the Annual Report on CSR activities is annexed herewith as **"Annexure B"** and forms part of this Report.

BUSINESS RESPONSIBILITY AND SUSTAINABILITY REPORT

The Listing Regulations mandates inclusion of Business Responsibility and Sustainability Report (BRSR) as part of the Annual Report for top 1000 listed entities based on market capitalisation with effect from the financial year 2022-23. However, your Company has voluntarily adopted the report for the financial year 2021-22 which forms part of this Report.

RELATED PARTY TRANSACTIONS

The related party transactions entered into by the Company during the year are in its ordinary course of business and on arm's length basis. There were no materially significant related party transactions between your Company and the Directors, Promoters or Promoter group, Key Managerial Personnel and other designated persons which may have a potential conflict with the interest of your Company at large. During the year, the Company has not entered into any transactions with any person or entity belonging to the promoter or promoter group which holds 10% or more shareholding in the listed entity other than the corporate actions applicable uniformly to all the shareholders. Prior approval for all the related party transactions is obtained from the Audit Committee.

Form AOC-2 pursuant to Section 134(3)(h) of the Companies Act, 2013 read with Rule 8(2) of the Companies (Accounts) Rules, 2014 for disclosure of particulars of contracts/arrangements, entered into by your Company with related parties for the year ended 31st March, 2022 is annexed herewith as **"Annexure C"** and forms part of this Report.

BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013 as amended and Listing Regulations, the performance evaluation of the Board, the committees of the Board and individual Directors [including Independent Directors and

Chairperson] has been carried out. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report.

The performance evaluation of the Chairman and the Non-independent Directors was carried out by the Independent Directors. The Board of Directors expressed their satisfaction with the evaluation process.

REMUNERATION POLICY

Nomination and Remuneration Committee has formulated a policy relating to remuneration of directors, key managerial personnel and other employees which has been revised and approved by the Board. The Remuneration Policy and the criteria for determining qualification, position, attributes and independence of a Director as required under Section 178(3) of Companies Act, 2013 are stated in the Corporate Governance Report. The policy is also placed on the website of the Company and can be viewed at <https://www.vsthyd.com/mainsite/documents/remuneration-policy.pdf>.

MEETING OF INDEPENDENT DIRECTORS

During the financial year under review, all the Independent Directors of the Company met on 27th April, 2021 through video conference, inter alia, to discuss :

- Evaluation of the performance of the Non-Independent Directors and the Board as a whole.
- Evaluation of the performance of the Chairman of the Company, Chairman of the Committee's considering the views of the Executive and Non-Executive Directors.
- Evaluation of the quality, content and timelines of flow of information between the Management and the Board that is necessary for the Board to perform its duties effectively and reasonably.

VIGIL MECHANISM

In terms of Section 177 of the Companies Act, 2013, and Regulation 22 of Listing Regulations, the Company has formulated a Whistle Blower Policy as a vigil mechanism to encourage all employees and Directors to report any unethical behavior, actual or suspected fraud or violation of the Company's 'Code of Conduct and Ethics Policy' which also provides for adequate safeguard against victimisation of person who use such mechanism and there is a provision for direct access to the chairman of the Audit Committee in appropriate/exceptional cases. The details of the Whistle Blower Policy is given in the Corporate Governance Report and also posted on the Company's website at: <https://www.vsthyd.com/mainsite/documents/whistle-blower-policy-2022.pdf>.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Directors retiring by rotation

Mr. Naresh Kumar Sethi

Mr. Naresh Kumar Sethi [DIN:08296486], a nominee of the Raleigh Investment Company Limited, a British American Tobacco group Company was appointed as a Director of the Company with effect from 14th December, 2018 whose office is subject to retirement by rotation. His appointment was approved by the Members at the Annual General Meeting of the Company held on 28th August, 2019.

Pursuant to Article 93 of the Articles of Association of your Company, Mr. Naresh Kumar Sethi is liable to retire from the Board and being eligible, offers himself for re-election. Your Board recommends his reappointment.

Mr. Naresh Kumar Sethi's [56 years] career spans 32 years as a Global Marketer, General Manager and Strategy Transformation Officer. He has held various marketing roles in India, Indonesia, West Africa Area and Australasia prior to moving to Japan as President of British American Tobacco, Japan. Mr. Sethi is a chemical engineer from Indian Institute of Technology, Varanasi and has an MBA from the Indian Institute of Management, Calcutta, India.

Mr. Naresh Kumar Sethi is not a Director in any other Company in India. He is a Member in CSR Committee, Stakeholders Relationship Committee, Risk Management Committee and the Nomination & Remuneration Committee. Mr. Naresh Kumar Sethi does not hold any shares in the Company and is not related to any other Director of the Company.

Independent Directors

At the Annual General Meeting of the Company held on 28th August, 2019, the Members have approved the appointment of Ms. Rama Bijapurkar, Mr. Sudip Bandyopadhyay and Mr. Rajiv Gulati as Independent Directors of the Company in accordance with Section 149 of the Companies Act, 2013, with effect from 1st April, 2019, 1st June, 2019 and 26th July, 2019 respectively to hold the office for a term of five consecutive years from their respective dates.

All the Independent Directors have given a declaration in terms of Section 149(6) of the Companies Act, 2013 as amended and Regulation 25 and 16(1)(b) of the Listing Regulations as amended for the financial year ended 31st March, 2022, that they meet the criteria of independence. They also declared that they are not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact their ability to discharge their duties as an Independent Director with an objective independent judgment and without any external influence. The Board carried out an assessment of the declarations and took the same on record.

None of the Independent Directors are related to any other director of the Company.

Key Managerial Personnel

The Managing Director & CEO Mr. Aditya Deb Gooptu, the Chief Financial Officer Mr. Anish Gupta and the Company Secretary Mr. Phani K. Mangipudi are the Key Managerial Personnel as per the provisions of Section 203 of the Companies Act, 2013.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(5) of the Companies Act, 2013 your Directors confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
2. appropriate accounting policies have been selected and applied consistently. Judgement and estimates which are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of your Company as on 31st March, 2022 and of the statement of profit and loss and cash flow of your Company for the period ended 31st March, 2022;
3. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
4. the annual accounts have been prepared on a going concern basis.
5. proper internal financial controls have been laid down to be followed by your Company and such internal financial controls are adequate and were operating effectively; and
6. proper systems to ensure compliance with the provisions of all applicable laws have been devised, and such systems were adequate and operating effectively.

Criteria for selection and appointment of Directors

The Nomination and Remuneration Committee is responsible for identifying, screening, recommending to the Board a candidate for appointment as Director. Based on the recommendation of the Committee, the Board identifies the candidate for the position of Director. While identifying the candidate, inter alia the following are taken into consideration :

- Qualification, experience and expertise;
- Skills, abilities and personal contribution;

- Commitment to spare time to attend Board/Committee and other Meetings as may be necessary;
- Diversity of perspectives brought to the existing Board;
- Existing composition of the Board.

The qualification of the candidate is scrutinised by the Committee considering educational degree, college/institution, professional qualification if any, etc. In addition, there is also a criteria regarding minimum work experience and the positive attributes such as leadership quality, level of maturity, management capabilities, strategic vision, problem solving abilities, etc., on which the candidate is judicially scrutinised.

In case of an internal candidate, the senior management employee is also evaluated on the above criteria before being recommended for promotion as a Director. While considering re-appointment of the Directors, their performance evaluation report is considered.

In case of Independent Director, the independence, integrity, expertise, experience and interest pecuniary or otherwise as per the statutory provisions are also assessed before appointment.

SIGNIFICANT & MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS

There are no significant or material orders passed by the Regulators, Courts or Tribunals which impact the going concern status of the Company and its future operations. However, Members' attention is drawn to the following:

TAXATION

i. Luxury Tax

The then Government of Andhra Pradesh introduced a levy of luxury tax on cigarettes and its virus was challenged before the then High Court of Andhra Pradesh and before the Supreme Court which was struck down. The Commercial Tax department claimed that during pendency of the matter before the courts between 1999-2005, your Company had collected luxury tax amounting to ₹ 34.86 crores but not paid to the Government. Your Company denied collecting luxury tax and the litigation on the same is now pending before the appellate authority of the department and the High Court of Telangana.

ii. Entry Tax

Entry Tax levy by the States of West Bengal, Jharkhand and Assam has been challenged before the respective State High Courts by your Company, basis the directions of the Hon'ble Supreme Court. Demand of interest on entry tax was challenged before the High Court of Allahabad and is pending adjudication. In the

State of West Bengal, the High Court remanded the matter to Taxation Tribunal and the said Tribunal was pleased to allow the Petitions filed by your Company and it is likely the State may prefer an appeal before the High Court of Kolkata.

iii. Excise

a. Wrapping Materials

The Excise department has issued show cause notices demanding payment of duty of ₹ 4.51 crores on the ground that Gay Wrappers (printed paper used for wrapping cigarette packets) had been manufactured and consumed by your Company without payment of duty during the period April 1996 to July 2015. Demand for the period till March 2002 has been adjudicated and the CESTAT decided in favour of your Company. Department preferred an appeal before the Supreme Court which is pending. Demands for period after March, 2002 till July, 2015 are yet to be adjudicated by the original authority.

b. Tobacco Refuse

Your Company has received show cause notices demanding recovery of duty on cut tobacco used in the manufacture of tobacco refuse since January 2005 till June 2017 amounting to ₹ 14.52 crores. Demand for the period till October, 2013 has been adjudicated and the CESTAT decided in favour of your Company. Department preferred an appeal before Supreme Court which is pending. Demands for period after October, 2013 till June, 2017 are yet to be adjudicated by the original authority.

c. Service Tax

Your Company has received show cause notices from the Excise Department seeking to deny CENVAT credit availed on various input services on the ground that the same are not in relation to the manufacture of final products. Upon adjudication, credit on most of the services was allowed in favor of your Company. Some of them have been disputed. Since 2005 till 2017, the matters are pending before various adjudicating authorities and before the CESTAT and are being effectively contested.

PUBLIC INTEREST LITIGATION (PIL)

- Your Company has been impleaded in the petition filed in the Supreme Court by an NGO called 'Centre for Transforming India' against the Union of India along with other cigarette manufacturers, Tobacco Institute of India, Bidi Manufacturers and Bidi Manufacturers' Association, seeking prohibition/ban of the

manufacture, storage and sale of all forms of tobacco within the territory of India. This is being contested.

- ii) Petitions have also been filed in other courts such as High Court of Madhya Pradesh - Jabalpur, National Green Tribunal, Delhi seeking ban on sale of cigarettes and before High Court of Madhya Pradesh – Indore Bench seeking directions to mention tar and nicotine content on cigarette packs by the manufacturers. All of the above are being effectively contested by your Company.

FINANCIAL SERVICES BUSINESS

The Company petition filed by the Official Liquidator before the High Court of Andhra Pradesh (now Telangana High Court) seeking directions against some of the Ex-Directors of ITC Agro Tech Finance and Investments Limited (ITCETF), the Company in liquidation, into which one of the subsidiaries of your Company, viz. VST Investments Limited was amalgamated, and its related matters are still pending final adjudication.

THE CIGARETTES AND OTHER TOBACCO PRODUCTS (PROHIBITION OF ADVERTISEMENT AND REGULATION OF TRADE AND COMMERCE, PRODUCTION, SUPPLY AND DISTRIBUTION) ACT, 2003 (COTPA)

- i. In view of the provisions of COTPA, various restrictions such as ban on advertising in print, visual media and outdoors, regulation of in-store advertising, prohibition of sale of cigarettes to persons below the age of 18 years, etc. have been in force. Printing of pictorial warnings on cigarette packets, came into effect from 31st May 2009 were further revised and the pictorial warning covering 85% of the front and back side of the packets was implemented w.e.f. 1st April 2016 and is being duly complied with by your Company.
- ii. Your Company also filed a writ petition in the Hon'ble High Court of Andhra Pradesh (now Telangana High Court) challenging The Cigarettes and Other Tobacco Products (Packaging & Labelling) Rules, 2006 and the Amendment Rules 2008, on the grounds inter alia that they are ultra vires of COTPA and therefore the notifications issued there under (including those seeking implementation of graphic health warnings) should be quashed. The said writ petition has been admitted but no interim orders were passed by the Hon'ble Court.
- iii. Before the High Court of Karnataka, a Writ Petition was filed by Tobacco Institute of India (TII) on behalf of your Company and other manufacturers against the proposed notification dated 15th October 2014 by Health Ministry to print health warning on both sides

of the pack occupying 85% of space. The 85% health warning came into effect from 1st April 2016. Your Company also filed a Writ Petition before the High Court bench at Dharwad against the implementation of 85% health warning. The Hon'ble Supreme Court on hearing a PIL filed by Health for Millions, constituted a Bench before the Karnataka High Court to hear all the matters relating to graphical health warning. The Writ Petitions filed by TII and your Company were heard before the Bangalore Bench and it was held on 15th December 2017 that the amendment made to the Packaging Rules imposing 85% graphic health warning is ultra vires the Constitution. Against the said Judgment, an appeal was filed by the Ministry of Health before the Supreme Court. A stay has been granted on the said judgement and is pending before the Supreme Court.

REAL ESTATE

The then Government of Andhra Pradesh had filed a land grabbing case against your Company in 1991 in relation to a piece and parcel of vacant land which has been under possession and occupation by your Company for over four decades. By its judgment dated 28th July 2010, the Special Court had held that your Company is not a land grabber but had given the State Government the right to initiate proceedings to recover possession of the land at some future date. Against this part of the judgement, your Company filed a writ petition before the then Hon'ble High Court of Andhra Pradesh to expunge that part of the Order giving such liberty to the Department despite the fact that your Company has already been declared not to be a land grabber.

The writ petition is still pending. The State Government has also filed a writ petition in the Hon'ble High Court of Andhra Pradesh seeking to set aside the said judgment of the Land Grabbing Court. An interim Order was passed restraining your Company from changing the status of the land or creating any third party interest therein. Your Company is taking all the necessary steps for speedy disposal of the above writ petitions which are pending before the Court.

One more case of land grabbing was filed by the then Government of Andhra Pradesh against your Company in the year 1989 on a piece of land along with building called 'Lal-e-Zar', before the Special Court. In the year 2010, the Special Court passed a judgment stating that your Company is not a land grabber. After 7 years, the Government of Telangana filed an appeal before the Hon'ble High Court of Telangana and Andhra Pradesh seeking a direction from the court that the nature of the land is not to be altered and no third party interest to be created. Your Company filed a counter and vacate stay application seeking permission to construct on the

said land. Judgment was pronounced on the vacate stay petition allowing your Company to construct but with certain conditions. The State Government preferred an appeal before the Supreme Court which was dismissed.

PARTICULARS OF EMPLOYEES

The information required pursuant to Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended in respect of employees of the Company, are annexed herewith as **"Annexure D"** and forms part of this Report. The statement containing particulars of employees as required under Section 197 of the Act read with Rule 5(2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided in a separate annexure forming part of this Report. However, in terms of Section 136 of the Act, the Report and Accounts are being sent to the Members and others entitled thereto, excluding the information on employees' particulars which is available for inspection by the Members at the Registered Office of the Company during business hours on working days of the Company up to the date of the ensuing AGM. In case any Member is interested in obtaining a copy thereof, such Member may write to the Company Secretary of the Company.

The Nomination and Remuneration Committee of the Company has affirmed that the remuneration is as per the Remuneration Policy of the Company.

Your Directors take this opportunity to record their deep appreciation of the continuous support and contribution from all employees of your Company.

ANNUAL RETURN

As required under Section 92(3) of Companies Act, 2013 and Rule 12(1) of Companies (Management and Administration) Amendment Rules, 2020, Annual Return is available on the Company's website at <https://www.vsthyd.com/mainsite/Annual>Returns.html>.

AUDITORS

Statutory Auditors

In compliance with the provisions of Sections 139 and 141 of the Companies Act, 2013 as amended and Companies (Audit and Audit Rules), 2014, including any statutory modification(s), re-enactments and amendments thereof, for the time being in force, M/s. BSR & Associates, LLP, Chartered Accountants, were re-appointed as the Statutory Auditors of the Company to hold office for a second term of five years from the conclusion of the 90th AGM to the conclusion of the 95th AGM. The Report given by the Auditors on the financial statements of the Company is part of the

Annual Report. There has been no qualification, reservation or adverse remark in their Report. During the year under review, the Auditors have not reported any matter under Section 143(12) of the Companies Act, 2013 and hence, no detail is required to be disclosed under Section 134(3)(ca) of the Companies Act, 2013.

Secretarial Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company appointed M/s. Tumuluru and Company Firm as Secretarial Auditor of the Company for the financial year 2021-22. The Secretarial Audit Report is annexed herewith as **"Annexure E"** and forms part of this Annual Report.

There are no qualifications, reservations or adverse remarks in the Secretarial Audit Report.

COMPLIANCE WITH SECRETARIAL STANDARDS

Your Company has complied with applicable Secretarial standards, i.e. on Meetings of the Board of Directors [SS-1] and on General Meetings [SS-2] issued by The Institute of Company Secretaries of India (ICSI) and approved by the Central Government under Section 118(10) of the Companies Act, 2013.

COST ACCOUNTS AND RECORDS

The maintenance of cost accounts and records as specified by the Central Government under Section 148(1) of the Companies Act, 2013 are not applicable for the business activities carried out by the Company.

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

Information in accordance with clause (m) of sub-section (3) of Section 134 of the Companies Act, 2013 read with Rule 8 of Companies (Accounts) Rules, 2014 is given in the **"Annexure F"** forming part of this Report.

SUBSIDIARY/ASSOCIATES/JOINT VENTURES

Addition or cessation of subsidiaries, associates or joint ventures is not applicable to the Company as the Company does not have any subsidiary company, associates and joint ventures.

INSOLVENCY AND BANKRUPTCY CODE 2016

There was no application made or any proceedings pending under the Insolvency and Bankruptcy Code 2016(31 of 2016) during the financial year.

UTILISATION OF FUNDS

Your Company has not raised any funds during the year through preferential allotment or Qualified Institutional Placement, as a result question of providing details of utilisation of such funds does not arise.

DEBENTURE TRUSTEES

Your Company does not have any debentures and as a result the requirement to appoint debenture trustees does not arise.

WAY FORWARD

A vibrant brand portfolio based on consumer relevant innovation remains a top priority for your Company. This will be supported by investments in generating superior consumer insights, research and development, best-in-class product quality and a fully integrated digital ecosystem.

ACKNOWLEDGEMENTS

The Directors are grateful to all valuable stakeholders of the Company viz. customers, shareholders, dealers, vendors, banks and other business associates for their excellent support rendered during the year. The Directors also acknowledge the unstinted commitment and valued contribution of all employees of the Company.

On behalf of the Board,

Naresh Kumar Sethi
Chairman

DIN : 08296486

Dated this 26th day of April, 2022

Azamabad, Hyderabad - 500 020

Annexure A

Report on Corporate Governance

The Directors present the Company's Report on Corporate Governance for the year ended 31st March, 2022.

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Your Company considers good Corporate Governance a pre-requisite for meeting the needs and aspirations of its Members and other stakeholders in the Company. The Board of Directors of your Company firmly believes that the same could be achieved by maintaining transparency in its dealings, creating robust policies and practices for key processes and systems with clear accountability, integrity, transparent governance practices and the highest standard of compliance.

2. BOARD OF DIRECTORS

(a) Composition and category of Directors

Name of the Director	Category	No. of outside directorships held *	No. of Memberships/ Chairmanships of board committees of other companies #
Mr. Naresh Kumar Sethi [§]	Non-Executive Director	Nil	Nil
Mr. Aditya Deb Goptu	Managing Director & CEO	1	Nil
Ms. Rama Bijapurkar	Independent - Non-Executive Director	5	4
Mr. Sudip Bandyopadhyay	Independent - Non-Executive Director	2	5
Mr. Rajiv Gulati	Independent - Non-Executive Director	Nil	Nil
Mr. S. Thirumalai	Non-Executive Director	Nil	Nil

Notes: There are no inter-se relationships between the Board Members.

Except Mr. S. Thirumalai who holds 25 equity shares, none of the other Directors hold any shares in the Company. There are no convertible instruments issued by the Company and hence none held by the Non-Executive Directors during the year ended 31st March, 2022.

* Other directorships exclude unlisted public companies, foreign companies, private limited companies, debt listed and alternate directorships.

Only Membership in Audit Committee and Stakeholders' Relationship Committee have been reckoned for other Committee Memberships.

§ Representing equity interest of promoter group - British American Tobacco, U.K.

Directorships and Committees held in other listed companies

Ms. Rama Bijapurkar is on the Board and Member/Chairperson of the Committees* in the following listed companies:-

Name of the Director	Directorship held in the other companies	Name of the Committee	Whether Chairman or Member
Ms. Rama Bijapurkar	Mahindra & Mahindra Financial Services Ltd. - Independent Director	Audit Committee	Member
		Stakeholders Relationship Committee	Chairperson
	Nestle India Limited - Independent Director	Stakeholders Relationship Committee	Chairperson
	Cummins India Limited - Independent Director	Stakeholders Relationship Committee	Member
	Sun Pharmaceuticals Industries Limited - Independent Director	-	-
	Apollo Hospitals Enterprise Limited - Independent Director	-	-

Mr. Sudip Bandyopadhyay is on the Board and Member/Chairman of the Committees* in the following listed companies:-

Name of the Director	Directorship held in the other companies	Name of the Committee	Whether Chairman or Member
Mr. Sudip Bandyopadhyay	Inditrade Capital Limited - Non-Executive Director	-	-
	AGS Transact Technologies Limited - Independent Director	Audit Committee	Chairman
		Stakeholders Relationship Committee	Member

* Only Audit & Stakeholders Relationship Committees are considered.

(b) Attendance of each Director at the Board Meetings and the last Annual General Meeting (AGM) held through Video Conference (VC)

Name of the Director	No. of Board Meetings held	27 th April, 2021	27 th July, 2021	21 st October, 2021	20 th January, 2022	AGM held on 27 th July, 2021
Mr. Naresh Kumar Sethi	4	Yes	Yes	Yes	Yes	Yes
Mr. Aditya Deb Gooptu	4	Yes	Yes	Yes	Yes	Yes
Ms. Rama Bijapurkar	4	Yes	Yes	Yes	Yes	Yes
Mr. Sudip Bandyopadhyay	4	Yes	Yes	Yes	Yes	Yes
Mr. Rajiv Gulati	4	Yes	Yes	Yes	Yes	Yes
Mr. S. Thirumalai	4	Yes	Yes	Yes	Yes	Yes

None of the Independent Non-Executive Directors has any pecuniary relationship or transactions with the Company, its promoters or its senior management which in the judgement of Board may affect the independence of the Director except receiving sitting fees for attending Board/Committee Meetings and commission on profits from the Company.

In the opinion of the Board, the Independent Directors fulfill the conditions specified in Listing Regulations and are independent of the management.

(c) Other details

The Board of Directors of your Company is routinely presented with all requisite information inter alia as required under the Companies Act, 2013 and the Listing Regulations. Detailed agenda notes containing details required for decision making are circulated to the Directors in advance. The Meetings are held as per the calendar finalised in consultation with the Board Members and the notice and agenda of the Meetings are circulated well in advance.

The Board exercises its powers subject to the provisions of the Companies Act, 2013, Memorandum & Articles of Association, the Listing Regulations and other statutory provisions. The Board reviews the performance and takes on record the actions taken by the Company/Management on its suggestions. The Board meets at least four times a year and the gap between two meetings is not more than 120 days.

None of the Directors on the Board is a Member of more than ten committees or a Chairperson of more

than five such committees, across all listed entities in which he/she is a Director as required under Regulation 26 of the Listing Regulations.

Based on the declarations received from the Independent Directors, the Board of Directors has confirmed that they meet the criteria of independence as mentioned under Section 149(6) of the Act and Regulation 16(1)(b) of the SEBI Listing Regulations and that they are independent of management. Further, the Independent Directors have included their names in the data bank of independent Directors maintained with the Indian Institute of Corporate Affairs in terms of Section 150 of the Act read with Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014.

The Board has identified the following core skills/expertise/competencies which are required and available with reference to the business environment in which the Company operates:

Name of the Director	Skills/expertise/competencies of the Director
Mr. Naresh Kumar Sethi	Governance, Marketing and Business Strategy
Mr. S. Thirumalai	Finance & Regulatory
Ms. Rama Bijapurkar	Business Strategy, Marketing & Governance
Mr. Sudip Bandyopadhyay	Business Strategy & Finance
Mr. Rajiv Gulati	Business Strategy & Marketing
Mr. Aditya Deb Gooptu	Business Strategy & Marketing

(d) Familiarisation Programme for Independent Directors

In order to familiarise the Independent Directors with the Company and to inform them about their roles, rights and responsibilities, the Company conducts orientation programs by various departmental heads such as Legal & Secretarial, Marketing, Finance, Technical, etc. The Independent Director is also taken for a market visit, visit to tobacco growing areas, leaf division and tour of the plant. In addition to the above, any other detail which the Director wants or any other department or function which the Director wants to meet is also arranged. The Policy on Familiarisation Programme for Independent Directors and the details of such familiarisation programmes are disseminated on the website of the Company <https://www.vsthyd.com/mainsite/documents/Familiarisation-Programme-for-Independent-Directors.pdf>.

The Board also carried out an assessment of the Independent Directors and confirmed that in its opinion they fulfill the conditions of independence as specified under the Companies Act and the Listing Regulations as amended and are Independent of management.

3. AUDIT COMMITTEE**(a) Terms of Reference**

The primary objective of the Committee is to monitor and provide an effective supervision of the financial reporting process, to ensure accurate and timely disclosures with highest level of transparency, integrity and quality of financial reporting. The terms of reference of the Audit Committee covers all the matters specified under Section 177 of the Companies Act, 2013 and those enumerated in Regulation 18 of the Listing Regulations. The terms of reference of the Audit Committee are as under :

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to :
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013;
 - b. Changes, if any, in accounting policies and practices and reasons for the same;
 - c. Major accounting entries involving estimates based on the exercise of judgment by management;
 - d. Significant adjustments made in the financial statements arising out of audit findings;
 - e. Compliance with listing and other legal requirements relating to financial statements;
 - f. Disclosure of any related party transactions;
 - g. Modified Opinion(s) in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
6. Reviewing with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in the matter;
7. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
8. Approval or any subsequent modification of transactions of the Company with related parties;
9. Scrutiny of inter-corporate loans and investments;
10. Valuation of undertakings or assets of the Company, wherever it is necessary;
11. Evaluation of internal financial controls and risk management systems;
12. Reviewing with the management, performance of statutory and internal auditors, adequacy of the internal control systems;

13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
14. Discussion with internal auditors of any significant findings and follow up thereon;
15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud of irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
18. To review the functioning of the Whistle Blower mechanism;
19. Approval of appointment of CFO (i.e. the Wholetime Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
20. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
21. To consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the Company and its shareholders.

The Audit Committee mandatorily reviews the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the Audit Committee) submitted by management;
3. Management letters/letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses;
5. The appointment, removal and terms of remuneration of the internal auditor shall be subject to review by the Audit Committee; and
6. Statement of deviations:
 - a] Quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1);
 - b] Annual statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).

(b) Composition, Meetings held through VC and Attendance during the financial year

Name of the Member	Category	Attendance at the Audit Committee Meetings held on			
		27 th April, 2021	27 th July, 2021	21 st October, 2021	20 th January, 2022
Mr. Sudip Bandyopadhyay	Independent Non-Executive Director [Chairman]	Yes	Yes	Yes	Yes
Ms. Rama Bijapurkar	Independent Non-Executive Director	Yes	Yes	Yes	Yes
Mr. Rajiv Gulati	Independent Non-Executive Director	Yes	Yes	Yes	Yes
Mr. S. Thirumalai	Non-Executive Director	Yes	Yes	Yes	Yes

The representatives of the statutory auditors and internal auditors and the CFO are the permanent invitees and they have attended all the Meetings held through VC during the year. The Company Secretary is the Secretary to the Committee. Minutes of the Audit Committee Meetings are circulated to the Members of the Board of Directors and taken note of.

4. NOMINATION AND REMUNERATION COMMITTEE:

(a) Terms of Reference

Pursuant to Section 178 of Companies Act, 2013 read with Regulation 19 of the Listing Regulations as amended, the terms of reference are as under:

- a) Identify persons who are qualified to become Directors in accordance with the criteria laid down;
- b) Lay down the criteria for appointment at senior management level;
- c) Recommend to the Board, appointment and removal of Directors;
- d) To vet and approve recommendations from the Executive Directors for the appointment and succession of senior managers;
- e) Formulate a criteria for evaluation of every Director's performance;
- f) Formulate criteria for determining qualifications, positive attributes and independence of a Director;
- g) Recommend to the Board a policy relating to remuneration for Directors, Key Managerial Personnel & other employees;
- h) Recommend to the Board, all remuneration payable to senior management;
- i) Assess, approve or recommend the training and development requirements of Directors and senior management as recommended by the Executive Directors;
- j) Devising a policy on Board Diversity.

(b) Composition, Meetings held through VC and Attendance during the financial year

Name of the Member	Category	Attendance at the Nomination & Remuneration Committee Meeting held on
		27 th April, 2021
Ms. Rama Bijapurkar	Independent Non-Executive Director [Chairperson]	Yes
Mr. Sudip Bandyopadhyay	Independent Non-Executive Director	Yes
Mr. Rajiv Gulati	Independent Non-Executive Director	Yes
Mr. Naresh Kumar Sethi	Non-Executive Director	Yes
Mr. S. Thirumalai *	Non-Executive Director	Yes

The Company Secretary acts as Secretary to the Committee.

* Mr. S. Thirumalai is an invitee to the Committee w.e.f. 21st October, 2021.

(c) Remuneration Policy

Purpose

The remuneration policy defines the compensation or remuneration philosophy of the organisation. It specifies about the drivers of the philosophy, where the Company positions itself in the overall industry/ market related percentile, who are the comparators for the purpose of remuneration.

Scope

It covers the Executive Directors and management level employees of the Company comprising of senior management, middle management and junior management.

Compensation Philosophy

The Company's compensation philosophy reflects on the guiding principles of aligning with Company objective of sustained improvement in performance, promoting a culture of meritocracy, creating a linkage to corporate and individual performance, market competitiveness and positive influence on the employee contribution and continuity.

The Company's remuneration philosophy is aligned with broader HR strategy which reinforces employee value proposition through enabling work environment, empowering and engaging work culture.

The remuneration philosophy is driven by:

1. Business performance-Remuneration as an effective instrument to enhance performance and therefore link as an optimum mix of individual & company performance.
2. Remuneration practices that support and encourage meritocracy based on objectivity, fairness & transparency.
3. Remuneration policy will act as motivational tool & drive the desired positive behaviors and thus improve the overall organisational health and performance.
4. Taking in to the competitive aspect, remuneration is based on market/industry positioning vis-à-vis relevant competitors.

For determining the market/industry positioning, FMCG, manufacturing and other sector companies form the basket of comparators with primary focus on FMCG sector. The list of the comparators and the positioning of the remuneration structure is reviewed periodically as may be required but at least once in three years in tune with the requirement of the Company.

Employee compensation positioning is determined by his/her performance as assessed on the basis of the applicable performance management system.

Policy Definition

Remuneration policy of the Company has been designed to attract, retain and motivate the employees and Directors of the quality required to run the Company successfully. The remuneration is directly linked to the individual performance and is measurable on specified benchmarks as set by the Company. The remuneration is an optimum mix of fixed and variable pay and comprises of the components as mentioned under:

- a. Fixed components: Comprising of (i) Basic salary; (ii) Fixed allowances & perquisites; (iii) Retiral benefits.
- b. Variable components: Comprising of performance linked bonus, paid annually.

Individual compensation fixation is as under:

Executive Directors & senior management: Compensation fitment for Executive Directors is in the top quartile or thereabout and for senior management, above the median of the market/industry positioning.

Middle & junior management : Individual compensation fitment in this category is around the median of the market/industry positioning.

The variable component of the salary at the junior management starts at 10% of the total cost of the Company and goes up to 35% for senior management. The variable component for the Executive Directors is subject to statutory provisions and approval of the shareholders.

The Company's performance management system differentiates the executives under four categories and they are accordingly rated based on the agreed key result areas. The reward is linked to the performance rating.

The review of the compensation structure in line with the market shall be done periodically as may be required but at least once in three years. All other perquisites and benefits shall also be reviewed at least once in three years.

Remuneration of Non-Executive Directors

Non-executive Directors of the Company are paid sitting fees for attending Board & Committee Meetings, reimbursement of expenses for attending the Meetings and remuneration / commission as a percentage of net profit, as approved by the Members within the overall limit prescribed under the law and Independent Directors are not eligible for any stock options.

Criteria for selection and appointment of Directors

Criteria for selection and appointment of Directors is given as part of the Board Report.

Criteria for performance evaluation

Pursuant to the provisions of the Companies Act, 2013 and Regulation 19 of the Listing Regulations, criteria for performance evaluation of individual Directors, Board as a whole as well as the Board Committees has been formulated.

Performance of the Directors was evaluated on broad criteria such as contribution to the Board and Committees thereof; contribution to effective Board governance; contribution to the Company and management to achieve its plans, goals, corporate strategy and risk mitigation; level of preparedness; level of participation in the Board and Committee Meetings etc. In addition to the above parameters, the performance of Executive Director was also evaluated against his Key Responsibility Areas (KRAs). The Chairman's performance was evaluated by Independent Directors on above parameters after considering the views of Executive and Non-Executive Directors. Independent Directors were also assessed

by the entire Board (excluding the person being evaluated), based on their performance, fulfillment of the Independence criteria and their independence from the management vis-à-vis Code for Independent Directors under Schedule IV of the Companies Act, 2013. A structured format for evaluation of the Directors on the above parameters has been prepared for the purpose. Director being evaluated does not participate in the evaluation process.

The performance of Board Committees were evaluated by the Board on the basis of their achievement of

charter and role of each Committee. The performance of Board as a whole was evaluated by the Independent Directors on the basis of its duties and responsibilities as per terms of reference. The evaluation also assesses the Board composition, need for induction/change in Directors, Board's role in contributing to the growth and progress of the Company, etc.

The overall outcome from the evaluation was that the Board and its individual Directors are performing effectively and that the Board is well supported to focus on strategy, governance and compliance.

(d) Details of remuneration paid to all the Directors for the financial year ended 31st March, 2022

Name	Position	Salary / Remuneration ₹	Allowances, benefits and contributions to Provident/Pension and Other Funds ₹	Performance Linked Bonus ₹	Other Remuneration ₹	Commission ₹	Sitting Fees ₹	Total ₹
Mr.Naresh Kumar Sethi	Chairman-Non-Executive Director	-	-	-	1,25,00,000	60,00,000	9,20,000	1,94,20,000
Mr. Aditya Deb Gooptu	Managing Director & CEO	1,15,23,600	1,20,41,536	1,49,80,680	-	-	-	3,85,45,816
Ms. Rama Bijapurkar	Independent Non-Executive Director	-	-	-	-	50,00,000	13,20,000	63,20,200
Mr. Sudip Bandyopadhyay	Independent Non-Executive Director	-	-	-	-	55,00,000	9,60,000	64.60,000
Mr. Rajiv Gulati	Independent Non-Executive Director	-	-	-	-	40,00,000	12,40,000	52,40,000
Mr. S. Thirumalai	Non-Executive Director	-	-	-	25,00,000	45,00,000	13,20,000	83,20,000

The Company has adopted the VST Employee Stock Option Plan 2020 ('VST-ESOP 2020') for the benefit of the permanent employees and/or Directors of the Company and/or its holding and subsidiary Company(ies), if any, in future, but excluding Independent Directors and any employee who is a promoter or belongs to the promoter group.

Benefits for Managing Director & CEO include gas, electricity, water, furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance, etc. in accordance with the Rules of the Company, the monetary value of such perquisites being limited to ₹ 10,00,000 per annum. In addition, the following perquisites are provided which are not included in the above monetary limit:

a. Rent free furnished accommodation owned/leased/rented by the Company or housing allowance in lieu thereof, subject to a maximum of 30% of Consolidated Salary;

b. Contribution to provident fund and superannuation fund up to a maximum of 27% of salary and contribution to gratuity fund up to 8.33% of salary as limited and defined in the Rules of the respective funds, or up to such other limit as may be prescribed under the Income Tax Act, 1961 and the Rules thereunder for this purpose;

c. Use of Company car for official purposes and telephone at residence and cell phone (including payment for local calls and long distance official calls).

d. Encashment of unavailed leave as per the Rules of the Company at the time of retirement/cessation of service;

e. Long service award as per the Rules of the Company;

- f. Costs and expenses incurred by the Company in connection with joining/transfer from one location to another as per the Rules of the Company.
- g. Participation in any employee stock option plan of the Company and joining bonus as approved by the Board.

The appointment of Executive Directors is governed by Resolutions passed by the Board of Directors and the Members of the Company and the agreement entered into with the Company, which cover the terms and conditions of such appointment, read with the service rules of the Company. The notice period for Executive Directors is six months as per Article No.101 of Articles of Association of the Company. No significant material transactions have been made with the Non-Executive Directors vis-a-vis the Company. No severance fees was paid to the Directors.

Performance of the Managing Director & CEO is evaluated basis his achievement as determined by the Key Result Areas identified and agreed at the beginning of the year.

- (e) Criteria for making payments to Non-Executive Directors

The Board periodically reviews the criteria for making payments to Non-Executive Directors. The Non-Executive Directors are paid sitting fees for attending

each Meeting of the Board or its Committee as per the details given below:

Board Meeting	- ₹ 1,00,000
Audit Committee	- ₹ 1,00,000
Stakeholders Relationship Committee	- ₹ 50,000
Nomination & Remuneration Committee	- ₹ 80,000
Corporate Social Responsibility Committee	- ₹ 80,000
Risk Management Committee	- ₹ 80,000
Strategy Committee	- ₹ 80,000

Members of the Company have approved payment of Commission not exceeding one percent of the net profits to the Non-Executive Directors of the Company for each of the five financial years commencing from 1st April, 2018. Commission paid to Non-Executive Directors is determined based on their performance evaluation and on the basis of their membership in various Committees of the Board.

5. STAKEHOLDERS' RELATIONSHIP COMMITTEE

In terms of Section 178 of the Companies Act, 2013 and Regulation 20 of the Listing Regulations as amended, the Committee inter alia looks after the redressal of investors' complaints, issue of duplicate shares, reviews the work of Registrar and Share Transfer Agents, etc.

Composition, Meetings held through VC and Attendance during the financial year:

Name of the Member	Category	Attendance at the Stakeholders' Relationship Committee Meetings held on			
		27 th April, 2021	27 th July, 2021	21 st October, 2021	20 th January, 2022
Ms. Rama Bijapurkar	Independent Non-Executive Director [Chairperson]	Yes	Yes	Yes	Yes
Mr. Rajiv Gulati	Independent Non-Executive Director	Yes	Yes	Yes	Yes
Mr. Naresh Kumar Sethi	Non-Executive Director	Yes	Yes	Yes	Yes
Mr. S. Thirumalai	Non-Executive Director	Yes	Yes	Yes	Yes
Mr. Aditya Deb Goptu	Managing Director & CEO	Yes	Yes	Yes	Yes

The Company Secretary acts as the Secretary to the Committee.

- i) Name and designation of Compliance Officer : Phani K. Mangipudi, Company Secretary
- ii) Number of shareholders' complaints received and attended during the financial year ended 31st March, 2022

Nature of complaints / queries	Received	Attended	Pending
Non-receipt of annual reports	-	-	Nil
Non-receipt of dividend warrants	48	48	Nil
Non-receipt of share certificates	9	9	Nil
Letters from stock exchanges / SEBI/Others	4	4	Nil

The shareholders/investors complaints and other complaints are normally responded to as prescribed by SEBI under general norms for processing documents, transfers etc., except where constrained by disputes or legal impediments. There are some pending cases relating to disputes over the title to shares in which the Company has been made a party only as a proforma defendant/respondent. However, these cases are not material in nature.

6. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (INCLUDING OVERSIGHT OF ESG FRAMEWORK)

In compliance with the provisions of Section 135 of the Companies Act, 2013, Corporate Social Responsibility Committee has been constituted.

The terms of reference of the Committee are as under :

- Identify the areas for carrying out the activities and formulate policy to undertake the same;
- Identify the projects, programs for specific area of activity, finalise the budget and earmark the

expenditure for each activity and recommend the same to the Board every year;

- To determine the location where CSR activities shall be undertaken;
- To monitor the progress of the projects/activities from time to time;
- To nominate employees who shall be responsible for implementation, execution and monitoring of CSR activities;
- To hire services of external service providers, Non-Governmental Organisations (NGOs), volunteers, professionals, consultants, specialised agencies, etc., if required, to undertake such activities.

The Board of Directors has extended the ambit and scope of CSR Committee to include the ESG strategy and its implementation, to execute ESG related initiatives and policies, assess their impact, review disclosures of ESG matters to internal and external stakeholders and to identify and recommend measures to mitigate ESG related risks.

Composition, Meetings held through VC and Attendance during the financial year

Name of the Member	Category	Attendance at the CSR Committee Meetings held on
		27 th April, 2021
Mr. Rajiv Gulati	Independent Non-Executive Director [Chairman]	Yes
Ms. Rama Bijapurkar	Independent Non-Executive Director	Yes
Mr. Naresh Kumar Sethi	Non-Executive Director	Yes
Mr. S. Thirumalai	Non-Executive Director	Yes
Mr. Aditya Deb Goptu	Managing Director & CEO	Yes

The Company Secretary acts as the Secretary to the Committee.

7. SUBSIDIARY COMPANY

The Company does not have any material subsidiary company as defined in Regulation 16 of the Listing Regulations. Hence, no policy for determining material subsidiaries has been framed.

8. RISK MANAGEMENT COMMITTEE

The Company has laid down procedures to inform Board Members about the risk assessment and minimisation procedures. The Company has constituted the Risk Management Committee in terms of Regulation 21 of Listing Regulations effective from April 2019. The Company at its Board Meeting held on 27th July, 2021 has revised the terms of reference of the Committee pursuant to the amendment notified by SEBI in its circular dated 5th May, 2021.

The revised terms of reference of the Committee are as under :

- To ensure appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
- To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
- To consider the Business Continuity Plan (BCP) and Sustainability;
- To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity; and
- To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken.

Composition, Meetings held through VC and Attendance during the financial year

Name of the Member	Category	Attendance at the Risk Management Committee Meetings held on	
		27 th July, 2021	20 th January, 2022
Mr. Sudip Bandyopadhyay	Independent Non-Executive Director [Chairman]	Yes	Yes
Ms. Rama Bijapurkar	Independent Non-Executive Director	Yes	Yes
Mr. Naresh Kumar Sethi	Non-Executive Director	Yes	Yes
Mr. S. Thirumalai	Non-Executive Director	Yes	Yes
Mr. Aditya Deb Gooptu	Managing Director & CEO	Yes	Yes
Mr. Anish Gupta	Senior Management	Yes	Yes
Mr. Kalyan Basu	Senior Management	Yes	Yes
Mr. S. Sriram	Senior Management	Yes	Yes

The Company Secretary acts as the Secretary to the Committee.

9. GENERAL BODY MEETINGS

(i) Location and time of last three Annual General Meetings are as under:

Year	Venue	Date	Time
2020-21	Through Video Conference	27.07.2021	01.30 p.m.
2019-20	Through Video Conference	29.07.2020	01.30 p.m.
2018-19	Hotel Taj Krishna, Banjara Hills, Hyderabad	28.08.2019	09.30 a.m.

The following Special Resolutions were passed by the Members at the last three Annual General Meetings:

Annual General Meeting held on 27th July, 2021

No special resolutions were passed

Annual General Meeting held on 29th July, 2020

No special resolutions were passed

Annual General Meeting held on 28th August, 2019

No special resolutions were passed

(iii) No special resolution was passed through postal ballot during the year. No special resolution is proposed to be conducted through postal ballot.

10. MEANS OF COMMUNICATION

The quarterly/half yearly financial results are announced within 45 days of close of each quarter. The annual audited financial results are announced within 60 days from the close of the financial year as per the requirements of the Listing Regulations. The aforesaid financial results are disclosed to BSE Limited [BSE] and The National Stock Exchange of India Limited [NSE] where the Company's securities are listed. The quarterly, half yearly and annual financial results are published in Business Standard and in a vernacular newspaper i.e., Andhra Prabha/Nava Telangana. The results along

with other official information are also posted on the Company's website viz. www.vsthyd.com.

During the year, there were no presentations made to institutional investors or to the analysts.

The Stock Exchanges viz. BSE and NSE, maintain separate online portals for electronic submission of information. As part of the Listing Regulations compliances, all the disclosures, results and other communications are filed electronically on these online portals.

11. GENERAL SHAREHOLDER INFORMATION**Date, Time and Venue of the Annual General Meeting**

29th July, 2022 at 10.00 a.m. (IST) through Video Conference (VC)/Other Audio Visual Means (OAVM).

Financial year: 1st April, 2022 to 31st March, 2023

Financial Calendar 2022-23 [Tentative]

First quarter results	July, 2022
Second quarter and half yearly results	October, 2022
Third quarter results	January, 2023
Annual results	April, 2023

Dates of Book Closure : 15th July, 2022 to 29th July, 2022 [both days inclusive]

Dividend Payment Date : Within 30 days of the AGM date.

Listing on Stock Exchanges with Stock Code:

S.No.	Name of the Stock Exchange	Stock Code
1	BSE Limited 25 th Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001	509966
2	National Stock Exchange of India Limited Exchange Plaza, C-1, Block G, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051	VSTIND

Annual Listing Fees have been paid to the above stock exchanges.

Market Price Data: High/Low during each month in the last Financial Year (2021-22)

Period	¹ BSE		² NSE	
	High	Low	High	Low
	₹	₹	₹	₹
April, 2021	3,414.55	3,137.00	3,420.00	3,180.00
May, 2021	3,360.00	3,125.00	3,388.00	3,140.00
June, 2021	3,700.00	3,301.00	3,712.50	3,299.00
July, 2021	3,689.90	3,409.25	3,679.00	3,410.00
August, 2021	3,452.00	3,290.00	3,475.65	3,319.80
September, 2021	3,645.85	3,273.30	3,640.00	3,322.00
October, 2021	3,893.95	3,189.20	3,895.00	3,180.00
November, 2021	3,475.50	3,114.70	3,475.00	3,113.05
December, 2021	3,242.00	3,039.00	3,295.55	3,035.00
January, 2022	3,280.00	3,053.05	3,290.75	3,054.60
February, 2022	3,225.00	2,786.00	3,230.00	2,850.15
March, 2022	3,148.80	2,798.75	3,150.00	2,794.00

1 Source - www.bseindia.com

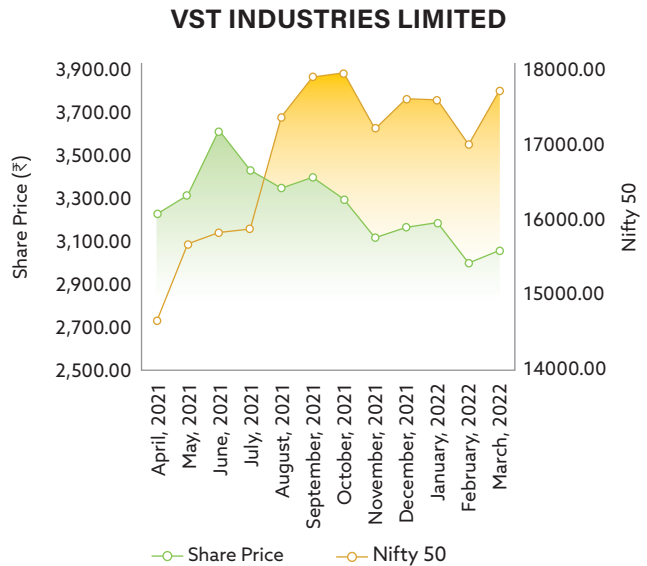
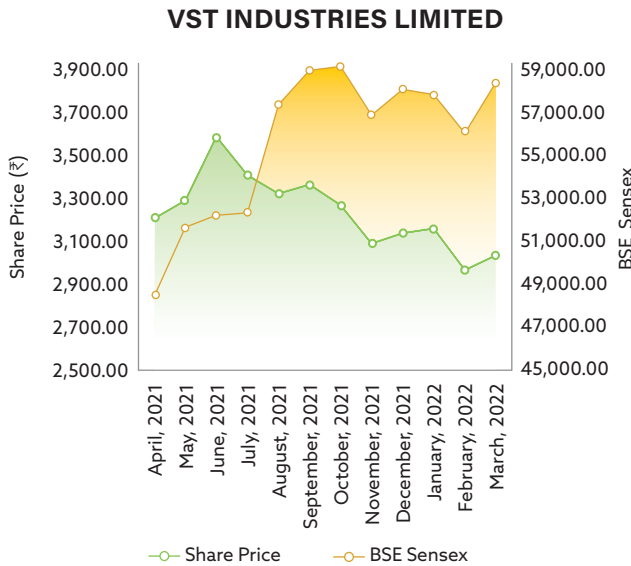
2 Source - www.nseindia.com

Performance in comparison with BSE Sensex

[based on closing price/Sensex] [Source:www.bseindia.com]

Performance in comparison with Nifty 50

[based on closing price/Nifty 50] [Source: www.nseindia.com]



None of the Securities of the Company were suspended from trading during the year.

Registrar and Transfer Agents

As a Member of the Company, you are encouraged to contact the Registrar and Transfer Agents for all your shares related services and queries at the below address:

KFin Technologies Limited
Selenium Tower B, Plot No. 31 & 32,
Financial District, Nanakramguda, Gachibowli
Serilingampally
Hyderabad - 500 032, Telangana.
Tel: + 91-40-67161606
Fax: + 91-40-23420814
email: einward.ris@kfintech.com

Contact Person: Mr. Praveen Chaturvedi – General
Manager – Corporate Registry
Mr. Raghunath Veedha – Deputy
Manager – Corporate Registry

Share Transfer System

In terms of Regulation 40(1) of Listing Regulations, as amended from time to time, securities can be

transferred only in dematerialized form with effect from April 1, 2019 except in case of request received for transmission or transposition of securities. Further, SEBI had fixed March 31, 2021 as the cut-off date for re-lodgement of transfer deeds and the shares that are re-lodged for transfer shall be issued only in dematerialized mode. The requests for effecting transfer/transmission/transposition of securities shall not be processed unless the securities are held in dematerialized mode. Members holding shares in physical form are requested to convert their holdings in dematerialized form. The Board has delegated the authority for approving transfer, transmission etc., of the Company's securities to the Share Transfer Committee comprising of Managing Director and Company Secretary. A summary of transmission of shares of the Company approved is placed at the Meeting of the Stakeholders' Relationship Committee.

Requests for dematerialisation of shares are processed and confirmation is given to the respective depositories i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within 2 working days from the date of receipt of request. There are no pending share transfers as at 31st March, 2022.

Distribution of shareholding as on 31st March, 2022

Slab	No. of Shares	%	No. of Shareholders	%
1- 500	11,79,340	7.64	33,450	97.63
501-1000	3,42,086	2.22	475	1.39
1001-2000	2,58,518	1.67	182	0.53
2001-3000	1,59,835	1.04	65	0.19
3001-4000	63,911	0.41	18	0.05
4001-5000	53,002	0.34	12	0.04
5001-10000	1,49,181	0.97	22	0.06
10001 and above	1,32,36,047	85.71	38	0.11
Total	1,54,41,920	100.00	34,262	100.00
Physical Mode	3,12,389	2.02	1,867	5.45
Demat Mode	1,51,29,531	97.98	32,395	94.55

Dematerialisation of shares and liquidity

With effect from 26th June, 2000, trading in the Company's shares was made compulsory in the dematerialised form. The Company's shares are available for trading in the depository systems of both NSDL and CDSL.

As at 31st March, 2022, 1,51,29,531 equity shares of the Company constituting 97.98% of Issued and Subscribed Capital, were held in depository mode.

The processing activities with respect to the requests received for dematerialisation are generally completed within two working days. Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE710A01016. The annual custody fee for the financial year 2022-2023 will be remitted to NSDL and CDSL, the Depositories, before the due date.

The Company's shares are regularly traded both on BSE and NSE.

Categories of Shareholding as on 31st March, 2022

Category	Number of Shares held	Percentage of Shareholding
Promoters and Associates	49,65,902	32.16
FII's/FPIs	2,70,561	1.75
Insurance Companies	2,45,471	1.59
Mutual Funds	23,03,620	14.92
Nationalised banks and other banks	12,778	0.08
NRI's and OCB's	54,979	0.36
Bodies Corporate	48,48,312	31.40
Indian Public and Others	27,40,297	17.75
TOTAL	1,54,41,920	100.00

Reconciliation of Share Capital Audit

For each quarter of the financial year 2021-22, a qualified Company Secretary in Practice has carried out audit under Regulation 76 of SEBI (Depositories and Participants) Regulations, 2018, as amended to reconcile the total admitted capital with NSDL and CDSL and total issued and listed capital. The audit report confirms that the total issued/paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL and the same is filed with BSE & NSE.

Similarly, the Company obtains from a Company Secretary in Practice, yearly certificate of compliance with the share transfer formalities as required under Regulation 40(9) of the Listing Regulations and copy of the same is filed with BSE and NSE as required under Regulation 40(10) of the Listing Regulations.

Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, Conversion Date and likely impact on Equity

Not applicable as the Company has not made any such issue.

Commodity Price Risk or Foreign Exchange Risk and Hedging Activities:

During the year, the Company had managed the foreign exchange risk and hedged to the extent considered necessary. The Company uses forward exchange contracts to hedge its foreign currency exposures related to the underlying transactions, firm commitments and highly probable forecasted transactions. The use of these foreign exchange forward contracts are intended to reduce the risk or cost to the Company and are not intended for trading or speculation purpose. The details of foreign currency exposure are disclosed in Note No. 29 to the Financial Statements.

The Principal raw material used by the Company in manufacture of its finished product i.e. Cigarettes, is tobacco. Factors that influence fluctuations in tobacco prices and availability include farm prices, government's policies, operational issues, natural disasters and economic conditions among others.

The Company's commodity risk is arising from volatility in price and non-availability of tobacco is managed centrally through well-established operations and control processes which includes diversified tobacco sourcing strategy from both dealers and farmers coupled with sourcing in different seasons. There have been no significant changes in the nature of the risk exposures over the last 12 months and there is no futures market in tobacco. Therefore, there are no separate disclosures to offer in terms of the SEBI Regulations/circulars issued from time to time.

Plant Locations

1-7-1063/1065, Azamabad, Survey No.288/289,
Hyderabad – 500 020, Muppireddy Palli,
Telangana. Toopran, Medak
Telangana.

Address for correspondence**Registered Office:**

VST Industries Limited Mr. Phani K. Mangipudi
1-7-1063/1065, Azamabad Company Secretary
Hyderabad – 500 020. & Compliance Officer
Tel: +91-40-2768 8000
Fax: +91-40-2761 5336
Email: investors@vstind.com

No fresh credit ratings have been obtained by the Company during the relevant financial year for any debt instruments or any fixed deposit programme or any scheme or proposal of the Company involving mobilisation of funds, whether in India or abroad.

13. DISCLOSURES**i) Related Party Transactions (RPT)**

There were no materially significant transactions with related parties during the financial year which were in conflict with the interest of the Company as contained under Section 188 of Companies Act, 2013. Suitable disclosures as required by the Indian Accounting Standards [IND AS24] have been made in the notes to the Financial Statements.

The Board at its meeting held on 20th January, 2022 revised the policy for determining the Material RPTs including Material Modifications to such RPTs in terms of the SEBI in its Circular dated 9th November, 2021

and the details of such policy for dealing with RPT are disseminated on the Company's website at: <https://www.vsthyd.com/mainsite/documents/policy-on-related-party-transactions1.pdf>.

The details of transactions with related parties were placed before the Audit Committee and the Independent Directors of the Committee have reviewed the same for the year ended 31st March, 2022. The details of RPT are disclosed in Note No.27 of Notes on Financial Statements to the Accounts in the Annual Report and also in Form AOC-2 attached with the Boards' Report.

ii) **Strictures and Penalties**

The Company had received notices from the Bombay Stock Exchange and the National Stock Exchange with respect to the composition of the Audit Committee during the financial year 2019-20. The Company had immediately reconstituted the composition of the Audit Committee and paid the applicable penalty prescribed under the circular No. SEBI/HO/CFD/CMD/CIR/P/2018/77 dated 3rd May, 2018 issued by SEBI. Apart from this, no strictures or penalties have been imposed on the Company by the Stock Exchanges or by SEBI or by any statutory authority on any matters related to capital markets during the current financial year.

iii) **Vigil Mechanism/Whistle Blower Policy**

In terms of Section 177(9) and 177(10) of the Companies Act, 2013 and Regulation 22 of the Listing Regulations, a Whistle blower Policy is formulated to encourage all employees & Directors of the Company to report any unethical behaviour, actual or suspected fraud or violation of the 'Code of Conduct and Ethics Policy' of the Company. The said policy also has provisions for providing a secure environment to such employees acting in good faith and safeguarding them from any adverse action by the management.

The Policy ensures that strict confidentiality is maintained whilst dealing with concerns and also that no discrimination will be meted out to any person for

genuinely raised concerns. A Committee has been constituted which looks into the complaints raised. The Committee reports to the Audit Committee. Any matter can be reported at E-mail ID : whistleblower@vstind.com.

In case of disclosure against any Director or in case of no corrective action or non-receipt of response on the disclosure within 30 days, the whistle blower shall have the right to directly approach the Chairman of the Audit Committee. No personnel have been denied access to the Audit Committee in this regard.

During the year, a complaint was received by the Company under the whistle blower mechanism. A detailed investigation was carried out by the designated persons on all the allegations raised under the whistle blower mechanism. It was observed that all the issues raised in the complaint were found to be non-material in nature.

iv) The Company since has not raised any funds through preferential allotment or qualified institutions placement, there is no question of utilisation of such funds.

v) There have been no instances where the Board has not accepted any recommendation of any Committee of the Board which is mandatorily required during the financial year.

vi) **Code of Conduct**

Your Board of Directors has laid down Code of Conduct & Ethics Policy which is applicable to all Board Members and employees of the Company. This is also posted on the website of the Company [www.vsthyd.com]. The Code lays down the standard of conduct to be followed by all the Directors and Employees in their business dealings and in particular on matters relating to integrity in the work place, in business practices and in dealing with the stakeholders. The Code also contains the duties of Independent Directors as laid down in the Companies Act, 2013.

DECLARATION

This is to confirm that all the Board Members and senior management personnel have affirmed compliance with the Code of Conduct as adopted by the Company, for the year ended 31st March, 2022.

For **Vst Industries Limited**

Aditya Deb Goptu
Managing Director & CEO

Hyderabad, 20th April, 2022

vii) Accounting Treatment

In preparation of the financial statements, the Company has followed the accounting principles generally accepted in India, including Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standard) Rules, 2015. The accounting policies which are consistently applied have been set out in the Notes to the Financial Statements.

viii) Management

Pursuant to Regulation 26(5) of the Listing Regulations, for the year ended 31st March, 2022, your Company's Board has obtained declarations from the Senior Management relating to any material, financial and commercial transactions where they have personal interest that may have a potential conflict with the interests of the Company at large.

ix) Shareholders Information

The quarterly results are sent to the stock exchanges on which the Company's shares are listed and also displayed on its own website. During the year there were no presentations made by the Company to analysts.

To expedite the process of share transfers, post approval of Share Transfer Committee, the power has been delegated to Registrar and Transfer Agents - M/s. KFin Technologies Limited.

x) Prohibition of Insider Trading

In compliance with the provisions of the SEBI (Prohibition of Insider Trading) Regulations, 2015 as amended, the Company has adopted a Policy for prohibition of Insider Trading for Directors and specified employees and designated persons. The Policy provides for periodic disclosures and pre-clearance for dealing in Company's shares and prohibits such transaction by the Directors and specified employees while in possession of unpublished price sensitive information (UPSI) in relation to the Company and during the period when the Trading Window is closed. The Company has also formulated a policy on inquiry in case of leak of UPSI.

xi) Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

a. No. of complaints filed during the financial year	Nil
b. No. of complaints disposed of during the financial year	Nil
c. No. of complaints pending as on end of the financial year	Nil

There have been no instances of non-compliance of any requirement of corporate governance, except to the extent disclosed earlier.

xii) Statutory Auditor

The Statutory Auditor of the Company and all the entities in the network firm/network entity of which the statutory auditor is a part have been paid a total fees of ₹ 52.75 Lakhs for all the services rendered by them during the financial year 2021-22.

xiii) CEO and CFO Certification

The CEO (Managing Director & CEO) and CFO certification for the year ended 31st March, 2022 has been annexed at the end of this Report. Similarly, the CEO and CFO have also given quarterly certification on financial results while placing the quarterly financial results before the Board in terms of Regulation 33(2) of the Listing Regulations.

xiv) Adoption of Discretionary Requirements

The Company has complied with all the mandatory requirements of Regulation 34(3) read with Part C of Schedule V of Listing Regulations.

Discretionary requirements under Part E of Schedule II of the Listing Regulations are as under:

- a] The Non-Executive Chairman is allowed to maintain a Chairman's office at the Company's expense and also allowed reimbursement of expenses incurred in performance of his duties.
- b] Shareholder rights: The quarterly, half-yearly and annual financial results of the Company are published in newspapers on a pan India basis

and are also posted on the Company's website, www.vsthyd.com. Significant events if any, are also posted on this website under the 'Investor relations' section. The complete Annual Report is sent to every Member of the Company.

- c] The auditors have not qualified the financial statements of the Company.
- d] The Company is having separate post of Chairman and Managing Director & CEO. Mr. Naresh Kumar Sethi is the Non-Executive Chairman of the Company and Mr. Aditya Deb Gooptu is the Managing Director & CEO of the Company.
- e] M/s. Deloitte Haskins and Sells LLP, the firm of Chartered Accountants have been the Internal Auditors for the financial year 2021-22, who report directly to the Audit Committee.

Other discretionary requirements are being reviewed for implementation.

The Company has complied, to the extent applicable to it, and unless otherwise stated, with all the corporate governance requirements specified in Regulation 17 to 27 and Regulation 46(2) of the Listing Regulations as amended, covering the Board of Directors, Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Risk Management Committee, Vigil Mechanism, Related Party Transactions, obligations with respect to the Directors, Independent Directors and senior management, other Corporate Governance requirements and disclosures on the website of the Company.

14. As required under Listing Regulations, a certificate has been received from Tumuluru & Co., Practising Company Secretaries confirming that none of the Directors on the Board of the Company has been debarred or disqualified from being appointed or continuing as Directors of the Company by SEBI, Ministry of Corporate Affairs or any Statutory Auditors. The certificate is enclosed with this Section as Annexure.

15. AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

As required under Regulation 34(3) read with Part E Schedule V of the Listing Regulations, the statutory auditor's certificate that the Company has complied with the conditions of corporate governance is given as an annexure to the Boards' Report.

Shareholder Referencer

Pursuant to Section 124 of the Companies Act, 2013 read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, as amended during the financial year 2021-22, unclaimed dividend for the financial year 2013-14 viz., Dividend No.179th amounting to ₹1,46,08,300/- has been transferred to the Investor Education and Protection Fund (IEPF) on 16th September, 2021 and 4,514 ordinary equity shares in respect of which dividends remained unclaimed for a consecutive period of seven years or more have been transferred by the Company to the IEPF as notified and established by the Central Government. Shareholders may claim their unclaimed dividend for the years prior to and including the financial year 2013-14 and the corresponding shares from the IEPF Authority by applying in the prescribed Form No.IEPF-5. This form can be downloaded from the website of the IEPF Authority www.iepf.gov.in.

The dividends for the following years remaining unclaimed for 7 years will be transferred on their respective due dates by the Company to the IEPF established by the Central Government pursuant to Section 125 of the Companies Act, 2013.

Financial Year	Dividend No.	Date of Declaration	Amount of Dividend ₹	Amount of Unpaid Dividend as on 31.03.2022 ₹	Due for transfer to IEPF on
2014-2015	180	12.08.2015	108,09,34,400	1,54,91,280	16.09.2022
2015-2016	181	11.08.2016	108,09,34,400	1,51,19,300	15.09.2023
2016-2017	182	02.08.2017	115,81,44,000	1,72,91,700	06.09.2024
2017-2018	183	28.09.2018	119,67,48,800	1,61,34,880	03.11.2025
2018-2019	184	28.08.2019	146,69,82,400	1,86,94,955	03.10.2026
2019-2020	185	29.07.2020	159,05,17,760	1,63,87,154	02.09.2027
2020-2021	186	27.07.2021	176,03,78,880	1,30,93,590	31.08.2028

Members who have not so far encashed their dividend warrant(s) or have not received the same are requested to seek issue of duplicate warrant(s) by writing to the Company's Registrar & Transfer Agents confirming non-encashment/non-receipt of dividend warrant(s). Shares for which the dividend remains unclaimed for seven consecutive years

will be transferred to the IEPF for which notices in this regard have been published in the newspapers and the Members have been individually intimated. Details of such unclaimed dividend and shares are available on the Company's corporate website under the section 'Investor Relations-Unclaimed dividend and shares'.

Bank Details

Members holding shares in physical form are requested to notify the following to the Registrar & Transfer Agents, to facilitate electronic payment.

- particulars of their bank account - name of the bank, branch with complete postal address, account number, MICR and IFSC

Members holding shares in Dematerialised form and not opted for remittance of dividend through NECS are requested to notify the above details to their respective Depository Participants [DPs].

Remittance of Dividend through National Electronic Clearing Service [NECS]

The Company provides the facility of remittance of dividend through NECS to Members provided they maintain accounts with those branches of the banks which have implemented Core Banking System (CBS) and participated in the NECS facility extended by the Reserve Bank of India.

Members holding shares in physical form, who now wish to avail NECS facility, may send their NECS mandate in the prescribed form to the Company. The NECS mandate form can be furnished by the Registrars and Transfer Agents on request or can be downloaded from the Company's website www.vsthyd.com under the section Investor Relations - NECS Mandate Form. Members holding shares in demat form are requested to update their bank account details with their respective Depository Participants [DPs].

Depository Services

For guidance on depository services, Members may write to the Registrar and Transfer Agents or to the respective depositories:

Details of unclaimed shares

The details of shares remaining in the unclaimed suspense account as required under Regulation 34(3) read with Schedule V[F] of the Listing Regulations are given below:

Particulars	No. of shareholders	No. of shares
Outstanding at the beginning of the year - 1 st April, 2021	91	5,972
No. of Members who approached for transfer of shares	5	198
Members to whom shares were transferred - through rematerialisation	0	0
Transferred to IEPF	5	47
Outstanding shares lying at the end of the year - 31 st March, 2022	81	5727

The Members who have not claimed the shares still from the above returned undelivered cases are requested to contact the Registrar-M/s.KFin Technologies Limited at the address given above.

The voting rights on the shares outstanding in the above suspense account as on 31st March, 2022 shall remain frozen till the rightful owner of such shares claims the shares.

National Securities Depository Limited

4th Floor, 'A' Wing, Trade World, Kamala Mills Compound,
Senapati Bapat Marg, Lower Parel,
MUMBAI - 400 013.
Telephone: + 91 22 2499 4200
e-mail: info@nsdl.co.in
Website: www.nsdl.co.in

Central Depository Services (India) Limited

Marathon Futurex, A-Wing,
25th Floor, N.M. Joshi Marg, Lower Parel,
MUMBAI - 400 013.
Telephone: + 91 22 2272 3333/2272 3224
e-mail: investors@cdslindia.com
Website: www.cdslindia.com
Investor Grievances

Your Company has created exclusive E-mail ID for redressal of investor grievances. The Members can send their queries to the E-mail ID: investors@vstind.com.

Nomination Facility

The facility of nomination can be availed by the Members holding the shares in single name. In cases where the shares are held in joint names, the nomination will be effective only in the event of the death of all the holders. Members are advised to avail of this facility by submitting the nomination in Form No. SH-13 which could be obtained from Registrars-M/s.KFin Technologies Limited at the address mentioned above or can be downloaded from the Company's website www.vsthyd.com under the section Investor Relations.

Where the shares are held in dematerialised form, the nomination has to be conveyed by the Members to their respective Depository Participant directly, as per the format prescribed by them.

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

[(Pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)]

To,
The Members of
VST Industries Limited
Azamabad, Hyderabad

I, B V Saravana Kumar, Company Secretary in Practice, Partner of Tumuluru & Company have examined the relevant registers, records, forms, returns and disclosures received from the Directors of VST Industries Limited having CIN L29150TG1930PLC000576 and having registered office at Azamabad, Hyderabad - 500 020, Telangana, India (hereinafter referred to as 'the Company'), produced before me/us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Company & its officers, we hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on 31st March, 2022 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority.

Sl. No.	DIN	Name of the Director	Designation
1.	08296486	Naresh Kumar Sethi	Non-Executive Chairman
2.	00011899	S. Thirumalai	Non-Executive Director
3.	07849104	Aditya Deb Gooptu	Managing Director
4.	00001835	Rama Bijapurkar	Independent Director
5.	00007382	Sudip Bandyopadhyay	Independent Director
6.	06820663	Rajiv Gulati	Independent Director

Place: Hyderabad
Date: 26th April, 2022

For Tumuluru & Company
Company Secretaries
Signature : sd/-

Name : **B V Saravana Kumar**
Partner

ACS No.: 26944

C P No.: 11727

Peer Review Cert. No.: 1159/2021
UDIN: A026944D000209467

**CERTIFICATION BY MANAGING DIRECTOR & CEO (CEO) AND
CHIEF FINANCIAL OFFICER (CFO)**

We, Aditya Deb Gooptu, Managing Director & CEO and Anish Gupta, Chief Financial Officer of VST Industries Limited, to the best of our knowledge and belief, certify that:

1. We have reviewed the financial statements and the cash flow statement for the year ended 31st March, 2022 and that :
 - a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) These statements together present a true and fair view of the state of affairs of the Company and are in compliance with existing accounting standards, applicable laws and regulations.
2. 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 and Ethics.
3. We are responsible for establishing and maintaining internal controls for financial reporting. We evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and steps taken or proposed to be taken for rectifying these deficiencies.
4. We have indicated to the Company's Auditors and to the Audit Committee that :
 - a) there are no significant changes in internal control over financial reporting during the year;
 - b) there are no significant changes in accounting policies during the year; and
 - c) there are no instances of significant fraud of which we have become aware of that involves management or other employees who have significant role in the Company's internal control system over financial reporting.

Aditya Deb Gooptu

Managing Director & CEO

Din : 07849104

Place : Hyderabad

Date : 8th April, 2022

Anish Gupta

Chief Financial Officer

INDEPENDENT AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CORPORATE GOVERNANCE REQUIREMENTS UNDER SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

To the Members of VST Industries Limited

1. This certificate is issued in accordance with the terms of our engagement letter dated 25th April, 2022.
2. We have examined the compliance of conditions of Corporate Governance by VST Industries Limited ("the Company"), for the year ended 31st March 2022, as stipulated in regulations 17 to 27, clauses (b) to (i) of regulation 46(2) and paragraphs C, D and E of Schedule V of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time ("Listing Regulations") pursuant to the Listing Agreement of the Company with Stock Exchanges.

MANAGEMENT'S RESPONSIBILITY

3. The compliance of conditions of Corporate Governance as stipulated under the listing regulations is the responsibility of the Company's Management including the preparation and maintenance of all the relevant records and documents. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of Corporate Governance stipulated in the Listing Regulations.

AUDITORS' RESPONSIBILITY

4. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
5. Pursuant to the requirements of the Listing Regulations, it is our responsibility to provide a reasonable assurance whether the Company has complied with the conditions of Corporate Governance as stipulated in Listing Regulations for the year ended 31st March, 2022.
6. We conducted our examination of the above corporate governance compliance by the Company in accordance with the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) and Guidance Note on Certification of Corporate Governance both issued

by the Institute of the Chartered Accountants of India (the "ICAI"), in so far as applicable for the purpose of this certificate. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

OPINION

8. 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 Regulations.
9. We 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.

RESTRICTION ON USE

10. The certificate is addressed and provided to the Members of the Company solely for the purpose of enabling the Company to comply with the requirement of the Listing Regulations and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

for **BSR & Associates LLP**

Chartered Accountants

Firm's Registration Number : 116231W/W-100024

Arpan Jain

Partner

Place: Hyderabad

Membership Number :125710

Date : 26th April, 2022

UDIN :22125710AHUPHE2730

ANNEXURE B

Corporate Social Responsibility (CSR) Policy

PURPOSE

The objective of this Policy is to promote inclusive growth and equitable development of identified areas by contributing back to the society and identifying the thematic domains listed within this Policy that resonate with the overall CSR purpose.

FUNCTIONS

The main functions of the CSR Committee are as under:

- Identify the areas for carrying out the CSR activities and formulate an annual proposal / action plan to undertake the CSR activities;
- To identify the projects, programs for specific areas of activity specified or covered under Schedule VII of the Companies Act, 2013 as amended, finalise the budget and earmark the expenditure for each activity and the modalities for its utilisation and recommend the same to the Board every year;
- To determine the location(s) where the CSR activities shall be undertaken;
- To monitor the progress of the projects/activities from time to time and identify suitable reporting mechanisms;
- To nominate employees who will be responsible for implementation, execution and monitoring of the CSR activities;
- To hire services of external service providers, Non-Governmental Organisations, volunteers, professionals, consultants, specialised agencies etc., if required, to undertake the said activities and for designing, monitoring and evaluation of the CSR projects or programs including capacity building of the employees / personnel;
- Specify the projects that would need an impact assessment, where applicable;
- Such other functions as may be delegated by the Board.
- The main functions of the Board of Directors are as under:
 - Approving the CSR policy as formulated and recommended by the CSR Committee;
 - Ensuring the effective use of the funds allocated to CSR activities for the purposes and in the manner as approved by it which shall also be certified by the Chief Financial Officer or the person responsible for financial management;
- Ensuring from the financial year 2021-22 onwards that any entity which is permitted under the statute to undertake CSR activities and through which the Company intends to implement its CSR activities is registered with the Central Government;
- Ensuring that multi- year projects (“ongoing projects”), if any, undertaken by the Company do not extend beyond three years excluding the financial year in which it commences;
- monitoring ongoing projects undertaken by the Company, if any, with respect to approved timelines and annual fund allocation and making any modifications that it considers necessary for the smooth implementation of such projects within the permissible time period;
- ensuring that administrative overheads as defined in the Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended from time to time (“CSR Rules”) do not exceed five percent of the CSR expenditure for the financial year;
- Including in its Board Report an annual report on CSR activities with all details as specified in the CSR Rules, including the composition of the CSR Committee and the CSR policy;
- Disclosing the composition of the CSR Committee, the CSR policy and the projects approved by the Board on the Company’s website;
- Any other acts, deeds and things as may be required under law from time to time.

AREAS

The CSR activities, excluding those which are specifically not considered as such, shall be undertaken by the Company in any one or more of the following areas, projects, programs or activities, either new or ongoing or such other areas/activities prescribed by the Companies Act, 2013, as amended from time to time, to take forward its commitment towards Social Responsibility:

- (i) Eradicating hunger, poverty and malnutrition, promoting health care, preventive health care and sanitation including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water;
- (ii) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;

- (iii) Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- (iv) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga;
- (v) Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art, setting up public libraries, promotion and development of traditional arts and handicrafts;
- (vi) Measures for the benefit of armed forces veterans, war widows and their dependents, Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows
- (vii) Training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports;
- (viii) Contribution to the Prime Minister's National Relief Fund or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Schedules Castes, the Schedules Tribes, other backward classes, minorities and women;
- (ix) Contributions or funds provided to technology incubators located within academic institutions which are approved or funded by the Central or State Government or public sector undertaking or any agency of the Central or State Government; and
- (x) Rural development projects.
- (xi) Slum area development.
- (xii) Disaster management, including relief, rehabilitation and reconstruction activities.

INVESTMENT

The Company shall invest at least two per cent of its average net profits, excluding profits arising from overseas branches and dividend received from other companies in India which are covered under and complying with the provisions of Section 135 of the Act, during the three immediately preceding financial years, towards CSR activities. Any surplus arising out of the CSR activities or project or programs shall not form a part of business profit of the Company.

EXECUTING AGENCIES

The Company may undertake the CSR activities either on its own or through a registered public trust or a registered society, or a company established under Section 8 of the Companies Act, 2013 established for this purpose by the Company or otherwise and which are registered under Section 12A and Section 80G of the Income Tax Act, 1961. The Company may also undertake the CSR activities through other entities specified under the CSR Rules including through a registered trust, a registered society, a Company established under Section 8 of the Companies Act, 2013 which is registered under Section 12A and Section 80G of the Income Tax Act, 1961 and has a track record of at least three years in undertaking similar activities. However, no Director or Key Managerial Personnel or their relatives shall have substantial interest in such, trust, and society, NGO or Section 8 Company. The Company may also collaborate with other companies for undertaking the projects/programs in accordance with the CSR Rules.

CSR BUDGET AND UTILISATION

Treatment of Unspent Amount in case of projects other than ongoing projects

In case of any unspent amount arising in any financial year out of the CSR projects, other than ongoing projects, such unspent amount shall be transferred by the Company within six months from the end of the financial year to any fund specified in Schedule VII of the Companies Act, 2013 or to such specific fund as may be prescribed from time to time for this purpose under the Companies Act, 2013 or Rules thereunder.

Treatment of Unspent Amount in case of ongoing projects

Where the unspent amount is in respect of an ongoing project, the Company shall within thirty days from the end of the financial year transfer such unspent amount to a separate account called Unspent Corporate Social Responsibility Account to be opened in any scheduled bank by the Company for that financial year. The Company shall utilise such unspent amount for its CSR activities within a period of three financial years from its transfer, failing which such amount shall be transferred to any fund specified in Schedule VII of the Companies Act, 2013 or to such specific fund as may be prescribed from time to time for this purpose under the Companies Act, 2013 or Rules thereunder within thirty days from the end of the third financial year.

Treatment of Surplus Amount

Surplus amount, if any, arising out of CSR activities shall not form part of the business profit of the Company. Such surplus amount may within a period of six months from the end of the financial year be :

- (a) ploughed back into the same project or
- (b) transferred to the Unspent Corporate Social Responsibility Account and spent in pursuance of the Company's CSR policy and its annual action plan or

- (c) transferred to any fund specified in Schedule VII of the Companies Act, 2013 or to such specific fund as may be prescribed from time to time for this purpose under the Companies Act, 2013 or Rules.

Set-Off of excess CSR amount spent

Subject to the Board of Directors passing a resolution to that effect, any amount spent in a financial year by the Company in excess of the CSR requirement for such financial year, excluding surplus arising out of CSR activities, may be set-off against the CSR amount to be spent by the Company in the immediate three financial years.

AUDIT

The CSR activities and the expenditure thereon shall be audited by an external auditor who may be appointed by the Committee.

REPORTING

The Committee may appoint any executive(s) to monitor the activities and report back to the Committee periodically. The executive(s) shall also ensure that the utilisation of funds on such projects and programs are in line with the agreed CSR activities and place its detailed report periodically before the CSR Committee. The Committee shall give a detailed report of the CSR activities to the Board of Directors every year. The Board shall disclose the details of the Policy in its report and also include in its report an annual report on CSR providing all details as specified under the Act and the Rules thereunder. The Board shall also disclose the composition of the CSR Committee, the CSR policy and the projects approved by it on the Company's website.

ACQUISITION OF CAPITAL ASSETS

The company may utilise the CSR amount to create or acquire a capital asset which shall be held by an entity as may be specified under the CSR Rules from time to time.

IMPACT ASSESSMENT

Commencing from the financial year 2020-21, in respect of each of the years where the Company has an average CSR obligation to spend Rupees ten crores or more on its CSR activities in the three immediately preceding years or such other threshold as may be specified from time to time, it shall undertake an impact assessment by an independent agency of all its projects having an outlay of Rupees one crore or more that were completed not less than one year before undertaking the impact assessment.

The impact assessment report, where carried out, shall be placed before the Board and shall form part of its annual report on CSR.

The expenses incurred by the Company for conducting the impact assessment can be included in the CSR expenditure for that financial year to the extent of five percent of the CSR expenditure for such financial year or Rupees fifty Lakhs whichever is lesser.

The constitution and functioning of the CSR Committee for discharging its functions in any financial year shall be subject to the threshold limits applicable under CSR Rules issued by the Government from time to time.

AMENDMENT

The Company reserves the right to amend or modify this Policy in whole or in part, at any point of time. Any amendment to applicable Regulations or statutes governing this policy shall become automatically applicable to this Policy and shall have an overriding effect to the extent the same may be applicable to a particular provision in the Policy. Pursuant to such amendments or modifications, the Company Secretary shall carry out the necessary changes to this Policy, as may be required.

ANNUAL REPORT ON CSR ACTIVITIES

1. The Company's objective of its CSR Policy is to promote inclusive growth and equitable development of identified areas by contributing back to the society. Details given in the policy enclosed.

2. The current Composition of the CSR Committee:

Sl. No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meeting of CSR Committee attended during the year
1	Mr. Rajiv Gulati	Independent Non-Executive Director	1	1
2	Ms. Rama Bijapurkar	Independent Non-Executive Director	1	1
3	Mr. Naresh Kumar Sethi	Non-Executive Director	1	1
4	Mr. S. Thirumalai	Non-Executive Director	1	1
5	Mr. Aditya Deb Gooptu	Managing Director	1	1

3. Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the Company.

<https://www.vsthyd.com/mainsite/documents/corporate-social-responsibility-policy.pdf>

4. Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable.

Not Applicable

5. Details of the amount available for set off in pursuance of sub-rule (3) of Rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any

Sl. No.	Financial Year	Amount available for set-off from preceding financial years (₹ Lakhs)	Amount required to be set-off for the financial year, if any (₹ Lakhs)
		Nil	

6. Average net profit of the Company as per Section 135(5) ₹ 38,734.74 lakhs

7. (a) Two percent of average net profit of the Company as per Section 135(5) ₹ 774.69 lakhs

(b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years. Nil

(c) Amount required to be set off for the financial year, if any Nil

Total CSR obligation for the financial year (7a+7b-7c) ₹ 774.69 lakhs

8. (a) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year (₹ Lakhs)	Amount Unspent (₹ Lakhs)				
	Total Amount transferred to Unspent CSR Account as per section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of Transfer	Name of the Fund	Amount	Date of transfer
1004.65 *	Nil	N.A.		Nil	

* Includes spent on ongoing project - ₹ 229.96 lakhs from unspent CSR amount of preceding financial year.

(b) Details of CSR amount spent against ongoing projects for the financial year:

Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (yes/no)	Location of the project		Project Duration	Amount allocated for the project (₹ Lakhs)	Amount spent in the current financial Year (₹ Lakhs)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (₹ Lakhs)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	District						Name	CSR Registration number
1	Swachh Ghar Mission	Health & Sanitation	Yes	Telangana	Jogulamba Gadwal	3 Years	825.00	568.69*	Nil	No	Gramalaya Trust	CSR00001033
TOTAL							825.00	568.69				

* Includes spent on ongoing project - ₹ 229.96 lakhs from unspent CSR amount of preceding financial year.

(c) Details of CSR amount spent against other than ongoing projects for the financial year:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (yes/no)	Location of the project		Amount spent in the current financial Year (₹ in Lakhs)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	District			Name	CSR Registration number
1	Gyandeep	Education	Yes	Telangana	Jogulamba Gadwal	150.42	Yes	-	-
2	Support to Covid-19	Health & Sanitation	Yes	Telangana	Hyderabad	86.26	No	CII Foundation	CSR00001013
3	Support to Covid-19	Health & Sanitation	Yes	Telangana	Hyderabad	50.00	No	KIMS Foundation & Research Center	CSR00001177
4	Support to Covid-19	Health & Sanitation	Yes	Telangana, West Bengal, Delhi, Maharashtra	Hyderabad, Medak, Kolkata, Delhi, Mumbai	39.53	Yes	-	-
5	Swachh Roshni	Environment Sustainability	Yes	Telangana, Andhra Pradesh	Jogulamba Gadwal, Kurnool	109.75	Yes	-	-
TOTAL						435.96			

(d) Amount spent in Administrative Overheads	Nil
(e) Amount spent on Impact Assessment, if applicable	N.A.
(f) Total amount spent for the Financial Year (8b+8c+8d+8e)	₹ 1004.65 lakhs
(g) Excess amount for set off, if any	Nil

Sl. No.	Particular	Amount (₹ Lakhs)
(i)	Two percent of average net profit of the company as per section 135(5)	774.69
(ii)	Total amount spent for the Financial Year	1004.65*
(iii)	Excess amount spent for the financial year [(ii)-(i)]	Nil
(iv)	Surplus arising out of the CSR projects or programs or activities of the previous financial years, if any	Nil
(v)	Amount available for set off in succeeding financial year [(iii)-(iv)]	Nil

* Includes spent on ongoing project - ₹ 229.96 lakhs from unspent CSR amount of preceding financial year.

9. (a) Details of Unspent CSR amount for the preceding three financial years:

Sl. No.	Preceding Financial Year.	Amount transferred to Unspent CSR Account under section 135 (6) (₹ Lakhs)	Amount spent in the reporting Financial Year (₹ Lakhs)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any.			Amount remaining to be spent in succeeding in financial years. (₹ Lakhs)
				Name of the fund	Amount (₹ Lakhs)	Date of transfer.	
1	2020-21	229.96	229.96	-	-	-	Nil
TOTAL		229.96	229.96	-	-	-	Nil

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):

Sl. No.	Project ID.	Name of the Project.	Financial Year in which the project was commenced.	Project duration.	Total amount allocated for the project (₹ Lakhs)	Amount spent on the project in the reporting Financial Year (₹ Lakhs)	Cumulative amount spent at the end of reporting Financial Year (₹ Lakhs)	Status of the project - Completed/ Ongoing.
1		Swachh Ghar Mission	2020-21	3 Year	825.00	568.69	824.44	Completed
TOTAL					825.00	568.69	824.44	

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year

- (a) Date of creation or acquisition of the capital asset(s) : Nil
- (b) Amount of CSR spent for creation or acquisition of capital asset : Nil
- (c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc. : Nil
- (d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset). : Nil

11. Specify the reason(s), if the Company has failed to spend two percent of the average net profit as per section 135(5) Not Applicable

Aditya Deb Goptu

Managing Director
DIN: 07849104

Rajiv Gulati

Chairman
CSR Committee
DIN: 06820663

ANNEXURE C

FORM No. AOC-2

[Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014]

Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

1. Details of contracts or arrangements or transactions not at arm's length basis : Nil
 - (a) Name(s) of the related party and nature of relationship
 - (b) Nature of contracts/arrangements/transactions
 - (c) Duration of the contracts/arrangements/transactions
 - (d) Salient terms of the contracts or arrangements or transactions including the value, if any
 - (e) Justification for entering into such contracts or arrangements or transactions
 - (f) Date(s) of approval by the Board
 - (g) Amount paid as advances, if any
 - (h) Date on which the special resolution was passed in general meeting as required under first proviso to Section 188

2. Details of material contracts or arrangement or transactions at arm's length basis : Nil
 - (a) Name(s) of the related party and nature of relationship
 - (b) Nature of contracts/arrangements/transactions
 - (c) Duration of the contracts/arrangements/transactions
 - (d) Salient terms of the contracts or arrangements or transactions including the value, if any
 - (e) Date(s) of approval by the Board, if any
 - (f) Amount paid as advances, if any : Please refer the note given below*

* The details of transactions between the Company and its related parties, names, nature of such contracts/arrangements/transactions and other details are set out in the Notes to the Financial Statements under Serial No.27.

On behalf of the Board

Naresh Kumar Sethi

Chairman

DIN: 08296486

Hyderabad, 26th April, 2022

ANNEXURE D

Particulars of employees pursuant to Section 134(3)(q) of Companies Act, 2013 read with Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and amendments thereof:

Requirements of Rule 5(1)	Details	
i) Ratio of remuneration of each Director to the median remuneration of the employees of the company for the financial year 2021-22	Mr. Naresh Kumar Sethi	19.5:1
	Mr. S. Thirumalai	8.4:1
	Ms. Rama Bijapurkar	6.4:1
	Mr. Sudip Bandyopadhyay	6.5:1
	Mr. Rajiv Gulati	5.3:1
	Mr. Aditya Deb Gooptu	38.7:1
ii) The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year 2021-22	Directors	
	Mr. Naresh Kumar Sethi	(4.8)%
	Mr. S. Thirumalai	(10.5)%
	Ms. Rama Bijapurkar	(13.4)%
	Mr. Sudip Bandyopadhyay	(8.0)%
	Mr. Rajiv Gulati	(21.1)%
	Key Managerial Personnel (KMP)	
	Mr. Aditya Deb Gooptu	N.A.
	Mr. Anish Gupta	(4.6)%
	Mr. Phani K. Mangipudi	(2.7)%
iii) The percentage increase in the median remuneration of employees in the financial year 2021-22	(4.6)%	
iv) The number of permanent employees on the rolls of Company as on 31 st March, 2022	773	
v) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	Average decrease in the salaries of employees other than the managerial personnel in the financial year 2021-22 was 5.2% in comparison with 0.7% increase in the managerial remuneration.	
vi) Affirmation that the remuneration is as per the remuneration policy of the company	Remuneration paid/payable during the financial year 2021-22 is as per the Remuneration Policy of the Company.	

Mr. Aditya Deb Gooptu was appointed w.e.f. 1st December, 2020. As his appointment was not for the full previous financial year, comparative details are not being provided.

Liability for gratuity, leave encashment and group health premiums are provided on actuarial valuation basis or separately for the Company as a whole. Accordingly, payments made to KMPs for the above and Share based payments are not included.

ANNEXURE E

Secretarial Audit Report

For the Financial year ended 31st March, 2022

(Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014)

To,
The Members,
VST Industries Limited,
Azamabad,
Hyderabad -500 020.

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **VST Industries Limited** (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on **31st March, 2022 (hereinafter called as Audit Period)** complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2022 according to the provisions of:

- i. The Companies Act, 2013 (the Act) and the rules made there under;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- iii. The Depositories Act, 2018 and the Regulations and Bye-laws framed there under;
- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of
 - a) Foreign Direct Investment
 - b) Overseas Direct Investment (**Not applicable during the Audit period**); and
- v. We further report that having regard to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof, on test-check basis, the Company has complied with the following laws applicable specifically to the Company:
 - a) Tobacco Board Act, 1975 and Rules made thereunder; and
- c) External Commercial Borrowings (**Not applicable during the Audit period**)
- vi. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; **Not Applicable for the Audit Period**
 - d. The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021;
 - e. The Securities and Exchange Board of India (Issue and listing of Non-Convertible Securities) Regulations, 2021; **Not Applicable for the Audit Period**
 - f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 and **Not Applicable for the Audit Period**
 - h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; **Not Applicable for the Audit Period**

- b) Cigarette and Other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003 and Rules made thereunder.

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that -

- (i) The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- (ii) Adequate notice is given to all directors to schedule the Board Meetings agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the Meeting and for meaningful participation at the Meeting.

- (iii) Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period:

- a. The Company has spent a sum of ₹ 774.79 Lakhs against ongoing projects ₹ 568.69 Lakhs and against other than ongoing projects ₹ 435.96 Lakhs towards Corporate Social Responsibility during the financial year representing 2% of its average net profits made during the three immediate preceding financial years. 2% of the average net profits of the three preceding financial years are ₹ 774.79 Lakhs.

for Tumuluru & Company
Company Secretaries

B V Saravana Kumar

Partner

ACS NO. 26944

C. P. No. 11727

Place: Hyderabad

Peer Review Cert No.1159/2021

Date : 26th April, 2022

UDIN:A026944D000209456

Note: This report is to be read with our letter of even date by the Secretarial Auditors, which is available on the website of the Company www.vsthyd.com.

To,
The Members,
VST Industries Limited,
Azamabad, Hyderabad.

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

for Tumuluru & Company
Company Secretaries

B V Saravana Kumar

Partner

ACS NO. 26944

C. P. No. 11727

Peer Review Cert No.1159/2021

UDIN:A026944D000209456

Place : Hyderabad

Date : 26th April, 2022

ANNEXURE F

Information under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) 2014 and forming part of the Directors' Report for the year ended 31st March, 2022.

A. CONSERVATION OF ENERGY

1. 1.6% energy saved in DRF Plant by Doing closed loop system, 0.3% energy saved in lighting. By installing all LED Lights, Air Audit was carried out & measures taken resulting in 0.2% energy saving, Power quality audit carried out and reduced the harmonics from 35% to 2.3% by installing Active new harmonic filters based on present electrical loads resulting in energy losses reduction by 1.9%.
2. Conducted energy conservation awareness program for 295 employees.

B. TECHNOLOGY ABSORPTION

Efforts made towards technology absorption Efforts made towards technology absorption

- i. Quantum Neo
Benefit - Improved quality
- ii. PD - Express for filters
Benefit - Improved quality of Filters
- iii. Crease Depth & Stiffness, and Board thickness Testers
Benefit - Improved quality of Input materials
- iv. New high speed packer
Benefit - Improved quality and productivity
- v. Parceller on packing lines
Benefit - Improved quality and productivity
- vi. Heating tunnels on packing lines
Benefit - Improved wrapping quality

In case of imported technology (imported during the last three years reckoned from the beginning of the financial year):

Year	Details of technology imported	Whether absorbed
2019-20	Tray unloader for KSFT packing line	Yes
2020-21	New high speed Maker	Yes
2021-22	R&D Equipment - Quantum Neo	Yes
2021-22	R&D Equipment - Filter PD Express	Yes
2021-22	R&D Equipment - HLP / Board Quality Tests	Yes
2021-22	New High Speed Packer	Yes

iv Expenditure incurred on Research and Development

	₹ Lakhs
- On capital account	12.64
- On revenue account	616.73
	629.37
As a % of Gross Turnover	0.40

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange earned in terms of actual inflows during the year and the foreign exchange outgo during the year in terms of actual outflows.

	₹ Lakhs
Total foreign exchange used *	
Raw Materials	2829.18
Spare Parts	53.82
Capital Goods	1439.07
Travel, Advertisement, etc.	419.87
Dividends Paid	5095.01
Total	9836.95
* Net of withholding taxes, if any	
Total foreign exchange earned	
Tobacco - CIF	9855.68
Total	9855.68
Tobacco - FOB	9800.67
Total	9800.67

Business Responsibility & Sustainability Reporting

SECTION A: GENERAL DISCLOSURES

1. I. **Details of the listed entity**
 1. **Corporate Identity Number (CIN) of the Listed Entity** - L29150TG1930PLC000576
 2. **Name of the Listed Entity** - VST Industries Limited
 3. **Year of Incorporation** - 10th November 1930
 4. **Registered office address** - 1-7-1063/1065, Azamabad, Hyderabad - 500 020, Telangana, India.
 5. **Corporate address** - 1-7-1063/1065, Azamabad, Hyderabad - 500 020, Telangana, India.
 6. **E-mail** - investors@vstind.com
 7. **Telephone** - 040-27688000
 8. **Website** - www.vsthyd.com
 9. **Financial year for which reporting is being done** - FY 2021-22
10. **Name of the Stock Exchange(s) where shares are listed** - BSE/NSE
11. **Paid-up Capital** - ₹ 15,44,19,200/-
12. **Name and contact details (telephone, email address) of the person who may be contacted in case of any queries on the BRSR Report** - Mr. Phani K Mangipudi, Company Secretary & Head - Legal & Secretarial
Telephone: +91 040 2768 8000, E-mail: phanimangipudi@vstind.com
13. **Reporting boundary** - All the disclosures under this report are made on a standalone basis (i.e., only for the entity).
We do not have any subsidiary company/ companies, hence disclosures under this report are made on a standalone basis.

II. Products/services

14. Details of business activities (accounting for 90% of the turnover):

S. No.	Description of Main Activity	Description of Business Activity	% of Turnover of the Entity
1.	Manufacturing of cigarettes containing tobacco & Unmanufactured tobacco	Manufacturing and marketing cigarettes and Trading in unmanufactured tobacco	100%

15. Products/Services sold by the entity (accounting for 90% of the entity's turnover):

S. No.	Product/Service	NIC Code	% of total Turnover Contributed
1.	Cigarettes containing tobacco	12003	86.37
2.	Unmanufactured tobacco	46202	13.63

III. Operations

16. Number of locations where plants and/or operations/offices of the entity are situated:

Location	Number of plants	Number of offices	Total
National	2 Factories at Azamabad and Toopran	13	15
International	-	-	-

17. Markets served by the entity:**a. Number of locations**

Locations	Number
National (No. of States)	26 States, 6 Union Territories
International (No. of Countries)	8

b. What is the contribution of exports as a percentage of total turnover of the entity?

6.3%

c. A brief on types of customers

Our customers are primarily adult consumers and new-age consumers who have an open mindset and are willing to try new brands introduced by us. Our robust brand portfolio caters to needs of diverse adult smoker groups across socio-economic strata through our New Age Brands (NABs) and Growth Heritage Brands (GHBs).

IV. Employees**18. Details as at the end of Financial Year i.e.****a. Employees and workers (including differently abled):**

S. No.	Particulars	Total (A)	Male		Female	
			No. (B)	% (B / A)	No. (C)	% (C / A)
Employees						
1.	Permanent (D)	369	352	95.39	17	4.61
2.	Other than Permanent (E)	-	-	-	-	-
3.	Total employees (D + E)	369	352	95.39	17	4.61
Workers						
4.	Permanent (F)	404	404	100.00	-	-
5.	Other than Permanent (G)	-	-	-	-	-
6.	Total workers (F + G)	404	404	100.00	-	-

b. Differently abled employees

S. No.	Particulars	Total (A)	Male		Female	
			No. (B)	% (B / A)	No. (C)	% (C / A)
Differently Abled Employees						
1.	Permanent (D)	-	-	-	-	-
2.	Other than Permanent (E)	-	-	-	-	-
3.	Total differently abled employees (D + E)	-	-	-	-	-
Differently Abled Workers						
4.	Permanent (F)	-	-	-	-	-
5.	Other than permanent (G)	-	-	-	-	-
6.	Total differently abled workers (F + G)	-	-	-	-	-

19. Participation/inclusion/representation of women

	Total (A)	No. and percentage of females	
		No. (B)	% (B/A)
Board of Directors	6	1	16.67
Key Management Personnel (Incl. Senior Management)	8	1	12.50

20. Turnover rate for permanent employees

	FY 2021-22			FY 2020-21			FY 2019-20		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Permanent Employees	12.78%	11.76%	12.74%	8.70%	21.43%	9.19%	10.80%	6.60%	10.64%
Permanent Workers	8.53%	-	8.53%	10.64%	-	10.64%	12.6%	-	12.6%

V. Holding, subsidiary and associate companies (including joint venture)

21.

- Name of the holding / subsidiary / associate companies / joint ventures (A) – None
- Do the entities indicated in the above table participate in the Business Responsibility initiatives of the listed entity? (Yes/No) – No

VI. CSR details

22.

- Whether CSR is applicable as per Section 135 of Companies Act, 2013: Yes
- Turnover: ₹ 1,55,911.71 Lakhs
- Net worth: ₹ 1,07,429.61 Lakhs

VII. Transparency and Disclosures Compliances**23. Complaints/grievances on any of the principles (Principles 1 to 9) under the National Guidelines on Responsible Business Conduct (NGRBC)**

Stakeholder group from whom complaint is received	Grievance Redressal Mechanisms in Place (Yes/No) (If yes, then provide web-link for grievance redressal policy)	FY 22			FY 21		
		Number of complaints filed during the year	Number of complaints pending resolution at close of the year	Remarks	Number of complaints filed during the year	Number of complaints pending resolution at close of the year	Remarks
Communities	Yes	-	-	None	-	-	None
Investors (other than shareholder)	Yes	-	-	None	-	-	None
Shareholder	Yes	61	-	None	83	-	None
Employees	Yes	-	-	None	-	-	None
Customers	Yes	-	-	None	-	-	None
Tobacco farmer and traders	Yes	-	-	None	-	-	None
Suppliers	Yes	-	-	None	-	-	None
Wholesale traders	Yes	-	-	None	-	-	None

24. Overview of the entity’s material responsible business conduct issues:

Please indicate material responsible business conduct and sustainability issues pertaining to environmental and social matters that present a risk or an opportunity to your business, rationale for identifying the same, approach to adapt or mitigate the risk, as per the following format:

S. No.	Material issue identified	Indicate whether risk or opportunity	Rationale for identifying the risk/opportunity	Approach to adapt or mitigate	Positive/ Negative Implications
1.	Energy	Risk and Opportunity	<ul style="list-style-type: none"> Energy management reduces costs while reducing the risk of energy scarcity. Effective energy management reduces the GHGs emissions and protects the environment. To meet the statutory compliance. 	We measure the facility’s current energy consumption and identify opportunities to decrease energy consumption. We are also developing an energy management strategy with our team to act on the opportunities. We also educate our stakeholders i.e., employees, workers, and others on the importance of energy management and provide them guidance on managing the consumption.	<ul style="list-style-type: none"> Cost savings to the organisation and bring down the GHG emissions. Increased operational cost in short term. Regulatory Implications
2.	Emissions	Risk and Opportunity	<ul style="list-style-type: none"> Reducing greenhouse gas (GHG) emissions is a vital component of a larger sustainability plan to mitigate the impact of climate change. Mitigate the regulatory risk. Cost savings through resource efficiency. 	We are measuring emissions on an annual basis and tracking the same to identify opportunities for reduction. We are also increasing the contribution of renewables at own premises, substituting with cleaner fuels, and promoting sustainable agricultural practice to reduce our scope 3.	<ul style="list-style-type: none"> Increased Operational costs in short term. Reputational / Brand Image Regulatory Implications
3.	Water	Risk & Opportunity	<ul style="list-style-type: none"> Growing tobacco is a water-intensive process. Limiting the consumption and effective usage, recycling, and disposal presents an opportunity as eco-friendly manufacturing. 	We are supporting various initiatives towards water management & harvesting. Both of our manufacturing units have implemented Zero Liquid Discharge (ZLD). We are also finalising KPIs on measuring water withdrawal, consumption, discharged, recycled, and the same on periodical basis to identify opportunities for reduction.	<ul style="list-style-type: none"> Increased operational costs. Reputational / Brand Image Noncompliance resulting in fines / penalties
4.	Health and Safety	Risk	<ul style="list-style-type: none"> Health and safety impact company’s practice as a responsible organisation. Effective H&S performance assist in attracting and retaining quality talent. 	We have an effective health and safety practices deployed in accordance with our policies on health and safety measures. We are finalising KPIs on measuring effectiveness of our safety practices including, conducting hazard identification and risk assessment across our value chain.	Provides investment opportunities and reduces operational costs.
5.	Responsible Sourcing	Risk and Opportunity	<ul style="list-style-type: none"> It eliminates sustainability risks in the supply chain. It ensures the stakeholders especially investors commodities that are sourced from responsible managed resources and through responsible suppliers. 	We have processes in place for integrating sustainability aspects in leaf sourcing. For the non-leaf suppliers, we assess performance on quality, delivery and price. However, going forward we will integrate sustainability aspects in all sourcing process.	<ul style="list-style-type: none"> Improves environmental and social impact while increasing operational costs. Reputational / Brand Image.
6.	Waste Management	Risk and opportunity	<ul style="list-style-type: none"> Management of tobacco product wastes (TPW) at the consumer end. Waste management infrastructure has an important role in delivering sustainable development. 	Hazardous waste being disposed of through PCB approved recycling vendor. We monitor hazardous wastes in our manufacturing units and the wastes are within permissible limits as laid down by the regulators.	High operating costs.

S. No.	Material issue identified	Indicate whether risk or opportunity	Rationale for identifying the risk/opportunity	Approach to adapt or mitigate	Positive/ Negative Implications
7.	Farmer livelihood	Risk & Opportunity	<ul style="list-style-type: none"> Assisting farmers to cope with the challenges related to agricultural practices. Increasing their earnings by improving farm productivity Supporting farmers to thrive in a marketplace. 	<ul style="list-style-type: none"> Engaging with key stakeholders for evidence based, non-discriminatory taxation and regulations that safeguard farmer livelihoods. Facilitating financing of agricultural equipment, awareness on reduction of crop losses, quality storage facilities and inventory management. 	Increased operational costs in the short term, while on the positive side it would bring better harvest and hence quality raw materials.
8.	Circular economy	Opportunity	<ul style="list-style-type: none"> Achieve global climate and sustainable development commitments. Resource efficiency Protect human health and biodiversity. 	-	<ul style="list-style-type: none"> Investment opportunities. Reduction of costs in the long-term.
9.	Employment	Risk & Opportunity	<ul style="list-style-type: none"> Poverty reduction Enhanced productivity Boost companies' social performance as an attractive employer 	<ul style="list-style-type: none"> Employees are provided with skill enhancement training. We also obtain feedback from employees on our HR practices and understand their need on a regular basis. 	Increased Operational costs despite increase in financial earnings with increased productivity.
10.	Labour management relations	Risk	<ul style="list-style-type: none"> Essential for the success of businesses' operations-increased productivity and, morale. Boost companies' social performance as an attractive employer. Better working relations with the union at the factory premises. 	<ul style="list-style-type: none"> We make contributions to defined contribution schemes such as labour welfare fund which are charged as an expense based on the amount of contribution required to be made as and when services are rendered by the workers. As a company, we ensure our relationship with our workers unions are cordial. We recognise the needs of the workers and address their concerns proactively through long-term solutions interactions and discussions with the Union. We also obtain feedback from workmen on various ESG aspects. 	<ul style="list-style-type: none"> Increased Operational costs despite increase in financial earnings with increased productivity.
11.	Human rights	Risk	<ul style="list-style-type: none"> Potential to negatively impact companies ESG performance Violation of Human Rights leads to Regulatory, legal, and legislative challenges 	<ul style="list-style-type: none"> We have all the relevant policies to mitigate the challenges of human rights and track any issues related to child labour, forced labour, involuntary labour and sexual harassment. We also maintain harmonious working environment with the Union at the factory and undertake feedback exercise on a continuous basis. As a company, we proactively recognise the needs of the workforce and address their concerns through long-term solutions interactions and discussions with the Union. 	<ul style="list-style-type: none"> Increased operational costs. Punitive actions by regulators/legal authority Reputational / Brand Image
12.	Business ethics	Risk	<ul style="list-style-type: none"> Highly opinionated business segment in terms of ethics Regulatory and legal challenges associated with the nature of business we are in. 	<ul style="list-style-type: none"> We have ensured strong ethical business culture, undertaken measures to have effective risk management such as responsible marketing and distribution of products. 	<ul style="list-style-type: none"> Increased operational costs in audit and various checks. Punitive actions by regulators/legal authority

S. No.	Material issue identified	Indicate whether risk or opportunity	Rationale for identifying the risk/opportunity	Approach to adapt or mitigate	Positive/ Negative Implications
13.	Innovation	Opportunity	<ul style="list-style-type: none"> Development of new products Access to new geographies 	-	<ul style="list-style-type: none"> Increased operation costs in R&D, Investment opportunities.
14.	Consumer welfare	Risk & Opportunity	<ul style="list-style-type: none"> Our abilities to prevent counterfeit products Our ability to provide adult consumers with products that are aligned with societal expectation. Access to the new geographies 	<ul style="list-style-type: none"> To stop counterfeit products or illegal trade we are partnering with the industry to identify inter-governmental efforts and public-private alliances in adopting appropriate measures like sensible taxation We are also launching new products to meet consumer expectations through new/ innovative brands 	<ul style="list-style-type: none"> Reduced profits associated with lower volumes and revenue loss Increased operational costs in identifying and preventing counterfeit products. Reduced ability to take price increase
15.	Community initiatives	Opportunity	<ul style="list-style-type: none"> Build strong relationship with the communities in which the company operates Promote economic growth and improve standard of living in the areas covered by CSR interventions. 	-	<ul style="list-style-type: none"> Increase in operational cost Reputational / Brand Image
16.	Climate resilience	Risk & Opportunity	<ul style="list-style-type: none"> Disruption in tobacco raw material procurement. Reduced risk of climate change. Building operational resilience 	<ul style="list-style-type: none"> We are undertaking various steps to facilitate financing of agricultural equipment which are environmentally friendly and economically affordable. We have also started to monitor impact of climate change on our business process. 	<ul style="list-style-type: none"> Increase in operational cost. Bring investment opportunities.
17.	Sustainable material	Opportunity	<ul style="list-style-type: none"> Opportunity to mitigate the challenges associated with climate change. Promote circular economy. Reduced environmental implications. 	-	<ul style="list-style-type: none"> Increased operational costs in the short term. Bring investment opportunities. Increased costs in R&D.
18.	Training and education	Opportunity	<ul style="list-style-type: none"> Reduced turnover, reduced external hiring costs and a more engaged and committed workforce Mitigate risk of non-compliance Increased productivity High ROI 	-	<ul style="list-style-type: none"> Increased operational costs
19.	Regulatory compliance	Risk	<ul style="list-style-type: none"> Increase the costs of running a business Reduce the attractiveness of an investment Invalidating business model 	<ul style="list-style-type: none"> Responsibilities, and reporting lines are systemically defined in all functions of the Company and they conform to meet all the regulatory compliance under applicable regulations. There are also audit procedures to assess compliance preparedness. 	<ul style="list-style-type: none"> Increase operational costs with increase in costs of meeting compliance

S. No.	Material issue identified	Indicate whether risk or opportunity	Rationale for identifying the risk/opportunity	Approach to adapt or mitigate	Positive/ Negative Implications
20.	Diverse and inclusive work environment	Opportunity	<ul style="list-style-type: none"> Improve company's performance as it increases the likelihood of working people with diverse domain knowledge Better innovative and problem-solving skills, improves talent attraction and retention, increases employee engagement and results in higher efficiency 	-	<ul style="list-style-type: none"> No major financial impact

SECTION B: MANAGEMENT AND PROCESS DISCLOSURES

The National Guidelines for Responsible Business Conduct (NGRBC) as prescribed by the Ministry of Corporate Affairs advocates nine principles referred as P1-P9 as given below:

P1	Businesses should conduct and govern themselves with integrity in a manner that is ethical, transparent and accountable
P2	Businesses should provide goods and services in a manner that is sustainable and safe
P3	Businesses should respect and promote the well-being of all employees, including those in their value chains
P4	Businesses should respect the interests of and be responsive towards all its stakeholders
P5	Businesses should respect and promote human rights
P6	Businesses should respect, protect and make efforts to restore the environment
P7	Businesses when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent
P8	Businesses should promote inclusive growth and equitable development
P9	Businesses should engage with and provide value to their consumers in a responsible manner

	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
Policy and management processes									
1. a.	Whether your entity's policy/ policies cover each principle and its core elements of the NGRBCs. (Yes/No)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
b.	Has the policy been approved by the Board? (Yes/No)	The policies are noted by the Board of Directors of the Company. Implementation of policy decision is carried out by the management.							
c.	Web link of the policies, if available	Policies which are internal to the Company are available on the intranet portal of the Company. Other policies are available on the website of the Company, www.vsthyd.com .							
2.	Whether the entity has translated the policy into procedures. (Yes / No)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3.	Do the enlisted policies extend to your value chain partners? (Yes/ No)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4.	Name the national and international codes/ certifications/ labels/standards (e.g., Forest Stewardship Council, Fairtrade, Rainforest Alliance, Trustea) standards (e.g., SA 8000, OHSAS, ISO, BIS) adopted by your entity and mapped to each principle.			ISO 45001 :2018			ISO 14001 :2015, Indian Green Building Council (IGBC) 'Gold Rating'		ISO 17025 :2017

5 & 6. Specific commitments, goals and targets set by the entity with defined timelines, if any.

Principles	Targets	Mandatory/ Voluntary	Performance of the entity against the specific commitments, goals, and targets along-with reasons in case the same are not met.
P2	30% of contracted farmers (for Talmari & Oriental crops) to use drip irrigation by 2030	Voluntary	On Track
P2	30% of crop protection agents used by contracted farmers to be biofertiliser/biochemicals based by 2030	Voluntary	On Track
P2	20% improvement in soil organic matter by 2030 through green manuring crops for better water holding capacity	Voluntary	On Track
P2	Farm Mechanisation: Implement mechanisation of field preparation and removal of stubbles for 100% of area under tobacco by 2030. Also, explore and implement mechanisation of other farm operations (harvesting & plantation) for at least 20% of tobacco area by 2030.	Voluntary	On Track
P2	100% Contracted farmers to be provided with CPA (Crop Protection Agent) boxes for safe storage	Voluntary	On Track
P3	100% Contracted farmers to be trained on use of agrochemicals and safe disposal	Voluntary	On Track
P3	Zero accident in own operations	Voluntary	On Track
P4	Promote an inclusive work environment by: Being an equal opportunity employer and provide equal opportunity to all employees based on merit and ability Provide inclusiveness training to management staff in order to promote a work environment free from discrimination, sexual harassment and undue biases in compensation, training and employee benefits based on caste, religion, disability, gender, sexual orientation, race, colour, ancestry, marital status or affiliation with a political, religious or union organisation or majority/minority group.	Voluntary	On Track
P4	Continue to invest in employee engagement and conduct the employee engagement survey at regular intervals to track for any course correction, track relevant KPIs for the workforce	Voluntary	On Track
P5	Child labour/forced labour: "We have zero tolerance towards child labour or forced labour. We shall continue to have adequate measures in place to identify and mitigate such risks within the leaf supply chain"	Voluntary	On Track
P5	Minimum wage for farm workers: "We shall continue to ensure minimum legal wage is provided to farm workers"	Voluntary	On Track
P5	80% Contracted farmers to be GMS (farm level data recording tool) compliant	Voluntary	On Track
P6	50% renewable energy in overall energy mix (provided favorable regulatory scenario exists) by 2030 (Baseline 2019-20)	Voluntary	On Track
P6	Aim to operate 100% of fleet (owned and third party) on electric vehicles by 2030 (Baseline 2019-20)	Voluntary	On Track
P6	Achieve carbon neutrality for VST's own operations by 2030 (scope 1+2 emissions)	Voluntary	On Track
P6	Rainwater Harvesting Potential equivalent to over 3 times the Net Water Consumption from own operations (Baseline 2019-20)	Voluntary	On Track
P6	95.6% utilisation of tobacco at Primary manufacturing	Voluntary	On Track
P6	100% of packaging to be reusable, recyclable, or biodegradable by 2030 (Baseline 2019-20)	Voluntary	On Track
P6	Achieve plastic neutrality through sustainable management of waste equivalent to the amount of plastic utilised in Packaging (Baseline 2019-20)	Voluntary	On Track

Principles	Targets	Mandatory/ Voluntary	Performance of the entity against the specific commitments, goals, and targets along-with reasons in case the same are not met.
P7	Continue to comply with applicable regulatory requirements	Voluntary	On Track

GOVERNANCE, LEADERSHIP AND OVERSIGHT

7. Statement by director responsible for the business responsibility report, highlighting ESG-related challenges, targets, and achievements (listed entity has flexibility regarding the placement of this disclosure)

"We are delighted to bring you our first BRSR in compliance with SEBI's guidelines adhering to NGRBC principles. We have been a socially and environmentally responsible organisation since our inception and have maintained high standard of ethics.

Our corporate governance framework firmly exemplifies our commitment to integrity and responsibility throughout our value chain. From the very beginning, we have pursued, built, and are committed to drive continual improvements in quality, environment, health and safety with the latest management system standards.

We are committed to upholding and respecting the human rights of our business partners across the value chain and encouraging diversity and inclusivity in our workplaces. Through our long journey we have been able to build strong mutual trust, transparent systems and developed long-term relationship with our stakeholders' group to accelerate sustainable development.

We have a clear vision, and a strategy for health and safety of our employees and have taken proactive approach to mitigate the challenges of health and safety for our employees. Our sustainability efforts have been recognised by various institutions which has resulted in getting 'Commendation Certificate' for Safety Innovation from the Institute of Engineers, New Delhi. Our systems and processes at both the operating units are certified with ISO standards such as ISO 14001:2015, ISO 45001:2018 for our environmental practice and safety practices respectively.

Our company demonstrates an excellent goodwill and equity with the tobacco farmers, strictly following fair business and sustainable farming practices. Through our CSR practices the Company has tried to make a difference to people's lives- by building of rural toilets, facilitating clean drinking water, equipping solar lights in villages and in rural schools. Going forward, we will

continue to implement such community upliftment projects and improve community livelihood.

8. Details of the highest authority responsible for oversight of the Business Responsibility policy(ies). Oversight of the Business Responsibility policy(ies).

1. Mr. Rajiv Gulati (Independent Non-Executive Director; DIN: 06820663) as the Chairman
2. Ms. Rama Bijapurkar, (Independent Non-Executive Director; DIN: 00001835)
3. Mr. Naresh Kumar Sethi, (Non-Executive Director; DIN: 08296486)
4. Mr. S. Thirumalai and (Non-Executive Director; DIN: 00011899)
5. Mr. Aditya Deb Gooptu (Managing Director & CEO; DIN: 07849104)

Implementation of Business Responsibility policy(ies).

Mr. Phani K Mangipudi, Company Secretary & Head - Legal & Secretarial

Telephone: +91 040 2768 8000, E-mail: phanimangipudi@vstind.com

9. Does the entity have a specified Committee of the Board/Director responsible for decision-making on sustainability related issues? (Yes / No). If yes, provide details.

Yes, the Board level Corporate Social Responsibility Committee is responsible for decision-making on CSR activities and overseeing Business Responsibility policy(ies). The following are the members of CSR committee of the Board.

1. Mr. Rajiv Gulati (Independent Non-Executive Director; DIN: 06820663) as the Chairman
2. Ms. Rama Bijapurkar, (Independent Non-Executive Director; DIN: 00001835)
3. Mr. Naresh Kumar Sethi, (Non-Executive Director; DIN: 08296486)
4. Mr. S. Thirumalai and (Non-Executive Director; DIN: 00011899)
5. Mr. Aditya Deb Gooptu (Managing Director & CEO; DIN: 07849104)

10. Details of Review of NGRBCs by the Company:

Subject for Review	Indicate whether review was undertaken by Director / Committee of the Board / Any other Committee								
	P1	P2	P3	P4	P5	P6	P7	P8	P9
Performance against above policies and follow-up action	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Compliance with statutory requirements of relevance to the principles, and rectification of any non-compliances	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

11. Has the entity carried out independent assessment/evaluation of the working of its policies by an external agency? (Yes/No). If yes, provide the name of the agency.

P1	P2	P3	P4	P5	P6	P7	P8	P9
We periodically conduct a comprehensive internal audit of our policies and evaluate and monitor any gaps found in the implementation of these policies.								

SECTION C: PRINCIPLE-WISE PERFORMANCE DISCLOSURE

PRINCIPLE 1: BUSINESSES SHOULD CONDUCT AND GOVERN THEMSELVES WITH INTEGRITY, AND IN A MANNER THAT IS ETHICAL, TRANSPARENT AND ACCOUNTABLE.

ESSENTIAL INDICATOR (Mandatory)

1. Percentage coverage by training and awareness programmes on any of the principles during the financial year.

Segment	Total number of training and awareness programmes held	Topics/principles covered under the training and its impact	% of persons in respective category covered by the awareness programmes
Board of Directors	1	Familiarization was provided on various topics related to regulatory changes comprising NGRBC principles, economic development, and other various market scenarios.	100%
Key Managerial Personnel (KMP)	1	ESG awareness programmes	100%
Employees other than Board of Directors or KMPs	1	EHS	10%
Workers	13		100%

2. Details of fines/penalties/punishment/award/compounding fees/settlement amount paid in proceedings (by the entity or by directors/KMPs) with regulators/law enforcement agencies/judicial institutions, in the financial year, in the following format (Note: The entity shall make disclosures on the basis of materiality as specified in Regulation 30 of SEBI (Listing Obligations and Disclosure Obligations) Regulations, 2015 and as disclosed on the entity's website):

During the reporting period there have been no instances of fines/penalties/punishment/award/compounding fees/settlement amount paid in proceedings with regulators/law enforcement agencies/judicial institutions

Monetary					
	Name of the regulatory / enforcement agencies / judicial institutions	NGRB Principle	Amount (₹)	Brief of the Case	Has an appeal been preferred? (Yes/No)
Penalty/Fine			Not applicable		
Settlement					
Compounding Fee					
Non-Monetary					
	Name of the regulatory / enforcement agencies / judicial institutions	NGRB Principle	Brief of the case	Has an appeal been preferred? (Yes/No)	
Imprisonment			Not applicable		
Punishment					

3. Of the instances disclosed in Question 2 above, details of the Appeal/Revision preferred in cases where monetary or non-monetary action has been appealed.

There have been no cases registered by the entity or by directors/KMPs which resulted in fines/penalties/punishment/award/compounding fees/settlement amount paid in proceedings with regulators/law enforcement agencies/judicial institutions, in the reporting year.

Case Details	Name of the regulatory/ enforcement agencies/ judicial institutions
Not Applicable	

4. Does the entity have an anti-corruption or anti-bribery policy? If yes, provide details in brief and if available, provide a web-link to the policy.

We do not have any standalone anti-corruption or anti-bribery policy. However, we adhere to the Code of Conduct and Ethics Policy which reflects the commitments made by us around ethics and integrity. This policy is adopted to set forth the basic standards of ethical behavior, detection & prevention of any wrongdoing and to outline the expectations from employees and Directors of the Company in this regard.

Link- <https://www.vsthyd.com/mainsite/documents/code-of-conduct-ethics-policy-and-guidelines-on-recruitment.pdf>

5. Number of Directors/KMPs/employees/workers against whom disciplinary action was taken by any law enforcement agency for the charges of bribery/corruption:

	FY 22	FY 21
Directors	-	-
KMPs	-	-
Employees	-	-

6. Details of complaints with regard to conflict of interest

	FY 22		FY 21	
	Number	Remarks	Number	Remarks
Number of complaints received in relation to issues of conflict of interest of directors	1	Closed	-	None
Number of complaints received in relation to issues of conflict of interest of KMPs	-	None	-	None

7. Provide details of any corrective action taken or under way on issues related to fines/penalties/ action taken by regulators/law enforcement agencies/judicial institutions, on cases of corruption and conflicts of interest.

There has been no fines/penalties/action taken by regulators/law enforcement agencies/judicial institutions, on cases of corruption and conflicts of interest.

The long-standing relations with the tobacco farming community has enabled us to spearhead our business growth for decades. We endeavor to provide farmers a sustainable livelihood by implementing good agricultural practices that improve crop yields and result in an environmental benefit.

In this journey we have deployed field technicians, who provide training and guidance on good agricultural practices encompassing soil management, water management, nutrient management, cropping techniques, integrated pest management and environment friendly curing practices.

Leadership Indicators (Voluntary)

1. Awareness programmes conducted for value chain partners on any of the principles during the financial year.

We proactively engage with our value chain partners to meet shared benefits through business relations. We collaborate with our suppliers in identifying new opportunities for improvement and educate retailers and wholesalers on the various regulatory restrictions as per COTPA guidelines on packaging and labeling, advertising, and promotion.

2. Does the entity have processes in place to avoid/ manage conflict of interests involving members of the board? (Yes/No) If yes, provide details of the same.

Yes. A policy on Related Party Transactions (RPT) and determination of Material RPT has been formulated and approved by the Board. Details of such policies

for dealing with RPT are disseminated on our website at www.vsthyd.com/i/VST_RPT_Policy1.pdf. There were no materially significant related party transactions between VST and the Directors, Promoters, Key Managerial Personnel, and other designated persons which may have a potential conflict with the interest of the company at large. We have obtained all Prior approval for all the related party transactions from the Audit Committee.

PRINCIPLE 2: BUSINESSES SHOULD PROVIDE GOODS AND SERVICES IN A MANNER THAT IS SUSTAINABLE AND SAFE

Essential Indicator (Mandatory)

1. Percentage of R&D and capital expenditure (capex) investments in specific technologies to improve the environmental and social impacts of product and processes to total R&D and capex investments made by the entity, respectively.

	FY 22	FY 21	Details of improvements in environmental and social impacts
R&D	0%	0%	R&D investments were made for developing product variants and improving the quality of existing products
Capex	9.5%	0%	<ul style="list-style-type: none"> Equipment purchases for converting boiler at Tobacco processing plant from Diesel to Piped Natural Gas (PNG). Solar Power Plant (Azamabad/Toopran)

2. Does the entity have procedures in place for sustainable sourcing? (Yes/No)

We have procedures in place for sustainable sourcing of tobacco leaves and stems. We maintain long term contracts with farmers (other than purchases on auction platforms maintained by Tobacco Board), requiring them to comply with the applicable labour laws as per the ALP (Agriculture Labour Practices) code and to practice good agricultural practices prescribed in the farmer handbook.

Field technicians are deployed to sensitise farmers on the requirements and provide necessary guidance on implementation of the good agricultural practices. We provide our field technicians with the GMS application to collect data and monitor progress of the farmer against the compliance checklist. The compliance checklist encompasses measures associated with:

- Seedbed management
- Agriculture Labour Practices (ALP)
- Transplanting
- Crop Protection Agents (CPA)
- Topping
- Curing
- Bulking
- Bailing and marketing

Some of the practices that testify the sustainability in our tobacco supply chain include:

- **Toxicity and Pollution Control:** Low tobacco specific nitrosamine (TSNA) is ensured through early purchase from farm and deraking tobacco leaves under natural conditions.

- **Pesticide usage:** VST ensures supply of Crop Protection Agents (CPAs), approved by the Central Insecticides Board and the Registration Committee, to the farmers. Farmers follow the guidelines on the recommended doses of individual CPAs prescribed in the Farmer Handbook. During procurement of tobacco leaves we undertake CPA residue analysis to ensure threshold limits are maintained.
- **Soil nutrient management:** Farmers practice crop rotation, multiple cropping, ploughing of the fields across the slope and addition of farmyard manure to enrich soil health.
- **Curing:** Majority of the farmers indulge in sun curing and the balance farmers undertake fire curing using crop residues such as tobacco stalks, maize husk, saw dust, sunflower head, ground nutshell and cotton stalks. Further we have increased the size of the barns which has improved fuel efficiency and reduced the period of curing.
- **Non-tobacco related material (NTRM) removal:** Bailing of tobacco is monitored by field staff. Bales identified to contain NTRM are rejected. Subsequently the bale is cleaned and purchased. Post purchases threshing is done in factories having NTRM Sorters.
- **Health and safety:** Prevention of Green tobacco sickness (GTS) is ensured through provision of Personal Protective Equipment (PPE) kits and access to water for sanitation and hygiene.
- **Human Rights:** Through implementation of the ALP code VST monitors and reviews the tobacco supply chain to prevent any form of discrimination, child labour, forced labour and ensures adherence to safe working conditions.

3. Describe the processes in place to safely reclaim your products for reusing, recycling and disposing at the end of life, for:

- (a) Plastics (including packaging),
- (b) E-waste,
- (c) Hazardous waste, and
- (d) other waste.

Yes, we have the processes in place to safely reclaim our products for reusing, recycling, and disposing at the end of life particularly related to E-waste, Plastics and Hazardous waste. We have partnered with SPCB approved vendors who are authorised recyclers.

4. Whether Extended Producer Responsibility (EPR) is applicable to the entity's activities (Yes / No). If yes, whether the waste collection plan is in line with the Extended Producer Responsibility (EPR) plan submitted to Pollution Control Boards? If not, provide steps taken to address the same.

Yes, Extended Producer Responsibility (EPR) is applicable to us. We have partnered with SPCB approved recycler for implementation of EPR plan.

Leadership Indicators (Voluntary)

1. Has the entity conducted Life Cycle Perspective/Assessments (LCA) for any of its products (for manufacturing industry) or for its services (for service industry)? If yes, provide details in the following format?

NIC Code	Name of Product /Service	% of total Turnover contributed	% of total Turnover contributed	Whether conducted by independent external agency (Yes/No)	Results communicated in public domain (Yes/No) If yes, provide the web-link.
Not Applicable					

2. If there are any significant social or environmental concerns and/or risks arising from production or disposal of your products / services, as identified in the Life Cycle Perspective/Assessments (LCA) or through any other means, briefly describe the same along with action taken to mitigate the same.

Name of Product / Service	Description of the risk / concern	Action Taken
Not Applicable		

3. Percentage of recycled or reused input material to total material (by value) used in production (for manufacturing industry) or providing services (for service industry).

Indicate input material	Recycled or re-used input material to total material	
	FY 22	FY 21
None	-	-

4. Reclaimed products and their packaging materials (as percentage of products sold) for each product category.

We employ processes that reclaim our packaging materials (particularly plastic waste) for safe disposal at the end of life. During FY 2021-22, we undertook plastic waste management programmes under the EPR guidelines for safely disposing all non MLP plastic waste categories. During the reporting period we have collected 173.33 MT of post-consumer plastic waste across 31 states and union territories in India. The collected waste was recycled subsequently in FY 2022-23 and hence the recycled quantity will be reported in FY 2022-23 BRSR.

	FY 22			FY 21		
	Re-Used	Recycled	Safely Disposed	Re-Used	Recycled	Safely Disposed
Plastics (including packaging)	0	0	173.33 MT	0	0	0

5. Reclaimed products and their packaging materials (as percentage of products sold) for each product category

Indicate Product category	Reclaimed products and their packaging materials as % of total products sold in respective category
Cigarettes	100%

PRINCIPLE 3: BUSINESSES SHOULD RESPECT AND PROMOTE THE WELL-BEING OF ALL EMPLOYEES, INCLUDING THOSE IN THEIR VALUE CHAINS

Essential Indicator (Mandatory)

1. a. Details of measures for the well-being of employees.

Category	% of employees covered by										
	Total (A)	Health insurance		Accident insurance		Maternity benefits		Paternity benefits		Day care facilities	
		No. (B)	% (B/A)	No. (C)	% (C/A)	No. (D)	% (D/A)	No. (E)	% (E/A)	No. (F)	% (F/A)
Permanent employees											
Male	352	352	100	352	100	-	-	-	-	-	-
Female	17	17	100	17	100	17	100	-	-	-	-
Total	369	369	100	369	100	17	100	-	-	-	-
Other than Permanent employees											
Male	-	-	-	-	-	-	-	-	-	-	-
Female	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-

b. Details of measures for the well-being of workers:

Category	% of workers covered by										
	Total (A)	Health insurance		Accident insurance		Maternity benefits		Paternity benefits		Day care facilities	
		No. (B)	% (B/A)	No. (C)	% (C/A)	No. (D)	% (D/A)	No. (E)	% (E/A)	No. (F)	% (F/A)
Permanent workers											
Male	404	404	100	404	100	-	-	-	-	-	-
Female	-	-	-	-	-	-	-	-	-	-	-
Total	404	404	100	404	100	-	-	-	-	-	-
Other than Permanent workers											
Male	-	-	-	-	-	-	-	-	-	-	-
Female	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-

2. Details of retirement benefits for the current and previous financial year

Benefits	FY 22			FY 21		
	No. of employees covered as a % of total employees	No. of workers covered as a % of total workers	Deducted and deposited with the authority (Y/N/N.A.)	No. of employees covered as a % of total employees	No. of workers covered as a % of total workers	Deducted and deposited with the authority (Y/N/N.A.)
PF	100	100	Y	100	100	Y
Gratuity	100	100	N	100	100	N
ESI	-	8	Y	-	1	Y
Others - NPS	62	-	Y	63	-	Y

3. Accessibility of workplaces Are the premises/offices accessible to differently abled employees as per the requirements of the Rights of Persons with Disabilities Act, 2016? If not, whether any steps are being taken by the entity in this regard.

We, at VST, promote an inclusive workplace to support employees from different culture and background of society meet. We strive towards providing an inclusive infrastructure that takes into consideration the demographics of our workforce.

4. Does the entity have an equal opportunity policy as per the Rights of Persons with Disabilities Act, 2016? If so, provide a web-link to the policy.

We do not have an equal opportunity policy as per the Rights of Persons with Disabilities Act, 2016. We recruit meritorious talent who are aligned to the Company's values and do not discriminate on the grounds of age, colour, disability, religion, caste, or sexual orientation. All employees are treated with respect and dignity and opportunities for development and career progression are based on performance, ability and potential consistent with business requirements. Individuals who feel have been unfairly treated and have been subjected to harassment, bullying, victimisation or discrimination of any form can raise the concern through the Whistleblower mechanism for a formal investigation of the concern.

5. Return to work and retention rates of permanent employees that took parental leave.

As VST, we promote a healthy and inclusive workplace. We provide our female employees with access to maternity benefits and ensure their financial and physical wellbeing. During the last two reporting period no female employee has availed maternity leaves.

6. Is there a mechanism available to receive and redress grievances for the Permanent and Non-permanent employees' categories of employees? If yes, give details of the mechanism in brief.

	Yes/No (If Yes, then give details of the mechanism in brief)
Permanent Workers	Yes, we have mechanism available to receive and redress grievances for the Permanent and Non-permanent employees' categories of employees. Employee feedback for workplace improvement helps in building trusted relations with the employees and ensures talent management through higher retention rates and less grievances that demand quick resolution. We also undertake employee satisfaction surveys every 3 years based on 6 major dimensions: positive work environment, trust in leadership, collaboration and communication, supportive management, meaningful work and growth opportunity.
Other than Permanent Workers	
Permanent Employees	
Other than Permanent Employees	

7. Membership of employees and worker in association(s) or Unions recognised by the listed entity:

Category	FY 22			FY 21		
	Total employees / workers in respective category (A)	No. of employees / workers in respective category, who are part of association(s) or Union (B)	% (B / A)	Total employees / workers in respective category (A)	No. of employees / workers in respective category, who are part of association(s) or Union (B)	% (B / A)
Total Permanent Employees	369	-	-	359	-	-
Male	352	-	-	345	-	-
Female	17	-	-	14	-	-
Total Permanent Workers	404	404	100	422	422	100
Male	404	404	100	422	422	100
Female	-	-	-	-	-	-

8. Details of training given to employees

Category	FY 22					FY 21				
	Total (A)	On Health and safety measures		On Skill upgradation		Total (D)	On Health and safety measures		On Skill upgradation	
		No. (B)	% (B/A)	No. (C)	% (C/A)		No. (E)	% (E/D)	No. (F)	% (F/D)
Employees										
Male	352	352	100	352	100	345	345	100	345	100
Female	17	17	100	17	100	14	14	100	14	100
Total	369	369	100	369	100	359	359	100	359	100
Workers										
Male	404	404	100	404	100	422	422	100	422	100
Female	-	-	-	-	-	-	-	-	-	-
Total	404	404	100	404	100	422	422	100	422	100

9. Details of performance and career development reviews of employees

Category	FY 22			FY 21		
	Total (A)	No. (B)	% (B/A)	Total (C)	No. (D)	% (D/C)
Employees						
Male	352	352	100	345	345	100
Female	17	17	100	14	14	100
Total	369	369	100	359	359	100
Workers						
Male	404	404	100	422	422	100
Female	-	-	-	-	-	-
Total	404	404	100	422	422	100

10. Health and safety management system:

- Whether an occupational health and safety management system has been implemented by the entity? (Yes/No). If yes, the coverage of such a system?
We have implemented ISO 45001:2018 occupational health and safety management system at our manufacturing units located at Azamabad and Toopran.
- What are the processes used to identify work-related hazards and assess risks on a routine and non-routine basis by the entity?
We undertake Hazard Identification and Risk Assessment (HIRA) on an annual basis and Job Safety Analysis for individual activities on a routine basis to identify work related hazards. We have developed control measures which are designed to mitigate the identified work-related hazards and record the same in the risk register.
- Whether you have processes for workers to report the work-related hazards and to remove themselves from such risks.
Yes. We have processes for workers to report the work-related hazards and to remove themselves from such risks. We encourage our workers to remove themselves from work in unsafe conditions and create awareness amongst other workers on the mechanisms to report near miss cases while bringing to the attention of the management on any unsafe conditions for investigation. We duly undertake subsequent implementation of corrective and preventive actions.
- Do the employees/workers of the entity have access to non-occupational medical and healthcare services?
Employees have access to first aid through the health care center available within the premises.

11. Details of safety-related incidents

Safety Incident/Number	Category	FY 22	FY 21
Lost Time Injury Frequency Rate (LTIFR) (per one million-person hours worked)	Employees	-	-
	Workers	-	-
Total recordable work-related injuries	Employees	-	-
	Workers	-	-
No. of fatalities (safety incident)	Employees	-	-
	Workers	-	-
High consequence work-related injury or ill-health (excluding fatalities)	Employees	-	-
	Workers	-	-

12. Describe the measures taken by the entity to ensure a safe and healthy workplace

We ensure safe and healthy workplace by:

- Implementing a robust emergency response plan in consideration of fire or explosion, electrical failures, chemical and fuel leakage; and conducting mock drills on quarterly basis
- Implementing safety guidelines to mitigate safety risks identified through job safety analysis

- Conducting internal safety audit as per IS 14489 on semiannual basis and external safety audit on biannual basis
- Quarterly reviewing of safety performance by the Board and top management
- Providing continuous training to employees and workers
- Undertaking periodic medical survey and medical checkups
- Inducing a safety culture by motivating and encouraging employees to provide suggestions to improving safety performance
- Upgrading and replacing of machinery with class IV machine guarding

13. Number of complaints on the following made by employees:

	FY 22			FY 21		
	Filed during the year	Pending resolution at the end of year	Remarks	Filed during the year	Pending resolution at the end of year	Remarks
Working conditions	-	-	None	-	-	None
Health and safety	-	-	None	-	-	None

14. Assessments for the year:

	% of your plants and offices that were assessed (by entity or statutory authorities or third parties)
Health and safety practices	100%
Working Conditions	100%

15. Provide details of any corrective action taken or underway to address safety-related incidents (if any) and on significant risks / concerns arising from assessments of health and safety practices and working conditions.

Not Applicable

Leadership Indicators (Voluntary)

1. Does the entity extend any life insurance or any compensatory package in the event of death of?

	(Y/N)
Employees	Y
Workers	Y

2. Provide the measures undertaken by the entity to ensure that statutory dues have been deducted and deposited by the value chain partners.

VST engage vendors who are 100% compliant based on the track record.

3. Provide the number of employees having suffered high consequence work-related injury / ill-health / fatalities (as reported in Q11 of Essential Indicators above), who have been rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment:

	Total no. of affected employees		No. of employees that are rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment	
	FY 22	FY 21	FY 22	FY21
Employees	-	-	-	-
Workers	-	-	-	-

4. Does the entity provide transition assistance programmes to facilitate continued employability and the management of career endings resulting from retirement or termination of employment? (Yes/No)

No

5. Details on assessment of value chain partners

	% of value chain partners (by value of business done with such partners) that were assessed
Health and safety practices	100%
Working conditions	100%

6. Provide details of any corrective actions taken or underway to address significant risks/concerns arising from assessments of health and safety practices and working conditions of value chain partners.

We currently undertake environmental and social assessment for our tobacco farmers, these assessments consider health & safety and working condition for the farming communities. One of the key risks in our tobacco value chain include exposure to Green Tobacco Sickness (GTS). We ensure risk is mitigated by regularly sensitising and monitoring the farmers on the use of PPE while and during the time of harvesting and stitching. Going forward we plan to come up with a comprehensive assessment framework for our value chain partners incorporating relevant ESG considerations including checks on health & safety and working conditions. We plan to undertake corrective action once risks/concerns are identified through these assessments.

PRINCIPLE 4: BUSINESSES SHOULD RESPECT THE INTERESTS OF AND BE RESPONSIVE TO ALL ITS STAKEHOLDERS

Essential Indicator (Mandatory)

1. Describe the processes for identifying key stakeholder groups of the entity.

We believe in shaping a robust relationship with our stakeholders. Our stakeholder's identification processes consist of relevance and influence they have in the growth of the company.

We firmly understand that our decisions can affect employees, suppliers, farmers, partners, shareholders, and communities. So, we seek to ensure that our stakeholders concerns are considered as we make business decisions. We receive various inputs from our wide stakeholders' group (ranging from individuals to policymakers) every year.

Stakeholders who have a fundamental impact on company's performance	Needs of the Company's stakeholders	Stakeholders relevance and influence	Mutually beneficial relationship
---	-------------------------------------	--------------------------------------	----------------------------------

The Company maps stakeholders' expectations as follows:

Key Stakeholders	Whether identified as Vulnerable & Marginalised Group (Yes/No)	Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website), Others	Frequency of engagement (Annually/Half Yearly/ Quarterly / Others - please specify)	Purpose and scope of engagement including key topics and concerns raised during such engagement
Investors & Shareholders	No	<ul style="list-style-type: none"> Emails Newspaper Advertisement Website Notice Board 	<ul style="list-style-type: none"> Quarterly Annually 	<ul style="list-style-type: none"> Company's quarterly and annual earnings, Company's plan for the next financial year New market development Regulatory procedures
Customers	No	<ul style="list-style-type: none"> Product labelling 	<ul style="list-style-type: none"> Ongoing activities 	<ul style="list-style-type: none"> Information as per COTPA guidelines
Farmers	Yes	<ul style="list-style-type: none"> Advertisement, Notice, Communications during procurement 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> Procurement Quality assessment Grievance redressal Contract and Payment terms

Key Stakeholders	Whether identified as Vulnerable & Marginalised Group (Yes/No)	Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website), Others	Frequency of engagement (Annually/Half Yearly/Quarterly / Others - please specify)	Purpose and scope of engagement including key topics and concerns raised during such engagement
Communities/ NGOs	Yes	<ul style="list-style-type: none"> Community Meetings Focused group discussion Grievance redressal 	Annually and on need basis	<ul style="list-style-type: none"> Grievances Feedback Program improvement sessions Capacity building
Employee	No	<ul style="list-style-type: none"> Employee forums Leadership forums Employee surveys Workplace platform 	<ul style="list-style-type: none"> Annually Need basis Ongoing 	<ul style="list-style-type: none"> Learning and development Well-being Grievance redressal Growth opportunities
Wholesalers	No	<ul style="list-style-type: none"> Emails Meetings 	On going	Product quality and availability
Suppliers	No	<ul style="list-style-type: none"> Vendor meetings Capacity building 	<ul style="list-style-type: none"> Annual Need-basis 	<ul style="list-style-type: none"> Quality Local procurement
Government and Regulators	No	<ul style="list-style-type: none"> Policy intervention Advocacy 	Need basis	<ul style="list-style-type: none"> Taxation Promotions Best practices

Leadership Indicators (Voluntary)

1. Provide the processes for consultation between stakeholders and the Board on economic, environmental, and social topics or if consultation is delegated, how is feedback from such consultations provided to the Board.

We have established a Corporate ESG Committee comprising of MD & CEO and ESG Lead (CS) having the role of planning of ESG strategy, overall performance review, and monitoring of operational direction. The Corporate ESG committee will provide feedback to the CSR committee on regular basis.

2. Whether stakeholder consultation is used to support the identification and management of environmental, and social topics (Yes / No). If so, provide details of instances as to how the inputs received from stakeholders on these topics were incorporated into policies and activities of the entity.

Yes. During the exercise of identifying material issues pertaining to the company, we consulted both internal and external stakeholders to identify issues with significant social or environmental impact for us. We also understood the stakeholder's point of view on these issues.

3. Provide details of instances of engagement with, and actions taken to, address the concerns of vulnerable/ marginalised stakeholder groups.

Towards upliftment of vulnerable and marginalised stakeholders, we have initiated support towards agriculture & horticulture development, water management & harvesting, training in farming techniques to the farmers etc.

We are also involved in various programs for the improvement of living conditions in tobacco growing areas. To further strengthen the social equity of the community, we sponsor initiatives like household toilets and solar street lighting to ensure higher standard of living of the farmers and their families.

PRINCIPLE 5: BUSINESSES SHOULD RESPECT AND PROMOTE HUMAN RIGHTS**Essential Indicators (Mandatory)****1. Employees who have been provided training on human rights issues and policy(ies)**

We recognise our fundamental responsibilities in respecting and protecting human rights and are committed to ensuring a diverse, inclusive and equitable work environment. Our approach towards maintaining a decent work environment and upholding the human rights of every individual involves strengthening our monitoring systems and systematic implementation of policies and procedures. Pursuant to our objectives for zero human rights violations we aim to make our employees conversant with the human rights principles and empower them to bring to our attention any acts of violation at our workplace through training.

2. Details of minimum wages paid to employees

Category	FY 22					FY 21				
	Total (A)	Equal to Minimum Wage		More than Minimum Wage		Total (D)	Equal to Minimum Wage		More than Minimum Wage	
		No. (B)	% (B/A)	No. (C)	% (C/A)		No. (E)	% (E/D)	No. (F)	% (F/D)
Employees										
Permanent	369	-	-	369	100	359	-	-	359	100
Male	352	-	-	352	100	345	-	-	345	100
Female	17	-	-	17	100	14	-	-	14	100
Other than Permanent	-	-	-	-	-	-	-	-	-	-
Male	-	-	-	-	-	-	-	-	-	-
Female	-	-	-	-	-	-	-	-	-	-
Workers										
Permanent	404	-	-	404	100	422	-	-	422	100
Male	404	-	-	404	100	422	-	-	422	100
Female	-	-	-	-	-	-	-	-	-	-
Other than Permanent										
Permanent	-	-	-	-	-	-	-	-	-	-
Male	-	-	-	-	-	-	-	-	-	-
Female	-	-	-	-	-	-	-	-	-	-

3. Details of remuneration/salary

Category	Male		Female	
	Number	Median remuneration/salary/wages of respective category in ₹	Number	Median remuneration/salary/wages of respective category in ₹
Board of Directors (BoD)	5	83,20,000	1	63,20,000
Key Managerial Personnel (other than BoD)	2	83,97,599	-	-
Employees other than BoD and KMP	349	9,55,324	17	10,56,898
Workers	404	10,20,844	-	-

4. Do you have a focal point (Individual/ Committee) responsible for addressing human rights impact or issues caused or contributed to by the business?

Our Audit Committee is responsible for review of employee concerns reported through the Whistle Blower mechanism. We empower employees to place their concerns pertaining to human rights violation including but not limited to harassment, victimisation, bullying and discrimination of any form for a formal investigation and satisfactory resolution of the grievance.

In the upstream, we ensure the tobacco supply chain follow ethical practices and abides by the human right requirements as prescribed in the ALP code. We have also deployed field technicians to continuously monitor farm holdings to identify human right violations. Human right violations identified are reported through the GMS application. Based upon the severity of the violation, we undertake appropriate action to resolve the concern.

5. Describe the internal mechanisms in place to redress grievances related to human rights issues

We have a Whistle Blower mechanism which empowers the complainant to bring to the attention of the management, any concerns related to human right violation without fear of punishment or unfair treatment by reporting at designated e-mail or contact details. The mechanism also provides employees and Directors direct access to the Chairperson of the Audit Committee in exceptional cases.

In the upstream, we ensure the tobacco supply chain follow ethical practices and abides by the human right requirements as prescribed in the ALP code. We have also deployed field technicians to continuously monitor farm holdings to identify human right violations. Human right violations identified are reported through the GMS application. Based upon the severity of the violation, we undertake appropriate action to resolve the concern.

6. Number of Complaints on the following made by employees and workers:

Category	FY 22			FY 21		
	Filed during the year	Pending resolution at the end of the year	Remarks	Filed during the year	Pending resolution at the end of the year	Remarks
Sexual Harassment	-	-	None	-	-	None
Discrimination at workplace	-	-	None	-	-	None
Child labour	-	-	None	-	-	None
Forced labour /Involuntary labour	-	-	None	-	-	None
Wages	-	-	None	-	-	None
Other human rights related issues	-	-	None	-	-	None

7. Mechanisms to prevent adverse consequences to the complainant in discrimination and harassment cases

Our Whistle Blower mechanism empowers the complainant to bring to the attention of the management, any concerns related to discrimination and harassment without fear of punishment or unfair treatment by reporting at designated e-mail or contact details.

8. Do human rights requirements form part of your business agreements and contracts? (Yes/No)

Yes, human right requirements are covered in business agreements and contracts with farmers through the Agriculture Labour Practices (ALP) Code. Through implementation of the ALP code, we monitor and review the tobacco supply chain to prevent any form of discrimination including child labour, forced labour, payment of minimum wages, as well as adherence to safe working conditions.

9. Assessments for the year

	% of offices that were assessed (by entity or statutory authorities or third parties)
Child labour	100%
Forced/involuntary labour	100%
Sexual harassment	100%
Discrimination at workplace	100%
Wages	100%
Others - please specify	100%

10. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 9 above.

We undertake appropriate measures and corrective actions as per prescribed law. We also continuously monitor on these aspects and keep check and balances in place.

Leadership Indicators (Voluntary)**1. Details of a business process being modified / introduced as a result of addressing human rights grievances/ complaints.**

There have been no significant changes in business processes during the reporting period.

2. Details of the scope and coverage of any human rights due diligence conducted.

Yes, human right due diligence is undertaken across the tobacco supply chain in accordance with the Agriculture Labour Practices (ALP) Code.

3. Is the premise/office of the entity accessible to differently abled visitors, as per the requirements of the Rights of Persons with Disabilities Act, 2016?

We at VST promote an inclusive workplace to support visitors and guests from different cultures and background. We strive towards providing an inclusive infrastructure that takes into consideration the demographics of people visiting our offices.

4. Details on assessment of value chain partners:

	% of value chain partners (by value of business done with such partners) that were assessed
Sexual harassment	100%
Discrimination at workplace	100%
Child labour	100%
Forced labour/Involuntary labour	100%
Wages	100%
Others – please specify	100%

5. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 4 above.

Based on the assessment done, there were no cases identified.

PRINCIPLE 6: BUSINESSES SHOULD RESPECT AND MAKE EFFORTS TO PROTECT AND RESTORE THE ENVIRONMENT**Essential Indicators (Mandatory)****1. Details of total energy consumption (in Joules or multiples) and energy intensity**

Parameter	FY 22	FY 21
	TJ	TJ
Total electricity consumption (A)	21.01 TJ	18.60 TJ
Total fuel consumption (B)	11.56 TJ	11.60TJ
Energy consumption through other sources (C)	None	None
Total energy consumption (A+B+C)	32.55 TJ	30.2 TJ
Energy intensity per rupee of turnover (Total energy consumption/ (per rupee of turnover)	2087.72 J/INR	2,050.39 J/INR
Energy intensity (optional) – the relevant metric may be selected by the entity (Per million cigarettes)	4.80 GJ/Million Cigarettes	4.71 GJMillion Cigarettes

Note: Indicate if any independent assessment/evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

We are in process of carrying out the independent assessment/evaluation/assurance by an external agency.

2. Does the entity have any sites / facilities identified as designated consumers (DCs) under the Performance, Achieve and Trade (PAT) Scheme of the Government of India? (Y/N) If yes, disclose whether targets set under the PAT scheme have been achieved. In case targets have not been achieved, provide the remedial action taken, if any.

No.

3. Provide details of the following disclosures related to water.

Parameter	FY 22	FY 21
	TJ	TJ
Water withdrawal by source (in kiloliters)		
(i) Surface water	-	-
(ii) Groundwater	25,905 KL	26,996 KL
(iii) Third party water	926 KL	1,091 KL
(iv) Seawater/ desalinated water	-	-
(v) Others	-	-
Total volume of water withdrawal (in kilolitres) (i + ii + iii + iv + v)	26,831 KL	28,087 KL
Total volume of water consumption (in kilolitres)	26,996 KL	27,005 KL
Water intensity per rupee of turnover (Water consumed / turnover)	1.73 cum/INR	1.83 cum/INR
Water intensity (optional) - the relevant metric may be selected by the entity (Per million cigarettes)	4 KL/ Million Cigarettes	4.21 KL/ Million Cigarettes

4. Has the entity implemented a mechanism for Zero Liquid Discharge? If yes, provide details of its coverage and implementation.

Yes, both the manufacturing units of the company have implemented mechanism for Zero Liquid Discharge. The treated wastewater from the effluent treatment plant is utilised for landscaping purposes.

5. Please provide details of air emissions (other than GHG emissions) by the entity.

Parameter	Please specify unit	FY 22	FY 21
		NOx	tonnes
SOx	tonnes	28.68	28.38
Particulate matter (PM)	tonnes	6.72	5.88
Persistent organic pollutants (POP)	tonnes	-	-
Volatile organic compounds (VOC)	tonnes	-	-
Hazardous air pollutants (HAP)	tonnes	-	-
Others - please specify	tonnes	-	-

6. Provide details of greenhouse gas emissions (Scope 1 and Scope 2 emissions) & its intensity

Parameter	FY 22	FY 21
Total Scope 1 emissions -Metric tonnes of CO2 equivalent (Break-up of the GHG into CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, if available)	761.52 tCO2e	866 tCO2e
Total Scope 2 emissions -Metric tonnes of CO2 equivalent (Break-up of the GHG into CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, if available)	4,992.18 tCO2e	4,693 tCO2e
Total Scope 1 and Scope 2 emissions (per rupee of turnover) tCO2e	0.037 tCO2e Lakhs	0.038 tCO2e/ Lakhs
Total Scope 1 and Scope 2 emission intensity (optional) - the relevant metric may be selected by the entity (Per million cigarettes)	0.85 tCO2e/ Million Cigarettes	0.86 tCO2e/ Million Cigarettes

7. Does the entity have any project related to reducing Green House Gas emission? If yes, then provide details.

Yes, we have undertaken projects on GHG reduction. The projects are mentioned below:

1. Onsite installation of solar rooftop at corporate office and two manufacturing units
2. Migrating to cleaner fuel - HSD to PNG for boiler operations at Toopran manufacturing unit
3. Continuous improvement in energy efficiency

8. Provide details related to waste management by the entity, in the following format:

Parameter	FY 22 (In MT)	FY 21 (In MT)
Plastic waste (A)	38.93	39.70
E-waste (B)	-	-
Bio-medical waste (C)	0.16	0.13
Construction and demolition waste (D)	-	-
Battery waste (E)	1.36	1.48
Radioactive waste (F)	-	-
Other Hazardous waste. Please specify, if any. (G)	-	-
Other Non-hazardous waste generated (H). Please specify, if any. (Break-up by composition i.e., by materials relevant to the sector)	-	-
Total (A+B + C + D + E + F + G + H)	40.45	41.31
For each category of waste generated, total waste recovered through recycling, re-using or other recovery operations (in metric tonnes)		
Category of waste		
(i) Recycle	155.56	-
(ii) Re-used	-	-
(iii) Other recovery operations	-	-
Total	-	-
For each category of waste generated, total waste disposed by nature of disposal method (in metric tonnes)		
(i) Incineration	-	-
(ii) Landfilling	-	-
(iii) Other disposal operations	-	-
Total	-	-

Indicate if any independent assessment/evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

We are in the process of carrying out the independent assessment/evaluation/assurance by an external agency.

9. Briefly describe the waste management practices adopted in your establishments. Describe the strategy adopted by your company to reduce usage of hazardous and toxic chemicals in your products and processes and the practices adopted to manage such wastes.

Our environment management practices emphasise on conservation of natural resources and efficient waste management procedures. We continuously monitor for any hazardous wastes in our manufacturing units and have built processes to manage the wastes within the permissible limit as laid down by the regulators.

10. If the entity has operations/offices in/around ecologically sensitive areas (such as national parks, wildlife sanctuaries, biosphere reserves, wetlands, biodiversity hotspots, forests, coastal regulation zones etc.) where environmental approvals/clearances are required, please specify details in the following format:

The operations /offices are not in/around ecologically sensitive areas. However, we have obtained No Objection Certificate (NOC) issued by the pollution board and acquired consent to operate (CTO) from the department and get the same reviewed periodically.

S. No.	Location of operations/offices	Type of operations	Whether the conditions of environmental approval / clearance are being complied with? (Y/N) If no, the reasons thereof and corrective action taken, if any.
			Not Applicable

11. Details of environmental impact assessments of projects undertaken by the entity based on applicable laws, in the current financial year:

Name and brief details of project	EIA Notification No.	Date	Whether conducted by independent external agency (Yes / No)	Results communicated in public domain (Yes / No)	Relevant Web link
Not applicable. We are not required to conduct EIA as we fall under orange category					

12. Is the entity compliant with the applicable environmental law/regulations/guidelines in India, such as the Water (Prevention and Control of Pollution) Act, Air (Prevention and Control of Pollution) Act, and Environment Protection Act and Rules thereunder (Y/N). If not, provide details of all such non-compliances.

Yes, we are compliant with the applicable environmental law/regulations/guidelines in India, such as the Water (Prevention and Control of Pollution) Act, Air (Prevention and Control of Pollution) Act, and Environment Protection Act and Rules thereunder. We adhere to the mechanism of state pollution control board on controlling pollution by optimising our production by improving technologies. We have obtained Consent to Establish and Consent to Operate as per Water Act Air Act, EPA etc. The CTO is renewed on periodic basis.

S. No.	Specify the law / regulation / guidelines which was not complied with	Provide details of the non-compliance	Any fines / penalties /action taken by regulatory agencies such as pollution control boards or by courts	Corrective action taken, if any
Not applicable. We are not required to conduct EIA as we fall under orange category				

Leadership Indicator (Voluntary)

1. Provide break-up of the total energy consumed (in Joules or multiples) from renewable and non-renewable sources, in the following format:

Parameter	FY 22	FY 21
From renewable sources		
Total electricity consumption (A)	1.25 TJ	-
Total fuel consumption (B)	-	-
Energy consumption through other sources (C)	-	-
Total energy consumed from renewable sources (A+B+C)	1.25 TJ	
From non-renewable sources		
Total electricity consumption (D)	19.75 TJ	18.6 TJ
Total fuel consumption (E)	11.56 TJ	11.6 TJ
Energy consumption through other sources (F)	0	0

Note: Indicate if any independent assessment/evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

We are in process of carrying out the independent assessment/evaluation/assurance by an external agency.

2. Provide the following details related to water discharged:

Our plants at both the locations have installed Zero Liquid which remove all the liquid waste from a system. The system helps us in reducing wastewater economically and produce clean water that is suitable for reuse. We reuse this water for the gardening purpose.

Parameter	FY 22	FY 21
Water discharge by destination and level of treatment (in kiloliters)		
(i) To Surface water		
• No treatment	-	-
• With treatment – please specify level of treatment	-	-
(ii) To Groundwater		
• No treatment	-	-
• With treatment – please specify level of treatment	-	-
(iii) To Seawater		
• No treatment	-	-
• With treatment – please specify level of treatment	-	-
(iv) Sent to third parties		
• No treatment	-	-
• With treatment – please specify level of treatment	-	-
(v) Others		
• No treatment	-	-
• With treatment – please specify level of treatment	-	-
Total water discharged (in kilolitres)	-	-

Note: Indicate if any independent assessment/evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

We are in process of carrying out the independent assessment/evaluation/assurance by an external agency.

3. Water withdrawal, consumption, and discharge in areas of water stress (in kilolitres):

For each facility / plant located in areas of water stress, provide the following information:

- i. Name of the area
- ii. Nature of operations
- iii. Water withdrawal, consumption, and discharge in the following format

No, our factories are not located in the water stress areas. Being an environmental stewardship company, we have installed Zero Liquid which remove all the liquid waste from a system. The system helps us in reducing wastewater economically and produce clean water that is suitable for reuse. We reuse this water for the gardening purpose.

4. Please provide details of total Scope 3 emissions & its intensity, in the following format:

We are developing appropriate Data Management Systems to collect relevant data of Scope 3 emissions across our value chain.

Note: Indicate if any independent assessment/evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency

Not applicable

5. With respect to the ecologically sensitive areas reported at Question 10 of Essential Indicators above, provide details of significant direct & indirect impact of the entity on biodiversity in such areas along with prevention and remediation activities.

Not applicable

6. If the entity has undertaken any specific initiatives or used innovative technology or solutions to improve resource efficiency, or reduce impact due to emissions / effluent discharge / waste generated, please provide details of the same as well as outcome of such initiatives, as per the following format:

S. No.	Initiative undertaken	Details of the initiative (Web-link, if any, may be provided along with summary)	Outcome of the initiative
1.	Boiler Fuel conversion from HSD to PNG	Yes, we have identified sustainability project for conversion of fuel HSD to PNG for our boiler operations in Toopran unit.	Annual savings of ₹ 60.0 Lakhs
2.	Installation of LED lighting	LED lighting installation across both the units.	Annual savings of ₹ 1.50 Lakhs
3.	Biodegradable BOPP Film	100% of Biodegradable BOPP film is used in our packaging of the products.	<ul style="list-style-type: none"> • Overcoming challenges of recycling and sustainability • Better environmental management at the value chain
4.	Zero Liquid discharge	Being an environmental stewardship company, we have installed Zero Liquid which remove all the liquid waste from a system. The system helps us in reducing wastewater economically and produce clean water that is suitable for reuse. We reuse this water for the gardening purpose.	<ul style="list-style-type: none"> • Decrease in waste volumes hence, cost associated with waste management. • Recycled water on site, lowering water acquisition costs and risk.

7. Does the entity have a business continuity and disaster management plan? Give details in 100 words/web-link.

The Company is committed to implement and maintain robust Business Continuity Management Systems (BCMS) for ensuring resilient business operations.

To fulfill this commitment, we have established a holistic business continuity management system that identifies potential threats which may disrupt our operations and develop effective responses to minimize their impacts. This BCMS is fully aligned and integrated into our operations and processes across the organisation including technological capabilities.

This ensures quick recovery of business operations after a disruption to minimize the impact on business, our customers, protect the interests of all our stakeholders, safeguard our brand image and reputation.

Our endeavor is to develop, implement, exercise and maintain Business Continuity Plans for critical business operations to ensure they can continue to operate with acceptable levels of disruption. We are also working on providing business continuity awareness to all employees and interested parties through trainings and consultations.

The effectiveness of the BCMS will be reviewed on a regular basis to ensure continual improvement and to embed business continuity culture in the Company.

8. Disclose any significant adverse impact to the environment, arising from the value chain of the entity. What mitigation or adaptation measures have been taken by the entity in this regard?

Our tobacco supply chain is required to comply with stringent audit procedures specified under the Sustainable Tobacco Programme. Our contracts with the farmers are in alignment with the standards. We closely monitor compliance of our contract, through a team of field technicians. The field technicians are equipped with the GMS application that records the farmers' progress against the contractual requirements and audit standard. Key environmental risks in our tobacco value chain along with their risk mitigation strategy are elaborated below.

- I. Waste management-** Tobacco cultivation requires high volumes of agrochemical usage. The containers of agrochemicals are hazardous in nature; hence it is essential to responsibly dispose the waste. Our contracts specify guidelines on safe disposal of the containers. Upon emptying a container, the farmer is required to rinse the container three times and pour the liquid into the spray tank, following which the container is to be punctured to prevent re-use. Finally, the empty container is required to be disposed/recycled in accordance with the manufacturer's label recommendations and/or national regulations.
- II. Water management-** A portion of farmers supporting the Company are dependent on irrigation facilities for cultivation of the tobacco crop. We have developed plans to mitigate this risk by creating access to micro sprinklers and drip irrigation facilities to optimise water consumption and increasing water holding capacity of the soil through green manuring.
- III. Climate change-** Globally most farmers prefer curing of tobacco leaves through flue curing process which requires large scale deforestation for firewood. Majority of the farmers in our supply chain undertake sun curing, hence the risk of biodiversity loss is less. However, for the portion of farmers undertaking flue curing, we are mitigating the risk by ensuring farmers utilise agricultural waste such as tobacco stalks, maize husk, saw dust, sunflower head, groundnut shell and cotton stalks as a substitute to firewood.

9. Percentage of value chain partners (by value of business done with such partners) that were assessed for environmental impacts.

10.32% of our value chain members which comprises the contract farmers are assessed on the basis of environmental criteria at an ongoing basis.

PRINCIPLE 7: BUSINESSES, WHEN ENGAGING IN INFLUENCING PUBLIC AND REGULATORY POLICY, SHOULD DO SO IN A MANNER THAT IS RESPONSIBLE AND TRANSPARENT

Essential Indicators (Mandatory)

1. a. Number of affiliations with trade and industry chambers/associations- 4

b. List the top 10 trade and industry chambers/associations (determined based on the total members of such a body) the entity is a member of/affiliated to.

S. No.	Name of the trade and industry chambers/ associations	Reach of trade and industry chambers/ associations (State/National)
1.	All India Management Association	National
2.	Telangana and Andhra Pradesh Chambers of Commerce and Industry	State
3.	Confederation of Indian Industry	National
4.	Tobacco Institute of India	National

2. Provide details of corrective action taken or underway on any issues related to anti-competitive conduct by the entity, based on adverse orders from regulatory authorities.

The Company has not engaged in any anti-competitive conduct.

Leadership Indicators (Voluntary)

1. Details of public policy positions advocated by the entity:

S. No.	Public policy advocated	Method resorted for such advocacy	Whether information available in public domain? (Yes/No)	Frequency of Review by Board (Annually/ Half yearly/ Quarterly / Others - please specify)	Web Link, if available
1.	The Company pursues a Policy of interaction with the relevant regulatory authorities on issues pertaining to its Industry.	The Company works with industry level associations which are governed by values of trust and commitment in the interest of all relevant stakeholders	Information under this head forms part of the Report of the Board Of Directors & Management Discussion Analysis for the year ending 31 st March, 2022.	-	Annual Report 2021-22, Pg 47 VST-AR-2021-22. pdf (vsthyd.com)

PRINCIPLE 8: BUSINESSES SHOULD PROMOTE INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT

Essential Indicators (Mandatory)

1. Details of Social Impact Assessments (SIA) of projects undertaken by the entity based on applicable laws, in the current financial year.

There has been no Social Impact Assessments (SIA) of projects undertaken in compliance with laws such as the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 as these are not applicable to us.

Name and brief details of project	SIA Notification No.	Date of notification	Whether conducted by independent external agency (Yes / No)	Results communicated in public domain (Yes / No)	Relevant Web link
Not Applicable					

2. Provide information on project(s) for which ongoing Rehabilitation and Resettlement (R&R) is being undertaken by your entity.

S. No.	Name of Project for which R&R is ongoing	State	District	No. of Project Affected Families (PAFs)	% of PAFs covered by R&R	Amounts paid to PAFs in the FY (In INR)
Not Applicable						

3. Describe the mechanisms to receive and redress grievances of the community.

We regularly engage with the communities in which our business operates and collaboratively design interventions to address their concerns. We also carry out annual need assessment studies to identify societal needs of target groups. We prioritise the requirements and allocate funds for the various social interventions in alignment with the CSR policy.

4. Percentage of input material (inputs to total inputs by value) sourced from suppliers.

	FY 22	FY 21
Directly sourced from MSMEs/ small producers	1.29%	1.32%
Sourced directly from within the district and neighboring districts	7.01%	6.40%

Leadership Indicators (Voluntary)**1. Provide details of actions taken to mitigate any negative social impacts identified in the Social Impact Assessments (Reference: Question 1 of Essential Indicators above):**

Details of negative social impact identified	Corrective action taken
Not Applicable	

2. Provide the following information on CSR projects undertaken by your entity in designated aspirational districts as identified by government bodies:

Our CSR programmes are not located in any aspirational districts.

S. No.	State	Aspirational District	Amount spent (In INR)
Not Applicable			

3. (a) Do you have a preferential procurement policy where you give preference to purchase from suppliers comprising marginalised/vulnerable groups? (Yes/No)

No

(b) From which marginalised / vulnerable groups do you procure?

None

(c) What percentage of total procurement (by value) does it constitute?

0%

4. Details of the benefits derived and shared from the intellectual properties owned or acquired by your entity (in the current financial year), based on traditional knowledge.

We have not engaged with any entity during the reporting period for deriving or sharing any benefits from the intellectual properties owned and acquired by us.

S. No.	Intellectual Property based on traditional knowledge	Owned/ Acquired (Yes/No)	Benefit shared (Yes / No)	Basis of calculating benefit share
Not applicable				

5. Details of corrective actions taken or underway, based on any adverse order in intellectual property related disputes wherein usage of traditional knowledge is involved.

Name of authority	Brief of the Case	Brief of the Case
Not applicable		

6. Details of beneficiaries of CSR Projects

S. No.	CSR Project	No. of persons benefited from CSR projects	% of beneficiaries from vulnerable and marginalised groups
1	Swachh Ghar Mission	We undertake various CSR programs in collaboration with NGO partners throughout the year. We currently monitor our programs through the due diligence of earmarked funds and engaging with the community to understand the benefit of our interventions. In the upcoming years we will strengthen our monitoring mechanism to measure our impact basis the number of lives impacted. We affirm that all our beneficiaries are from the vulnerable and marginalised group.	100%
2	VST cares-		100%
3	Installation of streetlights		100%
4	Supporting upgradation of School infrastructure - 'Project Gyandeeep'		100%

PRINCIPLE 9: BUSINESSES SHOULD ENGAGE WITH AND PROVIDE VALUE TO THEIR CONSUMERS IN A RESPONSIBLE MANNER

Essential Indicators (Mandatory)

1. Describe the mechanisms in place to receive and respond to consumer complaints and feedback.

We have a well-established consumer grievance handling system. We have put up a toll-free number, accessible on the product label as well as on the VST website through which consumers can register their complaints. The registered complaints are checked by the grievance redressal executive and based on the nature of the complaint if any, concerned department is assigned for quick resolution.

2. Turnover of products and/services as a percentage of turnover from all products/service that carry information about:

Products of the Company contain all relevant information as required under applicable laws.

3. Number of consumer complaints in respect of the following:

Category	FY 22			FY 21		
	Received during the year	Pending resolution at end of year	Remarks	Received during the year	Pending resolution at end of year	Remarks
Data privacy	-	-	None	-	-	None
Advertising	-	-	None	-	-	None
Cyber-security	-	-	None	-	-	None
Restrictive Trade Practices	-	-	None	-	-	None
Unfair Trade Practices	-	-	None	-	-	None
Others	-	-	None	-	-	None

	Number	Reasons for recall
Voluntary recalls	-	Not applicable
Forced recalls	-	Not applicable

5. Does the entity have a framework/policy on cyber security and risks related to data privacy? (Yes/No) If available, provide a web-link of the policy.

We have framework/policy on cyber security and risks covered under data privacy. We firmly understand the loss or misuse of sensitive information, or its disclosure to outsiders, including competitors and trading partners, could potentially have a significant adverse impact on our business operations and potentially cause legal challenges in both monetary and non-monetary terms. Considering these potential impacts on us, we have put in place information technology policies and procedures which are reviewed periodically. We also have established information technology controls like data backup mechanism, disaster recovery center, authorisation verification, etc. to protect the system.

6. Provide details of any corrective actions taken or underway on issues relating to advertising, and delivery of essential services; cyber security and data privacy of customers; re-occurrence of instances of product recalls; penalty / action taken by regulatory authorities on safety of products / services.

No cases were raised during the reporting year and hence no corrective actions were taken.

Leadership Indicators (Voluntary)

1. Channels / platforms where information on products and services of the entity can be accessed (provide web link, if available).

We ensure our product packaging and labelling are in accordance with the Cigarettes and other Tobacco Products (prohibition of advertisement and regulation of trade and commerce, production, supply and distribution) Act, 2003 (COTPA). Our labelling on the products carry information on the product's characteristics including health impacts, traceability of product batch.

2. Steps taken to inform and educate consumers about safe and responsible usage of products and/or services.

Our products carry information on the product's characteristics including health impacts, in strict adherence to COTPA Regulations.

3. Mechanisms in place to inform consumers of any risk of disruption/discontinuation of essential services.

As Tobacco and cigarette products are not essential to consumers, hence there is no mandate to communicate any risk due to disruption/discontinuation of essential services to our consumers.

4. Does the entity display product information on the product over and above what is mandated as per local laws? (Yes/No/Not Applicable) If yes, provide details in brief. Did your entity carry out any survey with regard to consumer satisfaction relating to the major products / services of the entity, significant locations of operation of the entity or the entity as a whole? (Yes/No)

We do not display product information over and above that is provided under applicable acts and regulations however we ensure product packaging and labelling are in accordance with the COTPA Regulations.

5. Provide the following information relating to data breaches:

- a. Number of instances of data breaches along-with impact
- b. Percentage of data breaches involving personally identifiable information of customers

There were no instances of data breach observed during the reporting year.

Independent Auditors' Report

To the Members of VST Industries Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS OPINION

We have audited the financial statements of VST Industries Limited ("the Company"), which comprise the balance sheet as at 31st March 2022, and the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information [in which are included financial information from VST ESOP Trust ("Trust")].

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March 2022, and its profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

BASIS FOR OPINION

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our opinion on the financial statements.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

DESCRIPTION OF KEY AUDIT MATTER

The Key Audit matter	How the matter was addressed in our audit
<p>Litigations related to taxation and other claims</p> <p>Refer Note 6, 17 and Note 25 to financial statements and "significant & material orders passed by the regulators or courts or tribunals" section in the Reports of the Board of Directors & Management Discussion and Analysis.</p> <p>The Company is subjected to a large number of central and state tax litigations/proceedings and other claims pending before various judicial forums, which could have a significant impact on the results depending upon the outcome of the matter.</p> <p>The amounts involved are significant, and the application of accounting standards to determine the amount, if any, to be provided as a liability or disclosed as a contingent liability, is inherently subjective.</p> <p>The Company regularly updates and assesses its legal positions with the use of internal and external legal experts.</p> <p>We considered the tax related litigations and other claims a key audit matter, given the size, complexity and number of cases pending and contingency related to other claims.</p>	<p>In view of the significance of the matter we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence :</p> <ul style="list-style-type: none"> • We understood the Company's process around the evaluation and continuous re-assessment of tax related liabilities, accounting policy thereof and other claims. • Assessed the appropriateness of design and implementation of the Company's key controls over assessment of litigations and appropriateness of disclosures. • Performed substantive procedures on the underlying calculations supporting the liabilities recorded. • Assessed the management's conclusion through understanding relevant judicial precedents in similar cases and the applicable rules and regulations. • Engaged subject matter specialists to gain an understanding of the current status of litigation and developments in the disputes, if any, through discussion with the management and by reading external advice received by the Company, where relevant, to validate management 's conclusion. • Assessed the adequacy of the Company's disclosures in the financial statements made in relation to tax litigations and other claims.

The Key Audit matter	How the matter was addressed in our audit
<p>Revenue Recognition</p> <p>Refer to Note 1 - Significant Accounting Policies to the financial statements.</p> <p>Revenue from sale of goods is recognized when effective control over goods is transferred to a customer as per the terms of the contract. This is usually evidenced by a transfer of all of the significant risks and rewards of ownership upon delivery of goods to the customer, which in terms of timing is not materially different to the date of shipping.</p> <p>Revenue is measured at contracted price after deduction of any trade discount, trade incentive and other similar discounts and any taxes or duties collected on behalf of the Government which are levied on sales such as Goods and Services Tax etc.</p> <p>We considered Revenue Recognition as a key audit matter because :</p> <p>Revenue is a key performance indicator of the Company. Accordingly, there could be pressure to meet the expectation of investors/other stakeholders. We have considered that there is a risk of fraud related to revenue being overstated by recognition in the wrong period or before control has passed.</p>	<p>In view of the significance of the matter we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence :</p> <ul style="list-style-type: none"> • Evaluated the appropriateness of the Company's revenue recognition accounting policies and compliance with the applicable accounting standards. • Tested the design, implementation and operating effectiveness of the Company's key controls including IT controls over measurement and recognition of revenue in accordance with customer contracts. • Performed substantive testing (including period end cut off testing) on selected samples of revenue transactions, recorded during the year by testing the underlying documents, which includes sales contract and shipping documents/customer acceptance to test evidence for transfer of control. • Assessed the overall trade discounts/ trade incentive issued in the current year in comparison with previous year. • Assessed the adequacy of accrual made as at year end toward trade incentive schemes. • Other audit procedures specifically designed to address risk of Management override of controls including journal entry testing. • Assessed the adequacy of the Company's disclosures in the financial statements.

OTHER INFORMATION

The Company's Management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditors' report thereon. The Company's annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

MANAGEMENT'S AND BOARD OF DIRECTORS'/ BOARD OF TRUSTEES' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Company's Management and Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income,

changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act. The respective Management and Board of Directors of the Company/Board of Trustees of the Trust are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company/Trust and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management and Board of Directors/Board of Trustees are responsible for assessing the ability of the Company/Trust to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors/Board of Trustees either intends to liquidate the Company/Trust or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors/Board of Trustees are also responsible for overseeing the financial reporting process of Company/Trust.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3) (i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management and Board of Directors.
- Conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting in preparation of financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditors' Report) Order, 2020 ("the Order") issued by the Central Government of India in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. (A) As required by Section 143(3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c) The balance sheet, the statement of profit and loss (including other comprehensive income), the statement of changes in equity and the statement of cash flows dealt with by this Report are in agreement with the books of account.

- d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act.
- e) On the basis of the written representations received from the directors as on 31st March 2022 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2022 from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
- (B) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- a) The Company has disclosed the impact of pending litigations as at 31st March 2022 on its financial position in its financial statements - Refer Note 6, 17 and 25 to the financial statements.
- b) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- c) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
- d) i. The Management has represented that, to the best of its knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other persons or entities, including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall :
- directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever
- ii. the Management has represented, that, to the best of its knowledge and belief, no funds have been received by the Company from any persons or entities, including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall :
- provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries.
 - directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever ("Ultimate Beneficiaries") by or on behalf of the Funding Party or
 - provide any guarantee, security or the like From or on behalf of the Ultimate Beneficiaries.
- iii. Based on such audit procedures as considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (d)(i) and (d)(ii) contain any material misstatement.
- e) the dividend declared or paid during the year by the Company is in compliance with Section 123 of the Act.
- (C) With respect to the matter to be included in the auditors report under Section 197(16) of the Act :
- In our opinion and according to the information and explanations given to us, the remuneration paid by the Company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) of the Act which are required to be commented upon by us.

for **B S R & Associates LLP**
Chartered Accountants

Firm's Registration Number: 116231W/ W-100024

Arpan Jain
Partner

Place: Hyderabad
Date: 26th April 2022

Membership Number: 125710
UDIN: 22125710AHUHIQ1310

Annexure A to the Independent Auditors' report on the financial statement of VST Industries Limited for the year ended 31st March 2022

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

To the best of our information and according to the explanations provided to us by the Company and the books of account and records examined by us in the normal course of audit, we state that:

- i. (a) (A) The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment;
- (B) The Company has maintained proper records showing full particulars of intangible assets.
- (b) The Company has a regular programme of physical verification of its Property, Plant and Equipment by which all property, plant and equipment are verified in a phased manner over a period of three years. In accordance with this Programme, certain property, plant and equipment were verified during the year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) The title deeds of immovable properties (other than immovable properties where the Company is the lessee and the leases agreements are duly executed in favour of the lessee) disclosed in the financial statements are held in the name of the Company. Refer Note 2A of the financial statements.
- (d) The Company has not revalued its Property, Plant and Equipment or intangible assets or both during the year.
- (e) There are no proceedings initiated or pending against the Company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 and rules made thereunder.
- ii. (a) The inventory has been physically verified by the Management during the year. In our opinion, the frequency of such verification is reasonable and procedures and coverage as followed by management were appropriate.

No discrepancies were noticed on verification between the physical stocks and the book records that were more than 10% in the aggregate of each class of inventory.

- (b) The Company has not been sanctioned any working capital limits in excess of five crores rupees in aggregate from banks and financial institutions on the basis of security of current assets at any point of time of the year. Accordingly, clause 3(ii)(b) of the Order is not applicable to the Company.
- iii. The Company has not made any investments, provided guarantee or security, secured or unsecured to companies, firms, limited liability partnership or any other parties during the year. The Company has granted loans and advances in the nature of loans, secured or unsecured to other parties in respect of which the requisite information is as below :
 - (a) Based on the audit procedures carried on by us and as per the information and explanations given to us the Company has provided loans or provided advances in the nature of loans to any other entity as below :

Particulars	₹ in Lakhs	
	Aggregate amount during the year	Balance outstanding as at balance sheet date
Loan to Employees (including Employee societies)	47.50	46.09

- (b) We are of the opinion that the investments made and the terms and conditions of the grant of loans are, prima facie, not prejudicial to the interest of the company. The Company has not provided guarantee or security given or advances in the nature of loans to companies, firms, limited liability partnership or any other parties during the year.
- (c) In the case of loans given, the repayment of principal and payment of interest has been stipulated and the repayments or receipts have been regular. Further, the Company has not given any advance in the nature of loan to any party during the year.
- (d) In respect of loans granted by the Company, there is no overdue amount for more than ninety days in respect of loans give. Further, the Company has not given any advances in the nature of loans to any party during the year.

- (e) There is no loan or advance in the nature of loan granted falling due during the year, which has been renewed or extended or fresh loans granted to settle the overdues of existing loans given to same parties.
- (f) The Company has not granted any loans or advances in the nature of loans either repayable on demand or without specifying any terms or period of repayment.
- iv. The Company has not given any loans or provided guarantees or securities, as specified under Section 185 of the Companies Act, 2013. The Company has not provided any loans, or provided guarantees or securities, as specified under Section 186 of the Companies Act, 2013. In respect of the investments made by the Company, in our opinion the provisions of Section 186 of the Act have been complied with.
- v. The Company has not accepted any deposits or amounts which are deemed to be deposits from the public. Accordingly, clause 3(v) of the Order is not applicable.
- vi. The Central Government has not prescribed the maintenance of cost records under Section 148(1) of the Companies Act, 2013 for the products manufactured by it. Accordingly, clause 3(vi) of the Order is not applicable.
- vii. In respect of statutory dues :

- (a) The Company does not have liability in respect of Service Tax, Sales Tax and Value Added Tax during the year since effective 1 July, 2017, these statutory dues has been subsumed into Goods and Services Tax ("GST").

In our opinion, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including GST, Provident fund, Employees' State Insurance, Income-Tax, duty of Customs, duty of Excise, Cess and other statutory dues have been regularly deposited by the Company with the appropriate authorities.

- (b) Statutory dues relating to Goods and Services Tax, Service Tax, Entry Tax, or other statutory dues which have not been deposited on account of any dispute are as follows :

Name of statute	Nature of dues	Amount in lakhs (₹)*	Period to which the amount relates	Forum where the dispute is pending
The Central Excise Act, 1944	Service tax credit ineligibility under Cenvat Credit Rules, 2002	260.20 (18.89)*	August 2015 to March 2016; April 2014 to March 2015; October 2012 to September 2013; April 2016 to March 2017	Customs, Excise & Service Tax Appellate Tribunal
Goods and Services Tax	Goods & Services Tax	101.76 (5.09)*	Financial year 2019-20	Allahabad High Court
West Bengal Tax on Entry of Goods into Local Areas Act, 2012	Entry Tax	1751.62	Dec 2014 to June 2017	Kolkata High Court
UP Tax on entry of Goods into, Local Areas Act, 2007	Entry Tax	848.24 (275.00)*	January 2007 to March 2011	Supreme Court of India
Jharkhand Entry Tax on Consumption or Use of Goods Act, 2011	Entry Tax	87.15	August 2006 to March 2007	Jharkhand High Court
Assam Entry Tax Act, 2008	Entry Tax	151.08	October 2006 to March 2007	Gauhati High Court

* Represents amount paid under protest/pre-deposit. Above amount are disclosed as per assessment/demand order and includes interest/penalty wherever specified in the order.

- viii. The Company has not surrendered or disclosed any transactions, previously unrecorded as Income in the books of account, in the tax assessments under the Income Tax Act, 1961 as Income during the year.
- ix. (a) The Company has not taken any loans or other borrowings from any lender during the year. Hence, reporting under clause 3(ix)(a) of the Order is not applicable.
- (b) The Company has not been declared willful defaulter by any bank or financial institution or government or any government authority.
- (c) The Company has not taken any term loan during the year and there are no outstanding term loans at the beginning of the year and hence, reporting under clause 3(ix)(c) of the Order is not applicable.

- (d) The Company has not raised any funds on short-term basis and hence, reporting under clause 3(ix)(d) of the Order is not applicable.
- (e) The Company has no subsidiaries, associates or joint ventures and hence, reporting under clause 3(ix)(e) of the Order is not applicable.
- (f) The Company has not raised any loans during the year and hence reporting on clause 3(ix)(f) of the Order is not applicable.
- x. (a) The Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments). Accordingly, clause 3(x)(a) of the Order is not applicable.
- (b) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, clause 3(x)(b) of the Order is not applicable.
- xi. (a) No fraud by the Company or material fraud on the Company has been noticed or reported during the course of the audit.
- (b) No report under sub-section (12) of Section 143 of the Companies Act, 2013 has been filed by the auditors in Form ADT-4 as prescribed under Rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government.
- (c) We have taken into consideration the whistle blower complaints received by the Company during the year while determining the nature, timing and extent of our audit procedures.
- xii. The Company is not a Nidhi Company. Accordingly, clause 3(xii)(a), (b) and (c) of the Order is not applicable.
- xiii. In our opinion, the transactions with related parties are in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable, and the details of the related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- xiv. (a) In our opinion, the Company has an internal audit system commensurate with the size and nature of the business.
- (b) We have considered the internal audit reports of the Company issued till date for the period under audit.
- xv. In our opinion, the company has not entered into any non-cash transactions with its directors or persons connected to its directors and hence, provisions of Section 192 of the Companies Act, 2013 are not applicable to the Company.
- xvi. (a) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India act, 1934. Accordingly, clause 3(xvi)(a) and (b) of the Order is not applicable.
- (b) The Company is not a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India. Accordingly, clause 3(xvi)(c) of the Order is not applicable.
- (c) The Company is not part of any Group (as defined in the Core Investment Companies (Reserve Bank) Directions, 2016). Accordingly, the requirements of clause 3(xvi)(d) are not applicable.
- xvii. The Company has not incurred cash losses in the current and in the immediately preceding financial year.
- xviii. There has been no resignation of the statutory auditors during the year. Accordingly, clause 3(xviii) of the Order is not applicable.
- xix. On the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and Management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.
- xx. In our opinion, there is no unspent amount under sub-section (5) of Section 135 of the Companies Act, 2013 pursuant to any project. Accordingly, clause 3(xx)(a) and 3(xx)(b) of the Order are not applicable.

for **B S R & Associates LLP**

Chartered Accountants

Firm's Registration Number: 116231W/ W-100024

Arpan Jain

Partner

Place: Hyderabad
Date: 26th April 2022

Membership Number: 125710
UDIN: 22125710AHUHIQ1310

Annexure B to the Independent Auditors' report on the financial statements of VST Industries Limited for the year ended 31st March 2022

Report on the internal financial controls with reference to the aforesaid financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

OPINION

We have audited the internal financial controls with reference to financial statements of VST Industries Limited ("the Company") as of 31st March 2022 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31st March 2022, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and whether such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

MEANING OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements

include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

Because of the inherent limitations of internal financial controls with reference to financial statements, including

the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

for **B S R & Associates LLP**

Chartered Accountants

Firm's Registration Number: 116231W/ W-100024

Arpan Jain

Partner

Place: Hyderabad

Date: 26th April 2022

Membership Number: 125710

UDIN: 22125710AHUHIQ1310

Balance Sheet

As at 31st March 2022

		₹ in Lakhs	
	Note	As at 31 st March 2022	As at 31 st March 2021
I ASSETS			
1 Non-Current Assets			
(a) Property, Plant and Equipment	2A	19495.30	17272.80
(b) Capital Work-in-Progress	2B	1044.48	3324.78
(c) Intangible Assets	2C	1.80	3.62
(d) Financial Assets			
(i) Investments	3	20305.05	269.54
(ii) Loans	4	8.33	9.37
(iii) Other Financial Assets	5	-	1.77
(e) Deferred Tax Assets (Net)	6	2159.71	2524.46
(f) Other Non-Current Assets	7	1844.94	99.62
2 Current Assets			
(a) Inventories	8	29562.86	29717.64
(b) Financial Assets			
(i) Investments	9	76760.90	88442.85
(ii) Trade Receivables	10	3330.43	1521.28
(iii) Cash and Cash Equivalents	11	418.81	936.73
(iv) Other Bank Balances	12	1122.13	1146.64
(v) Loans	4	37.76	1.98
(vi) Other Financial Assets	5	282.34	78.89
(c) Other Current Assets	7	2687.67	3227.00
TOTAL		159062.51	148578.97
II EQUITY AND LIABILITIES			
1 Equity			
(a) Equity Share Capital	13	1544.19	1544.19
(b) Other Equity		105885.42	92500.08
2 Liabilities			
Non - Current Liabilities			
(a) Provisions	14	2296.11	2207.88
Current Liabilities			
(a) Financial Liabilities			
(i) Trade Payables	15		
- Total outstanding dues of micro enterprises and small enterprises		122.48	176.49
- Total outstanding dues of creditors other than micro enterprises and small enterprises		10218.03	10798.72
(ii) Other Financial Liabilities	16	3160.16	3825.72
(b) Other Current Liabilities	17	34231.34	35722.26
(c) Current Tax Liabilities (Net)	6	1604.78	1803.63
TOTAL		159062.51	148578.97

The accompanying notes 1 to 32 form an integral part of the Financial Statements.

This is the Balance Sheet referred to in our report of even date. On behalf of the Board,

For **B S R & Associates LLP**
Firm Registration No. 116231W/ W - 100024
Chartered Accountants

ARPAN JAIN
Partner
Membership No. 125710
Hyderabad, 26th April, 2022

NARESH KUMAR SETHI
DIN : 08296486

ADITYA DEB GOOPTU
DIN : 07849104

ANISH GUPTA

PHANI K. MANGIPUDI

Hyderabad, 26th April, 2022

Chairman

Managing Director

Chief Financial Officer

Company Secretary

Statement of Profit and Loss

For the year ended 31st March 2022

	Note	For the year ended 31 st March 2022	For the year ended 31 st March 2021
₹ in Lakhs			
I Revenue from operations	18	156066.54	147288.87
II Other Income	19	4667.09	4178.60
III Total Income (I + II)		160733.63	151467.47
IV Expenses			
Cost of Materials Consumed	20	51626.10	47715.44
Changes in Inventories of Finished Goods and Work-in-Progress	21	(275.88)	174.55
Excise Duty		38250.24	36190.55
Employee Benefits Expense	22	11634.66	11483.42
Depreciation and Amortisation Expense		3009.99	3507.46
Other Expenses	23	13667.72	10665.79
Total Expenses		117912.83	109737.21
V Profit before tax (III - IV)		42820.80	41730.26
VI Tax expense:			
1) Current tax	6	10417.66	10586.32
2) Deferred tax	6	380.03	64.51
		10797.69	10650.83
VII Profit for the year (V - VI)		32023.11	31079.43
Other Comprehensive Income			
A (i) Items that will not be reclassified to profit or loss:			
- Remeasurements of the defined benefit plans (net)		(32.19)	(54.45)
- Change in Fair Value of Equity instruments		(5.02)	90.68
(ii) Income tax relating to items that will not be reclassified to profit or loss	6	8.67	3.33
B (i) Items that will be reclassified to profit or loss:			
- Change in Fair Value of effective portion of Cash flow hedges		(58.42)	162.81
(ii) Income tax relating to items that will be reclassified to profit or loss	6	14.71	(40.98)
VIII Other Comprehensive Income [A+B]		(72.25)	161.39
IX Total Comprehensive Income for the year (VII + VIII)		31950.86	31240.82
X Earnings per equity share (Face Value ₹ 10 each):			
1) Basic (in ₹)	24	207.38	201.27
2) Diluted (in ₹)	24	207.38	201.27

The accompanying notes 1 to 32 form an integral part of the Financial Statements.

This is the Statement of Profit and Loss referred to in our report On behalf of the Board, of even date.

For **B S R & Associates LLP**
Firm Registration No. 116231W/ W - 100024
Chartered Accountants

ARPAN JAIN
Partner
Membership No. 125710
Hyderabad, 26th April, 2022

NARESH KUMAR SETHI
DIN : 08296486

Chairman

ADITYA DEB GOOPTU
DIN : 07849104

Managing Director

ANISH GUPTA

Chief Financial Officer

PHANI K. MANGIPUDI

Company Secretary

Hyderabad, 26th April, 2022

Statement of Changes in Equity

For the year ended 31st March, 2022

A EQUITY SHARE CAPITAL

	Balance at the beginning of the reporting year	Changes in equity share capital during the year	Balance at the end of the reporting year
For the year ended 31 st March, 2021	1544.19	-	1544.19
For the year ended 31 st March, 2022	1544.19	-	1544.19

₹ in Lakhs

B OTHER EQUITY

	Reserve and Surplus			Other Comprehensive Income (OCI)			Other Reserves		Total
	Capital Redemption Reserve	General Reserve	Retained Earnings	Equity Instruments	Cash Flow Hedge	Remeasurement of Defined Benefit Plans (net)	Share Based Payment Reserve	Treasury Shares	
Balance as at 31st March, 2020	1000.25	28552.15	48089.07	43.65	(63.19)	(457.49)	-	-	77164.44
Profit for the year			31079.43						31079.43
Other Comprehensive Income (net of tax)			(40.75)	80.31	121.83		-	-	161.39
Dividend on Ordinary Shares - Final (₹ 103/- per share)			(15905.18)						(15905.18)
Transfer to Retained Earnings			(457.49)			457.49	-	-	-
Transfer to General Reserve		3000.00	(3000.00)						-
Balance as at 31st March, 2021	1000.25	31552.15	59765.08	123.96	58.64	-	-	-	92500.08
Profit for the year			32023.11						32023.11
Other Comprehensive Income (net of tax)			(24.09)	(4.45)	(43.71)	-	99.11	(1065.78)	(1038.92)
Dividend on Ordinary Shares - Final (₹ 114/- per share)*			(17598.85)				-	-	(17598.85)
Transfer to General Reserve		3000.00	(3000.00)						-
Balance as at 31st March, 2022	1000.25	34552.15	71165.25	119.51	14.93	-	99.11	(1065.78)	105885.42

₹ in Lakhs

An amount of ₹ 140/- per ordinary share (2021 - ₹ 114/-) amounting to total of ₹ 21618.69 Lakhs (2021 - ₹ 17603.79 Lakhs) is recommended to be paid as dividend by the Board of Directors of the Company, subject to approval of the Shareholders at their Annual General Meeting and has not been recognised as a liability in these financial statements.

* net of dividend paid to VST ESOP Trust.

Statement of Changes in Equity

For the year ended 31st March, 2022

Nature and purpose of reserves

- a) Capital Redemption Reserve: The Company has recognised Capital Redemption Reserve on redemption of cumulative preference shares.
- b) General Reserve: The Company has transferred a portion of the net profit of the Company to General Reserve and the same can be utilised by the Company in accordance with the provisions of the Companies Act, 2013.
- c) Retained Earnings: Retained earnings are the profits that the Company has earned till date, less any transfers to general reserve, dividends or other distributions paid to shareholders.
- d) Equity Instruments through Other Comprehensive Income: This Reserve represents the cumulative gains (net of losses) arising on revaluation of Equity Instruments measured at fair value through Other Comprehensive Income, net of amounts reclassified, if any, to Retained Earnings when those instruments are disposed off.
- e) Cash Flow Hedge: This Reserve represents the cumulative effective portion of change in fair value of derivatives that are designated as Cash Flow Hedge. It will be reclassified to statement of profit or loss in accordance with the Company's accounting policy.
- f) Remeasurement of Defined Benefit Plans: This represents net actuarial gain/loss arising on account of remeasurement of defined employee benefit plans.
- g) Share Based Payment Reserve: This Reserve is created as required by Ind AS 102 "Share Based Payments" on the employee stock option scheme operated by the Company for its employees.
- h) Treasury Shares: This represents the equity shares of the Company purchased and held by the VST ESOP Trust ("ESOP Trust") under its employees stock option scheme, to be issued and allotted to its employees at the time of exercise of the option.

The accompanying notes 1 to 32 form an integral part of the Financial Statements.

This is the Statement of Changes in Equity referred to in our report of even date.

For **B S R & Associates LLP**
Firm Registration No. 116231W/ W - 100024
Chartered Accountants

ARPAN JAIN
Partner
Membership No. 125710
Hyderabad, 26th April, 2022

NARESH KUMAR SETHI
DIN : 08296486

ADITYA DEB GOOPTU
DIN : 07849104

ANISH GUPTA

PHANI K. MANGIPUDI
Hyderabad, 26th April, 2022

Chairman

Managing Director

Chief Financial Officer

Company Secretary

Statement of Cash Flows

For the year ended 31st March, 2022

	₹ in Lakhs	
	For the year ended 31 st March, 2022	For the year ended 31 st March, 2021
A Cash Flow from Operating Activities		
Profit Before Tax	42820.80	41730.26
Adjustments:		
Depreciation and Amortisation Expense	3009.99	3507.46
Gain on sale of Property, Plant and Equipment (Net)	(70.78)	(1.33)
Liabilities / Provision no Longer Required Written Back	(551.17)	(529.50)
Share Based Payment Expense	99.11	-
Unrealised (Gain) / Loss on Exchange (Net)	(9.08)	23.14
Interest Income	(975.10)	(4.35)
Dividend Income	(4.57)	(3.76)
Net gain arising on Investments measured at FVTPL	(2919.30)	(3551.27)
Operating Profit before Working Capital Changes	41399.90	41170.65
Movement in Working Capital:		
Inventories	154.79	56.21
Trade Receivables	(1799.03)	(16.63)
Advances and Other Assets	547.33	2953.94
Trade Payables	(634.31)	(1194.17)
Other Liabilities and Provisions	(1338.53)	(3607.82)
Cash generated from Operations	38330.15	39362.18
Income Taxes Paid (Net)	(10608.41)	(10744.76)
Net cash generated from Operating Activities	27721.74	28617.42
B Cash Flow from Investing Activities		
Purchase of Property, Plant and Equipment, Intangibles, etc	(4890.57)	(4637.38)
Sale of Property, Plant and Equipment	71.76	1.33
Purchase of Non-Current Investments	(20164.40)	-
Purchase of Current Investments	(263389.83)	(250250.08)
Sale/ Redemption of Current Investments	277991.08	240478.29
Dividend Income from Non-Current Investments	4.57	3.76
Interest realised	837.10	4.21
Loan given (net of realisation)	(34.74)	2.27
Net cash used in Investing Activities	(9575.03)	(14397.60)
C Cash Flow from Financing Activities		
Dividend paid on equity shares	(17598.85)	(15905.18)
Purchase of Treasury Shares by VST ESOP Trust	(1065.78)	-
Net cash used in Financing Activities	(18664.63)	(15905.18)
Net change in cash and cash equivalents	(517.92)	(1685.36)
Opening cash and cash equivalents	936.73	2622.09
Closing cash and cash equivalents	418.81	936.73

The accompanying notes 1 to 32 form an integral part of the Financial Statements.

This is the Statement of Cash Flows referred to in our report of even date. On behalf of the Board,

For **B S R & Associates LLP**
Firm Registration No. 116231W/ W - 100024
Chartered Accountants

ARPAN JAIN
Partner
Membership No. 125710
Hyderabad, 26th April, 2022

NARESH KUMAR SETHI
DIN : 08296486

Chairman

ADITYA DEB GOOPTU
DIN : 07849104

Managing Director

ANISH GUPTA

Chief Financial Officer

PHANI K. MANGIPUDI

Company Secretary

Hyderabad, 26th April, 2022

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

Company Information

VST Industries Limited (the 'Company') is a public limited Company domiciled in India with its registered office located at 1-7-1063/1065, Azamabad, Hyderabad - 500020. The Company is listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE).

The Company is engaged inter-alia in manufacture and trading of Cigarettes, Tobacco and Tobacco products.

Basis of Preparation of Financial Statements

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015 as amendment from time to time.

The financial statements have been prepared on accrual and going concern basis. The Accounting Policies are applied consistently to all the periods presented in the financial statements. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria as set out in the Division II of Schedule III to the Companies Act, 2013 as amended from time to time. Based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

The statement of cash flows has been prepared under indirect method.

The financial statements have also been prepared in accordance with the relevant presentation requirements of the Companies Act, 2013. The financial statements were authorised for issue by the Company's Board of Directors on 26th April, 2022.

Basis of Measurement

These financial statements are prepared in accordance with Indian Accounting Standards (Ind AS) under the historical cost convention on accrual basis, except for certain items that are measured at fair value, as explained in the accounting policies. Fair Value is the price that would be received

to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability, if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and / or disclosure purposes in these financial statements is determined on such a basis, except leasing transactions that are within the scope of Ind AS 116 - Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in Ind AS 2 - Inventories or value in use in Ind AS 36 - Impairment of Assets.

Key Accounting Estimates and Judgements

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses for the year. The estimates and underlying assumptions are reviewed on an ongoing basis. Actual results could differ from those estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; they are recognised in the period of the revision and future periods if the revision affects both current and future periods.

Following is the information about critical judgements in applying accounting policies, as well as estimates and assumptions that have the most significant effect to the carrying amounts of assets and liabilities within the next financial year.

- (a) Useful lives of property, plant and equipment and intangible assets

As described in the significant accounting policies, the Company reviews the estimated useful lives of property, plant and equipment, and intangible assets at the end of each reporting period.

Notes to the Financial Statements

(b) Recognition of deferred tax assets

Deferred tax is recorded on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted at the reporting date. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax loss carry-forwards become deductible. The Company considers expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. The amount of deferred tax assets considered realisable, however, could reduce in the carry-forward period are reduced.

(c) Measurement and likelihood of occurrence of provisions and contingencies – Notes 25

As described in the significant accounting policies, the Company has ongoing litigations with various regulatory authorities and third parties. Where an outflow of funds is believed to be probable and a reliable estimate of the outcome of the dispute can be made based on management's assessment of specific circumstances of each dispute and relevant external advice, management accrues a liability for its best estimate of it. Such accruals are by nature complex and can take number of years to resolve and can involve estimation uncertainty. Information about such litigations is provided in notes to the financial statements.

(d) Fair value measurements and valuation processes

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where market observable inputs are not available, the Company engages third party valuers, where required, to perform the valuation. Information about the valuation techniques and inputs used in determining the fair value of various assets, liabilities and share

based payments are disclosed in the concerned notes to the financial statements.

(e) Measurement of defined benefit obligations

The determination of Company's liability towards defined benefit obligation to employees is made through independent actuarial valuation including determination of amounts to be recognised in the Statement of Profit and Loss and in other comprehensive income.

Such valuation depends upon assumptions determined after taking into account inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market. Information about such valuation is provided in notes to the financial statements.

Property, Plant and Equipment

Property, plant and equipment are stated at acquisition or construction cost, net of accumulated depreciation and accumulated impairment losses, if any. Upon adoption of Ind AS, the Company had elected to measure all its property, plant and equipment at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1st April, 2016.

Cost is inclusive of freight, installation costs, duties and taxes, interest on specific borrowings utilised for financing the assets and other incidental expenses.

All upgradations / enhancements are charged off as revenue expenditure unless they bring similar significant future economic benefits.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on retirement or disposal of property, plant and equipment is determined as difference between the sale proceed and the carrying amount of the asset and is recognised in the Statement of Profit and Loss.

Property, plant and equipment which are not ready for intended use as on the date of Balance Sheet are disclosed as "Capital work-in-progress".

Notes to the Financial Statements

Depreciation

Depreciation is provided on the straight line method at the rates based on estimated useful life of assets as prescribed under Part C of Schedule II to the Companies Act, 2013 with the exception of the following:

Building	- 20 Years
Plant & Equipment	- 5 - 20 Years
Motor Vehicles	- 4 Years.

Assets costing ₹ 5,000 or less - fully depreciated in the year of purchase.

Freehold land is not depreciated.

Based on technical evaluation, the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence, the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013.

The residual values, useful lives and method of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Intangible Assets

Intangible assets are stated at cost less any accumulated amortisation and accumulated impairment losses, if any.

Computer Software (including licence fee and cost of implementation / system integration services) is capitalised where ever it is expected to provide future enduring economic benefits. Cost of upgradation/enhancements is charged off as revenue expenditure unless they bring similar significant benefits.

The useful lives of intangible assets are assessed as either finite or infinite. Finite-life intangible assets are amortised on a straight-line basis over the period of their expected useful lives. Estimated useful lives by major class of finite-life intangible assets are as follows:

Computer software	- 4 years
-------------------	-----------

The amortisation period and the amortisation method for finite-life intangible assets is reviewed at each financial year end and adjusted prospectively, where appropriate.

The assessment of infinite life is reviewed annually to determine whether the infinite life continues, if not, it is impaired or changed prospectively basis such revised estimates.

Impairment of Non Financial Assets

Assessment for impairment is done at each Balance Sheet date as to whether there is any indication that a non-financial asset may be impaired. Impairment loss, if any, is provided to the extent, the carrying amount of non-financial assets or cash generating units exceed their recoverable amount.

Recoverable amount is higher of an asset's or cash generating unit's fair value less cost of disposal and its value in use. Value in use is the net present value of estimated future cash flows expected to arise from the continuing use of an asset or cash generating unit and from its disposal at the end of its useful life.

Assessment is also done at each Balance Sheet date as to whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased. Basis the assessment a reversal of an impairment loss of an asset is recognised in the Statement of Profit and Loss.

Derivatives and Hedge Accounting

Derivatives are initially recognised at fair value and are subsequently re-measured to their fair value at the end of each reporting period.

The resulting gain/loss is recognised in the Statement of Profit and Loss immediately unless the derivative is designated as an effective hedging instrument, in which event the timing of recognition in profit or loss / inclusion in the initial cost of non-financial asset depends on the nature of the hedging relationship and the nature of the hedged item.

The Company complies with the principles of hedge accounting where derivative contracts are designated as hedge instruments. At the inception of the hedge relationship, the Company documents

Notes to the Financial Statements

the relationship between the hedge instrument and the hedged item along with the risk management objectives and its strategy for undertaking hedge transaction, which can be a fair value hedge or a cash flow hedge.

(i) Fair value hedges

Changes in fair value of the designated portion of derivatives / hedging instruments that qualify as fair value hedges together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk are recognised in the Statement of Profit and Loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

(ii) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the other comprehensive income and accumulated as 'Cash Flow Hedge' in Equity. The gains / losses relating to the ineffective portion is recognised in the statement of profit and loss. Amounts previously recognised and accumulated in other comprehensive income are reclassified to profit or loss when the hedged item affects the Statement of Profit and Loss. However, when the hedged item results in the recognition of a non-financial asset, such gains / losses are transferred from equity (but not as reclassification adjustment) and included in the initial measurement cost of the non-financial asset.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer

qualifies for hedge accounting. Any gains/losses recognised in other comprehensive income and accumulated in equity at that time remains in equity and is reclassified to statement of profit and loss when the underlying transaction is ultimately recognised. When an underlying transaction is no longer expected to occur, the gains / losses accumulated in equity is recognised immediately in the Statement of Profit and Loss.

Foreign Currencies

The financial statements are presented in INR, the functional currency of the Company. Items included in the financial statements of the Company are recorded using the currency of the primary economic environment in which the Company operates (the 'functional currency').

Foreign currency transactions are translated into the functional currency using exchange rates on the date of the transaction. Foreign exchange gains and losses from settlement of these transactions and from translation of monetary assets and liabilities at the exchange rate prevailing on reporting date are recognised in the Statement of Profit and Loss.

FINANCIAL INSTRUMENTS

I. Financial Assets

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, a financial asset is recognised at fair value. In case of financial assets which are recognised at fair value through profit and loss, its transaction cost are recognised in the Statement of Profit and Loss. In other cases, the transaction cost are attributed to the acquisition value of the financial asset. Financial assets are subsequently classified as measured at

- amortised cost
- fair value through profit and loss ('FVTPL')
- fair value through other comprehensive income ('FVOCI').

Notes to the Financial Statements

Financial assets are not reclassified subsequent to their recognition, except if and in the period the Company changes its business model for managing financial assets.

Trade Receivables and Loans

Trade receivables are initially recognised at fair value. Subsequently, these assets are held at amortised cost, using the effective interest rate ('EIR') method net of any expected credit losses. The EIR is the rate that discounts estimated future cash flow through the expected life of financial instrument.

Debt Instruments

Debt instruments are initially measured at amortised cost, or FVTPL or FVOCI till derecognition, on the basis of (i) the entity's business model for managing the financial assets and (ii) the contractual cash flow characteristics of the financial asset.

- (a) Measured at amortised cost: Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payment of principal and interest, are subsequently measured at amortised cost using the EIR method less impairment, if any. The amortisation of EIR and loss arising from impairment, if any is recognised in the Statement of Profit and Loss.
- (b) Measured at fair value through other comprehensive income: Financial assets that are held within a business model whose objective is achieved by both, selling financial assets and collecting contractual cash flows that are solely payments of principal and interest, are subsequently measured at fair value through other comprehensive income. Fair value movements are recognized in the other comprehensive income (OCI). Interest income measured using the EIR method and impairment losses, if any are recognised in the Statement of Profit and Loss. On derecognition, cumulative gain or loss previously recognised in OCI is reclassified from the equity to 'other income' in the Statement of Profit and Loss.

- (c) Measured at fair value through profit or loss: A financial asset not classified as either at amortised cost or FVOCI, is classified as FVTPL.

Such financial assets are measured at fair value with all changes in fair value, including interest income and dividend income if any, recognised as 'other income' in the Statement of Profit and Loss.

Equity Instruments

All investments in equity instruments classified under financial assets are initially measured at fair value, the Company may, on initial recognition, irrevocably elect to measure the same either at FVOCI or FVTPL. The Company makes such election on an instrument-by-instrument basis. Fair value changes on an equity instrument is recognised as 'Other Income' in the Statement of Profit and Loss unless the Company has elected to measure such instrument at FVOCI. Fair value changes excluding dividends, on an equity instrument measured at FVOCI is recognised in OCI. Amounts recognised in OCI are not subsequently reclassified to the Statement of Profit and Loss. Dividend income on the investment in equity instruments are recognised as 'other income' in the Statement of Profit and Loss.

Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the contractual rights to receive the cash flows from the asset.

Impairment of Financial Asset

Expected credit losses are recognized for all financial assets subsequent to initial recognition other than financial assets in FVTPL category.

For financial assets other than trade receivables, as per Ind AS 109, the Company recognises 12 month expected credit losses for all originated or acquired financial assets if at the reporting date the credit risk of the financial asset has not increased significantly since its initial recognition. The expected credit losses are measured as lifetime expected credit losses if the credit risk on financial asset increases significantly since its initial recognition. The

Notes to the Financial Statements

Company's trade receivables do not contain significant financing component and loss allowance on trade receivables is measured at an amount equal to life time expected losses i.e. expected cash shortfall.

The impairment losses and reversals are recognised in the Statement of Profit and Loss.

II. Financial Liabilities

Initial recognition and measurement

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at the amortised cost unless at initial recognition, they are classified as fair value through profit and loss.

In case of trade payables, they are initially recognised at fair value and subsequently, these liabilities are held at amortised cost, using the EIR method.

Subsequent measurement

Financial liabilities are subsequently measured at amortised cost using the EIR method. Financial liabilities carried at fair value through profit or loss are measured at fair value with all changes in fair value recognised in the Statement of Profit and Loss.

Derecognition

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Offsetting Financial Instrument

Financial assets and liabilities are offset and the net amount is included in the Balance Sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is computed on a weighted average basis. Cost includes all costs of purchases net of input tax credit availed, conversion costs and other attributable expenses incurred in bringing the inventories to their present location and condition and includes,

where applicable, appropriate overhead cost based on normal level of activity. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

Obsolete, slow moving and defective inventories are identified from time to time and, where necessary, a provision is made for such inventories.

Assets Held for Sale

Non-current assets or disposal groups comprising of assets and liabilities are classified as 'held for sale' when all of the following criteria's are met: (i) decision has been made to sell (ii) the assets are available for immediate sale in its present condition (iii) the assets are being actively marketed and (iv) sale has been agreed or is expected to be concluded within 12 months of the Balance Sheet date.

Subsequently, such non-current assets and disposal groups classified as held for sale are measured at the lower of its carrying value and fair value less costs to sell. Non-current assets held for sale are not depreciated or amortised.

Cash and Cash Equivalents

Cash and cash equivalents are cash, balances with bank and short-term (three months or less from the date of acquisition), highly liquid investments that are readily convertible into cash and which are subject to an insignificant risk of changes in value.

Provisions and Contingent Liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance Sheet date.

If the effect of the time value of money is material, provisions are discounted to reflect their present value using a current pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Notes to the Financial Statements

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.

Revenue Recognition

Revenue from sale of goods is recognized when effective control over goods is transferred to a customer as per the terms of the contract.

This is usually evidenced by a transfer of all the significant risks and rewards of ownership upon delivery of goods to the customer, which in terms of timing is not materially different to the date of shipping. Revenue is measured at the contracted price received or receivable (includes Excise Duties and National Calamity Contingent Duty which are payable on manufacture of goods) after deduction of any trade discount, incentive and other similar discounts and any taxes or duties collected on behalf of the Government which are levied on sales such as Goods and Service tax, etc.

Income from export incentives such as duty drawback is recognised on accrual basis.

Interest income is recognized using the effective interest rate (EIR) method.

Dividend income on investments is recognised when the right to receive dividend is established.

Expenditure

Expenses are accounted on accrual basis.

Employee Benefits

Defined Contribution Plans

Contributions to defined contribution schemes such as employees' state insurance, labour welfare fund, superannuation scheme, employee pension scheme etc. are charged as an expense based on the amount of contribution required to be made as and when services are rendered by the employees. Provident fund contribution in respect of certain employees, who

are members of constituted and approved trusts, the Company recognizes contribution payable to such trusts as an expense including any shortfall in interest between the amount of interest realized from the investment and the interest payable to members at the rate declared by the Government of India. In respect of other employees, provident funds are deposited with the government administered fund and charged as an expense to the Statement of Profit and Loss.

The Company makes contribution to defined contribution pension plan. The contribution payable is recognized as an expense, when an employee renders the related service.

Defined Benefit Plans

The Company also makes contribution to defined benefit pension and gratuity plan. The cost of providing benefits under the defined benefit obligation is calculated by independent actuary using the projected unit credit method. Service costs and net interest expense or income is reflected in the Statement of Profit and Loss. Gain or loss on account of remeasurements are recognised immediately through other comprehensive income in the period in which they occur.

Other Long Term Employee Benefits

The employees of the Company are entitled to compensated leave for which the Company records the liability based on actuarial valuation computed using projected unit credit method. These benefits are funded.

Termination Benefits

Termination benefits, in the nature of voluntary retirement benefits or termination benefits arising from restructuring, are recognised in the Statement of Profit and Loss. The Company recognises termination benefits at the earlier of the following dates:

- (a) when the Company can no longer withdraw the offer of those benefits; or
- (b) when the Company recognises costs for a restructuring that is within the scope of Ind AS 37 and involves the payment of termination benefits.

Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Notes to the Financial Statements

Code on Social Security 2020 - update

The Indian parliament has passed and approved the Code on Social Security 2020, however, the effective date of the code and complete clarity on the rules/interpretations are still awaited. The Company will evaluate the subject rules once they are notified and recognise the consequent impact, if any, in its financial statements in the period in which, the Code becomes effective.

Share-based Payments

Employees of the Company receive remuneration in the form of share based payments in consideration for the services rendered. Under the equity-settled share based payment, fair value of the option / equity instruments at the grant date determined by an independent valuer using Black Scholes Model and this recognised in the Statement of Profit and Loss as 'Employee benefit expense' on a systematic basis over the vesting period of the option, based on the company's estimate of option/ equity instruments that will eventually vest with corresponding increase in Other Equity.

In case of forfeiture/lapse of stock options, which are not vested, amortised portion is reversed by credit to employee benefit expense.

Treasury Shares

The Company has created an Employee Benefit Trust (EBT) for providing share based payment to its employees. The Company uses EBT as a vehicle for distributing shares to employees under the Employee Stock Option Scheme. The EBT purchases shares from the market, for giving shares to employees. The Company treats EBT as its extension and the shares held by EBT are treated as treasury shares.

Own equity instruments that are re-acquired (treasury shares) are recognised at cost and deducted from Other Equity. No gain or loss is recognised in Statement of Profit and Loss on purchase, sale, issue or cancellation of the company's own equity instruments. Any difference between carrying amount and the consideration, if reissued or sold, is recognised in capital reserve. Share options exercised during the reporting period are settled with treasury shares.

Income Taxes

Income tax expense for the year comprises of current tax and deferred tax. It is recognised in the Statement of Profit and Loss except to the extent it relates to a business combination or to an item which is recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable/recoverable on the taxable income/ loss for the year using applicable tax rates at the Balance Sheet date, and any adjustment to taxes in respect of previous years. Interest income/ expenses and penalties, if any, related to income tax are included in current tax expense.

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes.

A deferred tax assets / liability is recognised based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted, or substantively enacted, by the end of the reporting period. Deferred tax assets are recognised only

Notes to the Financial Statements

to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable the related tax benefit will be realised.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxing authority.

Earnings Per Share

Basic earnings per share is computed by dividing the net profit for the period attributable to the equity shareholders of the Company by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity Shares.

Dividend Distribution

Dividend paid (including income tax thereon, if any) is recognized in the period in which the interim dividends are approved by the Board of Directors and in respect of final dividend when approved by shareholders.

Leases

Leases which are short term that have a lease term of 12 months and low value leases in which a substantial portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments and receipts under such leases are recognised to the Statement of Profit and Loss on a straight-line basis over the term of the lease unless the lease payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases, in which case the same are recognised as an expense in line with the contractual term.

Recent Amendments

Ministry of Corporate Affairs ('MCA') notifies new standards or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On 23rd March, 2022, MCA amended the Companies (Indian Accounting Standards) Amendment Rules, 2022, applicable from 1st April, 2022.

The Company does not expect the amendment to have any significant impact in its financial statements.

Notes to the Financial Statements

2A. PROPERTY PLANT AND EQUIPMENT

	Gross Block						
	Balance as at 31 st March 2020	Additions	Disposals	Balance as at 31 st March 2021	Additions	Disposals	Balance as at 31 st March 2022
Land	2281.22	-	-	2281.22	-	0.94	2280.28
Buildings on Freehold Land (including roads)	5679.04	2.31	-	5681.35	30.24	-	5711.59
Buildings on Leasehold Land	53.31	28.48	-	81.79	78.33	-	160.12
Plant & Equipment	24426.69	1862.13	63.50	26225.32	4873.11	-	31098.43
Electrical Installation & Equipment	1251.56	46.45	-	1298.01	14.64	-	1312.65
Furniture & Fixtures	286.81	24.09	0.78	310.12	37.57	0.20	347.49
Motor Vehicles	142.03	-	-	142.03	-	32.49	109.54
Office Equipment	306.16	110.17	6.59	409.74	197.76	9.68	597.82
Total Property, Plant and Equipment	34426.82	2073.63	70.87	36429.58	5231.65	43.31	41617.92

2B. CAPITAL WORK-IN-PROGRESS

2C. INTANGIBLE ASSETS

Computer Software, etc.	14.28	-	-	14.28	-	-	14.28
Total Intangible assets	14.28	-	-	14.28	-	-	14.28

Note:

- The amortisation expense of Intangible assets have been included under "Depreciation and amortisation expense" in the Statement of Profit and Loss.
- The Company continue to hold appropriate documents including registered sale deed / transfer deed / conveyance deed with respect to immovable properties (Land & Buildings) shown above. Where the Company is lessor, lease agreements are duly executed in favour of the Company.
- Capital- work-in-progress ageing schedule:

	2021-22					2020-21				
	Less than 1 Year	1-2 Years	2-3 Years	More Than 3 Years	Total	Less than 1 Year	1-2 Years	2-3 Years	More Than 3 Years	Total
	Projects in progress	1044.48	-	-	-	1044.48	2910.23	414.55	-	-
Projects temporarily suspended	-	-	-	-	-	-	-	-	-	-
	1044.48	-	-	-	1044.48	2910.23	414.55	-	-	3324.78

₹ in Lakhs

The Company does not have any Capital-work-in-progress which is past its expected completion date or where cost has exceeded the original plan.

Notes to the Financial Statements

₹ in Lakhs

	Accumulated Depreciation & Amortisation						Net Block		
	Balance as at 31 st March 2020	For the year	Adjustment on Disposals	Balance as at 31 st March 2021	For the year	Adjustment on Disposals	Balance as at 31 st March 2022	Balance as at 31 st March 2021	
	-	-	-	-	-	-	-	2280.28	2281.22
	1023.85	310.46	-	1334.31	311.53	-	1645.84	4065.75	4347.04
	16.15	5.36	-	21.51	8.20	-	29.71	130.41	60.28
	13985.76	2936.05	63.50	16858.31	2278.66	-	19136.97	11961.46	9367.01
	331.21	127.64	-	458.85	129.53	-	588.38	724.27	839.16
	104.05	33.51	0.78	136.78	35.15	0.16	171.77	175.72	173.34
	52.97	31.73	-	84.70	26.01	32.49	78.22	31.32	57.33
	208.01	60.90	6.59	262.32	219.09	9.68	471.73	126.09	147.42
	15722.00	3505.65	70.87	19156.78	3008.17	42.33	22122.62	19495.30	17272.80
								1044.48	3324.78
	8.85	1.81	-	10.66	1.82	-	12.48	1.80	3.62
	8.85	1.81	-	10.66	1.82	-	12.48	1.80	3.62

Notes to the Financial Statements

3. NON-CURRENT INVESTMENTS

	As at 31 st March, 2022	As at 31 st March, 2021
		₹ in Lakhs
Investment in Government / Trust Securities		
(at amortised cost)		
UNQUOTED		
National Savings Certificate cost ₹ 500 (2021 - ₹ 500) Lodged with Government Authority		
QUOTED		
Government Securities	20040.53	-
	20040.53	-
Investment in Mutual Funds		
(at fair value through other comprehensive income)		
HDFC - Top 100 Fund - Regular Plan - Dividend Option 50,000 units of ₹ 10 each	23.61	21.84
	23.61	21.84
Investment in Equity instruments		
(at fair value through other comprehensive income)		
QUOTED		
Duncan Industries Limited		
184 Equity Shares of ₹ 10 each fully paid up	0.02	0.02
Godfrey Phillips India Limited		
1000 Equity Shares of ₹ 2 each fully paid up	10.10	9.13
Golden Tobacco Limited		
50 Equity Shares of ₹ 10 each fully paid up	0.05	0.02
Housing Development Finance Corporation Limited		
6,000 Equity Shares of ₹ 2 each fully paid up	143.30	149.92
HDFC Bank Limited		
5,000 Equity Shares of ₹ 1 each fully paid up	73.50	74.67
	226.97	233.76
UNQUOTED		
Andhra Pradesh Gas Power Corporation Limited		
1,39,360 shares of ₹ 10 each fully paid up	13.94	13.94
Twin Towers Premises Co-operative Society Limited *		
10 Shares of ₹ 50 each fully paid up		
(Cost ₹ 500, 2021 - ₹ 500)		
Tobacco Institute of India - (Limited by Guarantee Maximum * Contribution ₹ 10.00 Lakhs)		
CREF Finance Limited *		
50,00,000 Equity Shares of ₹ 10 each fully paid up		
ITC Agrotech Finance and Investments Limited *		
23,82,500 Equity Shares of ₹ 10 each fully paid up		
	13.94	13.94
Total of Non-Current Investments	20305.05	269.54
Aggregate amount of Quoted Investments - Market Value	20356.97	255.60
Aggregate amount of Unquoted Investments	13.94	13.94

* Fair value of these investments is negligible.

Notes to the Financial Statements

4. LOANS

₹ in Lakhs

	As at 31 st March, 2022		As at 31 st March, 2021	
	Current	Non-Current	Current	Non-Current
Loans to Employees (incl. employee societies)				
Secured, considered good	1.95	8.33	1.80	9.37
Unsecured, considered good	35.81	-	0.18	-
TOTAL	37.76	8.33	1.98	9.37

5. OTHER FINANCIAL ASSETS

₹ in Lakhs

	As at 31 st March, 2022		As at 31 st March, 2021	
	Current	Non-Current	Current	Non-Current
Balances with Banks:				
- On Term Deposits with remaining maturity of more than 12 months				
Lodged with Government Authorities	-	-	-	1.77
Other financial assets				
Interest accrued on Loans, Deposits, Investments, etc.	262.39	-	0.52	-
Other receivables				
- On account of Foreign Currency Forward Contracts	19.95	-	78.37	-
TOTAL	282.34	-	78.89	1.77

6. INCOME TAXES

A. Income tax expense recognised in Statement of Profit and Loss

₹ in Lakhs

	As at 31 st March, 2022	As at 31 st March, 2021
Current tax		
Current tax for the year	10547.61	10614.50
Adjustments/(credits) related to previous years - (net)	(129.95)	(28.18)
Total Current tax expense (a)	10417.66	10586.32
Deferred tax		
Origination and reversal of temporary differences	380.03	64.51
Total Deferred tax expense (b)	380.03	64.51
TOTAL (a + b)	10797.69	10650.83

Notes to the Financial Statements

B. Income tax expense recognised in Other Comprehensive Income

	₹ in Lakhs	
	As at 31 st March, 2022	As at 31 st March, 2021
Current tax		
On item that will not be reclassified to Statement of Profit and Loss		
- Related to remeasurement of defined benefit plans (net)	(8.10)	(13.70)
Total Current tax expense (a)	(8.10)	(13.70)
Deferred tax		
On item that will not be reclassified to Statement of Profit and Loss		
- Related to change in fair value of equity instruments	(0.57)	10.37
On item that will be reclassified to Statement of Profit and Loss		
- Related to change in fair value of effective portion of cash flow hedges	(14.71)	40.98
Total Deferred tax expense (b)	(15.28)	51.35
TOTAL (a + b)	(23.38)	37.65

Reconciliation of estimated income tax expense at statutory income tax rate to income tax expense reported in Statement of Profit and Loss is as under:

	₹ in Lakhs	
	As at 31 st March, 2022	As at 31 st March, 2021
Profit before tax	42820.80	41730.26
Statutory income tax rate	25.17%	25.17%
Expected income tax expense	10777.14	10502.67
Adjustment :		
Effect of expenses not deductible for tax purposes	194.97	171.28
Others *	(174.42)	(23.12)
Income tax expense recognised in Statement of Profit and Loss	10797.69	10650.83
* Others include adjustments / (credits) related to previous years - (net)		
C. Current Tax Liabilities (net of advance tax) *	1604.78	1803.63

* The Company has reviewed all its pending income tax disputes relating to tax treatment of certain expenses claimed as deductions, and computation of, or eligibility of certain tax incentives or allowances. It believes that it has a valid basis for appeals and intends to defend all such pending disputes vigorously. However, pending disposal of such disputes, as a matter of prudence, it has recognised a liability of ₹ 2093.52 Lakhs (2021: ₹ 2093.52 Lakhs) in the books and is included above.

Notes to the Financial Statements

D. Significant components of Deferred Tax Assets / (Liabilities)

₹ in Lakhs

2021-22	Opening balance	Recognised in profit or loss	Recognised in/ reclassified from OCI	Closing Balance
Deferred tax assets / (liabilities) in relation to:				
- Employees' separation and retirement	549.06	22.30	-	571.36
- Central and State Taxes, etc.	2589.47	(138.19)	-	2451.28
- Fiscal allowances on Property, Plant and Equipment, etc.	119.46	91.47	-	210.93
- Financial Instruments measured at Amortised cost	-	31.18	-	31.18
- Cash flow hedges	(19.73)	-	14.71	(5.02)
- Unrealised gain on Equity instruments measured at FVOCI	(5.58)	-	0.57	(5.01)
- Unrealised gain on financial assets measured at FVTPL	(934.11)	(420.90)	-	(1355.01)
- Other temporary differences	225.89	34.11	-	260.00
Deferred Tax Assets - Net	2524.46	(380.03)	15.28	2159.71

₹ in Lakhs

2020-21	Opening balance	Recognised in profit or loss	Recognised in/ reclassified from OCI	Closing Balance
Deferred tax assets / (liabilities) in relation to:				
- Employees' separation and retirement	530.06	19.00	-	549.06
- Central and State Taxes, etc.	2846.51	(257.04)	-	2589.47
- Fiscal allowances on Property, Plant and Equipment, etc.	(172.59)	292.05	-	119.46
- Cash flow hedges	21.25	-	(40.98)	(19.73)
- Unrealised loss on Equity instruments measured at FVOCI	4.79	-	(10.37)	(5.58)
- Unrealised gain on financial assets measured at FVTPL	(788.46)	(145.65)	-	(934.11)
- Other temporary differences	198.76	27.13	-	225.89
Deferred Tax Assets - Net	2640.32	(64.51)	(51.35)	2524.46

Notes to the Financial Statements

7. OTHER ASSETS

	As at 31 st March, 2022		As at 31 st March, 2021	
	Current	Non-Current	Current	Non-Current
Capital Advances	-	1773.01	-	21.46
Advances other than capital advances				
Security Deposits				
- With Statutory Authorities	-	0.55	-	0.55
- Commercial deposits	-	71.38	-	65.74
Advances recoverable in cash or kind for value to be received	269.53	-	204.89	11.87
GST credits / refundable	1818.10	-	2529.18	-
Balance with Statutory / Government Authorities	164.69	-	27.03	-
Other Advances - Prepaid Expenses	434.24	-	465.26	-
Other Receivables *	1.11	-	0.64	-
TOTAL	2687.67	1844.94	3227.00	99.62

* Includes export incentives receivables

8. INVENTORIES

(At lower of cost and net realisable value)

	As at	
	31 st March, 2022	31 st March, 2021
Raw Materials including packing materials	23221.59	23925.33
Work-in-Progress	634.19	910.63
Finished Goods	5092.04	4210.18
Stores and Spares	615.04	671.50
TOTAL	29562.86	29717.64
The cost of inventories recognised as an expense (net) on account of write-down of inventory to net realisable value.	120.61	159.54

9. CURRENT INVESTMENTS

	As at	
	31 st March, 2022	31 st March, 2021
Quoted - at fair value through profit or loss		
Investment in Mutual Funds *		
Aditya Birla Sun Life Liquid Fund		
9,19,271 (2021 - 18,84,672) units of ₹ 100 each	3154.25	6248.31
Aditya Birla Sun Life Money Manager Fund		
19,73,437 (2021 - 12,91,756) units of ₹ 100 each	5898.81	3709.55
Aditya Birla Sun Life Savings Fund		
7,89,632 (2021 - 7,89,632) units of ₹ 100 each	3516.33	3370.44
Aditya Birla Sun Life Low duration Fund		
1,87,339 (2021 - 1,87,339) units of ₹ 100 each	1083.49	1034.24
HDFC Liquid Fund		
86,191 (2021 - 1,35,659) units of ₹ 1000 each	3606.88	5488.12

Notes to the Financial Statements

	₹ in Lakhs	
	As at 31 st March, 2022	As at 31 st March, 2021
HDFC Money Market Fund		
91,113 (2021 - 69,319) units of ₹1000 each	4241.12	3101.27
HDFC Ultra Short Term Fund		
1,29,25,898 (2021 - 1,29,25,898) units of ₹ 10 each	1604.47	1543.27
HDFC Low Duration Fund		
21,75,018 (2021 - 21,75,018) units of ₹ 10 each	1082.90	1034.76
HDFC Floating Rate Debt Fund		
72,28,970 (2021 - 72,28,970) units of ₹ 10 each	2898.47	2768.03
ICICI Prudential Liquid Fund		
12,70,671 (2021 - 22,37,601) units of ₹ 100 each	4005.87	6818.78
ICICI Prudential Money Market Fund		
18,97,766 (2021 - 12,34,265) units of ₹ 100 each	5824.13	3644.52
ICICI Prudential Savings Fund		
8,14,584 (2021 - 8,14,584) units of ₹ 100 each	3565.54	3418.72
IDFC Cash Fund		
1,23,709 (2021 - 3,05,467) units of ₹ 1000 each	3180.49	7593.87
IDFC Ultra Short Term Fund		
42,77,305 (2021 - 42,77,305) units of ₹ 10 each	530.86	512.04
IDFC Banking & PSU Debt Fund		
26,39,254 (2021 - 26,39,254) units of ₹ 10 each	538.39	515.72
Kotak Liquid Fund		
1,04,750 (2021 - 1,99,786) units of ₹ 1000 each	4507.50	8309.18
Kotak Money Market Fund		
1,45,680 (2021 - 1,03,458) units of ₹ 1000 each	5274.64	3604.28
Kotak Savings Fund		
14,79,588 (2021 - 14,79,588) units of ₹ 10 each	533.10	513.16
Nippon India Liquid Fund		
64,517 (2021 - 1,40,073) units of ₹ 1000 each	3360.08	7049.28
Nippon India Money Market Fund		
1,56,105 (2021 - 95,287) units of ₹ 1000 each	5230.41	3068.97
Nippon India Low Duration Fund		
50,548 (2021 - 50,548) units of ₹ 1000 each	1601.77	1526.67
Nippon India Floating Rate Fund		
28,80,184 (2021 - 28,80,184) units of ₹ 10 each	1087.11	1036.52
SBI Liquid Fund		
1,38,259 (2021 - 2,60,724) units of ₹ 1000 each	4608.30	8399.53
SBI Savings Fund		
1,48,87,462 (2021 - 1,05,89,485) units of ₹ 10 each	5294.19	3621.16
SBI Magnum Ultra Short Duration Fund		
10,859 (2021 - 10,859) units of ₹ 1000 each	531.80	512.46
Total of Current Investments	76760.90	88442.85
Aggregate amount of quoted Investments - Market Value	76760.90	88442.85

* All these investments have been made under "Direct Plan - Growth Option".

Notes to the Financial Statements

10. TRADE RECEIVABLES

	As at 31 st March 2022	As at 31 st March 2021
Unsecured, considered good (Refer Note 29)	3330.43	1521.28
TOTAL	3330.43	1521.28

₹ in Lakhs

Ageing Details

2021-22	Outstanding for the following periods from the due date of payment						Total
	Not Due	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
Particulars							
Undisputed - considered good	2853.42	477.01	-	-	-	-	3330.43
Undisputed - which have significant increase in credit risk	-	-	-	-	-	-	-
Undisputed - credit impaired	-	-	-	-	-	-	-
Disputed - considered good	-	-	-	-	-	-	-
Disputed - which have significant increase in credit risk	-	-	-	-	-	-	-
Disputed - credit impaired	-	-	-	-	-	-	-
	2853.42	477.01	-	-	-	-	3330.43

₹ in Lakhs

2020-21	Outstanding for the following periods from the due date of payment						Total
	Not Due	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
Particulars							
Undisputed - considered good	1392.29	128.99	-	-	-	-	1521.28
Undisputed - which have significant increase in credit risk	-	-	-	-	-	-	-
Undisputed - credit impaired	-	-	-	-	-	-	-
Disputed - considered good	-	-	-	-	-	-	-
Disputed - which have significant increase in credit risk	-	-	-	-	-	-	-
Disputed - credit impaired	-	-	-	-	-	-	-
	1392.29	128.99	-	-	-	-	1521.28

₹ in Lakhs

11. CASH AND CASH EQUIVALENTS

	As at 31 st March 2022	As at 31 st March 2021
Balances with Banks		
- On Current Accounts	418.31	935.55
Cash including cheques on hand	0.50	1.18
TOTAL	418.81	936.73

₹ in Lakhs

Notes to the Financial Statements

12. OTHER BANK BALANCES

	₹ in Lakhs	
	As at 31 st March 2022	As at 31 st March 2021
Earmarked Balances		
- On Unclaimed Ordinary Dividend Account	1122.13	1146.64
TOTAL	1122.13	1146.64

13. EQUITY SHARE CAPITAL

	As at 31 st March 2022		As at 31 st March 2021	
	No. of Shares	₹ in Lakhs	No. of Shares	₹ in Lakhs
Authorised				
Ordinary Shares of ₹ 10 each	5,00,00,000	5000.00	5,00,00,000	5000.00
Cumulative Redeemable Preference Shares of ₹ 100 each	50,00,000	5000.00	50,00,000	5000.00
		10000.00		10000.00
Issued and Subscribed				
Ordinary Shares of ₹ 10 each fully paid up	1,54,41,920	1544.19	1,54,41,920	1544.19

There is no movement in number of Ordinary Shares during the year.

Details of shareholders holding more than 5% of Ordinary Shares:

Name of the Shareholders	As at 31 st March 2022		As at 31 st March 2021	
	No. of Shares (in Lakhs)	% holding	No. of Shares (in Lakhs)	% holding
Bright Star Investments Private Limited	40.07	25.95	40.07	25.95
The Raleigh Investment Company Limited	36.20	23.45	36.20	23.45
Tobacco Manufacturers (India) Limited	12.79	8.28	12.79	8.28
HDFC Trustee Company Limited				
A/c HDFC Midcap Opportunities Fund	11.05	7.15	10.53	6.82

Rights, Preferences and Restrictions Attached to Ordinary Shares

The Company has only one class of Ordinary Shares outstanding, having a par value of ₹ 10 each, that rank pari passu in all respects including voting rights and entitlement to dividend.

Details of Promoter shareholders of Ordinary Shares:

Name of the Shareholder	As at 31 st March 2022			As at 31 st March 2021		
	No. of Shares	% holding	% change during the period	No. of Shares	% holding	% change during the period
The Raleigh Investment Company Limited	3,620,420	23.45	-	3,620,420	23.45	-
Tobacco Manufacturers (India) Limited	1,278,942	8.28	-	1,278,942	8.28	-
Rothmans International Enterprises Limited	66,540	0.43	-	66,540	0.43	-
TOTAL	4,965,902	32.16	-	4,965,902	32.16	-

Notes to the Financial Statements

14. PROVISIONS

	As at 31 st March 2022	As at 31 st March 2021
₹ in Lakhs		
Non-Current		
Provision for Employee Benefits		
Retirement and Other benefits (Refer Note 30)	2296.11	2207.88
TOTAL	2296.11	2207.88

15. TRADE PAYABLES

	As at 31 st March 2022	As at 31 st March 2021
₹ in Lakhs		
Payables for Goods and Services		
Total outstanding dues of micro enterprises and small enterprises	122.48	176.49
Total outstanding dues of creditors other than micro enterprises and small enterprises	10218.03	10798.72
TOTAL	10340.51	10975.21
Due to Micro Enterprises and Small Enterprises (MSME)		
a) Principal amount remaining unpaid	122.48	176.49
b) Interest due remaining unpaid	-	-
c) Interest paid, in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006 along with the amount of the payment made beyond the appointed day during the year	-	-
d) Interest due and payable for the period of delay in making payment	-	-
e) Interest accrued and remaining unpaid	-	-
f) Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises	-	-

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management.

Ageing Details

2021-22	Outstanding for the following periods from the due date of payment					
	Not Due	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
MSME	122.48	-	-	-	-	122.48
Others	6374.42	74.40	-	3.50	3.50	6455.82
Disputed dues - MSME	-	-	-	-	-	-
Disputed dues - Others	-	68.20	45.98	132.59	777.08	1023.85
	6496.90	142.60	45.98	136.09	780.58	7602.15
Accrued Expenses						2738.36
						10340.51

Notes to the Financial Statements

₹ in Lakhs

2020-21 Particulars	Outstanding for the following periods from the due date of payment					
	Not Due	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
MSME	176.49	-	-	-	-	176.49
Others	6813.89	14.45	-	3.50	4.54	6836.38
Disputed dues - MSME	-	-	-	-	-	-
Disputed dues - Others	-	45.98	132.59	132.29	644.79	955.65
	6990.38	60.43	132.59	135.79	649.33	7968.52
Accrued Expenses						3006.69
						10975.21

16. OTHER FINANCIAL LIABILITIES

₹ in Lakhs

	As at 31 st March 2022	As at 31 st March 2021
Current		
Accrued Payroll *	1945.60	2170.67
Unpaid / Unclaimed Dividends	1122.13	1146.64
Security Deposits	2.70	2.50
Other Liabilities		
- Others (including payable for property, plant and equipment, etc.)	89.73	505.91
TOTAL	3160.16	3825.72

There is no amount due and outstanding to be credited to Investor Education and Protection Fund as at the year end.

* previous year figure has been regrouped from trade payables.

17. OTHER CURRENT LIABILITIES

₹ in Lakhs

	As at 31 st March 2022	As at 31 st March 2021
Advances from Customers	2513.21	2713.49
Statutory Liabilities including tax related matters	31718.13	33008.77
TOTAL	34231.34	35722.26

The Company has ongoing indirect tax and legal matters comprising of numerous cases/ proceedings under various Central and State Acts pending before various judicial forums.

The Company has reviewed all its pending litigations and proceedings and believes that it has valid bases for appeals and intends to defend all such pending disputes vigorously. However, pending disposal of such disputes, as a matter of prudence, it has adequately recognised a liability in the books wherever required and is reflected above under 'Statutory Liabilities' - ₹ 13169.04 Lakhs (2021 : ₹ 13720.21 Lakhs).

Contingent liabilities where applicable are disclosed under note 25 of the financial statements.

Notes to the Financial Statements

18. REVENUE FROM OPERATIONS

	₹ in Lakhs	
	For the year ended 31 st March, 2022	For the year ended 31 st March, 2021
Particulars in respect of sales		
Cigarettes*	134662.49	127173.20
Unmanufactured Tobacco	21249.22	19996.93
	155911.71	147170.13
Other Operating Income		
Scrap Sales	140.58	106.41
Other receipts	14.25	12.33
TOTAL	156066.54	147288.87

* net of trade promotions - ₹ 1260.13 Lakhs (2021 - ₹ 761.52 Lakhs).

19. OTHER INCOME

	₹ in Lakhs	
	For the year ended 31 st March, 2022	For the year ended 31 st March, 2021
Interest Income on:		
Financial assets carried at amortised cost (net)	969.41	-
Loans and Deposits, etc.	5.69	4.35
Dividend Income from:		
Equity Instruments measured at FVOCI	4.57	3.76
Other gains and losses from:		
Net gain recognised on sale of property, plant and equipment, etc.	70.78	1.33
Net gain arising on financial assets measured at FVTPL*	2905.92	3551.27
Gain / (Loss) on foreign exchange (Net)	105.77	(33.65)
Liabilities / Provision no longer required written back	551.17	529.50
Other non-operating Income	53.78	122.04
TOTAL	4667.09	4178.60

* Includes ₹ 1233.54 Lakhs (2021 - ₹ 2972.57 Lakhs) being net gain arising on sale of Investments.

20. COST OF MATERIALS CONSUMED

	₹ in Lakhs	
	For the year ended 31 st March, 2022	For the year ended 31 st March, 2021
Raw Materials Consumed *		
Opening Stock	23925.33	24536.14
Purchases	50922.36	47104.63
	74847.69	71640.77
Less: Closing Stock	23221.59	23925.33
TOTAL	51626.10	47715.44

The above includes cost of unmanufactured tobacco sold - Value ₹ 17997.53 Lakhs (2021 - ₹ 17162.08 Lakhs).

* Includes Packing Material.

Notes to the Financial Statements

21. CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS

	₹ in Lakhs	
	For the year ended 31 st March, 2022	For the year ended 31 st March, 2021
(a) (Increase) / Decrease in Finished Goods		
Opening Stock	4210.18	4020.19
Closing Stock	5092.04	4210.18
	(881.86)	(189.99)
(b) Increase / (Decrease) in Excise Duties on Finished Goods	329.54	210.33
(c) (Increase) / Decrease in Work-in-Progress		
Opening Stock	910.63	1064.84
Closing Stock	634.19	910.63
	276.44	154.21
TOTAL	(275.88)	174.55

22. EMPLOYEE BENEFITS EXPENSES

	₹ in Lakhs	
	For the year ended 31 st March, 2022	For the year ended 31 st March, 2021
Salaries and wages	10207.79	10366.64
Contribution to Provident and other funds	559.40	512.23
Share based payment to employees	99.11	-
Staff welfare expenses	768.36	604.55
TOTAL	11634.66	11483.42

23. OTHER EXPENSES

	₹ in Lakhs	
	For the year ended 31 st March, 2022	For the year ended 31 st March, 2021
Insurance	376.30	345.03
Consumption of Stores and Spares	1224.63	981.25
Power and Fuel	751.07	761.42
Rent	397.23	362.77
Repairs and Maintenance	371.13	343.25
Rates and Taxes	89.08	193.88
Consumer Research Expenses	185.80	281.12
Design and Development Expenses	759.10	311.12
Distribution Expenses	648.35	354.63
Sales Promotion Expenses	118.52	125.29
Visibility Expenses	1395.80	373.45
Outward Freight	2269.89	1680.86
Miscellaneous	3795.78	3311.00
Payment to Auditors (see note (a) below)	52.75	53.57
Corporate Social Responsibility (see note (b) below)	774.69	680.55
Directors' Sitting Fees, Remuneration & Commission	457.60	506.60
TOTAL	13667.72	10665.79

Notes to the Financial Statements

	₹ in Lakhs	
	For the year ended 31 st March, 2022	For the year ended 31 st March, 2021
(a) Payment to Auditors		
Audit fees	40.00	35.00
Fees for audit related services, Limited Reviews, etc.	8.00	8.00
Fees for certification	2.50	8.50
Reimbursement of expenses	2.25	2.07
	52.75	53.57
(b) Corporate Social Responsibility (CSR)		
As per Section 135 of the Companies Act, 2013, the Company is required to spend at least 2% of its average net profit for the immediately preceding three years on CSR activities. The funds were primarily allocated to a corpus and utilised through the year on activities which are specified in Schedule VII of the Companies Act, 2013:		
(i) Gross amount required to be spent by the Company during the year	774.69	680.55
(ii) Amount approved by the Board to be spent during the year	774.69	680.55
(iii) Amount spent during the year on :		
(1) On Construction / Acquisition of any asset	-	-
(2) For purposes other than (1) above (Revenue account)	1004.65	450.59
	1004.65	450.59
(iv) (Shortfall)/Excess at the end of the year	-	(229.96)
(v) Total of previous years shortfall	-	-
(vi) Details of related party transactions	NA	NA
(vii) Reason for shortfall	NA	Pertains to ongoing projects
(viii) Nature of CSR activities	Promotion of education, health & sanitation including COVID-19 relief & environmental sustainability	
(xi) Where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movement in the provision during the year	NA	NA

24. EARNINGS PER SHARE

	For the year ended 31 st March, 2022	For the year ended 31 st March, 2021
Earnings per Share is computed as under:		
(a) Profit for the year (₹ in Lakhs)	32023.11	31079.43
(b) Weighted average number of Ordinary Shares	1,54,41,920	1,54,41,920
(c) Basic Earnings Per Share (Face Value per Share - ₹ 10) ₹	207.38	201.27
(d) Diluted Earnings Per Share (Face Value per Share - ₹ 10) ₹	207.38	201.27

Notes to the Financial Statements

25. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Contingent Liabilities

- (i) Claims against the Company not acknowledged as debts ₹ 663.11 Lakhs (2021 - ₹ 674.84 Lakhs) These Comprise -

Excise duty, service tax and customs duty matters ₹ 158.86 Lakhs (2021 - ₹ 170.59 Lakhs). Other matters including employees / ex-employees, etc. ₹ 504.25 Lakhs (2021 - ₹ 504.25 Lakhs).

- (ii) In addition to the above, the Company is subject to certain other litigations, in the ordinary course of business and the industry in which it operates in, which are pending.
- (iii) It is not practicable for the Company to estimate the closure of these issues and the consequential timings of cash outflows and estimate of financial effect, if any, in respect of the above as its determinable only on occurrence of uncertain future events/ receipt of judgements pending at various forums.

(b) Commitments

Estimated amount of contracts remaining to be executed on Capital Account, net of advances (not provided for) - ₹ 14074.53 Lakhs (2021 - ₹ 534.29 Lakhs).

26. FUTURE LEASE OBLIGATIONS

The Company has entered into various short term and low value operating lease agreements and the amounts paid under such agreements have been charged to revenue as Rent under Note 23. All these agreements are cancellable in nature.

27. RELATED PARTIES AND TRANSACTIONS WITH THEM DURING THE YEAR

	₹ in Lakhs	
	For the year ended 31 st March, 2022	For the year ended 31 st March, 2021
(a) Company having significant influence		
British American Tobacco Group		
- Dividends paid, to		
• The Raleigh Investment Company Limited	4127.28	3729.03
• Tobacco Manufacturers (India) Limited	1457.99	1317.31
• Rothmans International Enterprises Limited	75.86	68.54
(b) Remuneration to Key Managerial Personnel		
(i) Non-Executive Directors		
Mr. Naresh Kumar Sethi		
Mr. S. Thirumalai		
Ms. Rama Bijapurkar		
Mr. Sudeep Bandyopadhyay		
Mr. Rajeev Gulati		
Dividend Paid	0.03	0.03
Remuneration & Commission	400.00	400.00
Sitting fees	57.60	106.60

Notes to the Financial Statements

	₹ in Lakhs	
	For the year ended 31 st March, 2022	For the year ended 31 st March, 2021
(ii) Executive Directors		
Mr. Aditya Deb Gooptu, Managing Director w.e.f 1 st December, 2020 *		
Mr. Devraj Lahiri, Director upto 9 th December, 2020		
Remuneration:		
- Short-term benefits	371.63	361.96
- Share based payment	34.05	-
- other remuneration	13.83	70.62
* subject to shareholders' approval - ₹ Nil (2021 - ₹ 190.36 Lakhs)		
(iii) Other Key Managerial Personnel		
Mr. Anish Gupta, Chief Financial Officer		
Mr. Phani K. Mangipudi, Company Secretary		
Remuneration:		
- Short-term benefits	195.14	202.02
- Share based payment	19.45	-
- other remuneration	9.07	10.32
Dividend Paid #		

amount is negligible.

Note: Liability for Gratuity, Leave encashment and Group Health Premiums are provided on actuarial valuation basis / separately for the Company as a whole. Accordingly, amounts pertaining to key managerial personnel are not included.

Terms and Conditions of transactions with related parties

All Related Party Transactions entered during the year were in the ordinary course of the business and at arm's length basis.

Remuneration to directors and key executives is determined by the Nomination and Remuneration Committee of the Board having regard to individual performance and market trends.

28. SEGMENT REPORTING

The chief operating decision-maker (CODM) evaluates the Company's performance and allocates resources at an overall level considering the business and industry it operates in. Accordingly, the Company's business activity primarily falls within a single operating segment viz. Tobacco and related products. Therefore, the disclosures as per Ind AS 108 - 'Operating Segments' is not applicable.

Geographical segments considered for disclosure mainly consists of sales within India and sales outside India, information in respect thereof is as under:

	For the year ended 31 st March, 2022	For the year ended 31 st March, 2021
(a) Sales within India	146056.03	138493.32
(b) Sales outside India	9855.68	8676.81
	155911.71	147170.13

The entire activity pertaining to sales outside India is carried out from India, hence all segment assets are considered entirely to be in India.

Notes to the Financial Statements

29. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

A Capital Management

The Company's financial strategy aims to provide adequate capital to its business for growth on a going concern basis thereby creating sustainable stakeholder value. The Company funds its operations mainly through internal accruals.

B Categories of Financial Instruments - Fair Value Measurement and Fair Value Hierarchy

The fair value of the financial assets and liabilities is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Methods and assumptions used to estimate the fair value are consistent with those used for the earlier period.

Financial assets and liabilities are measured at fair value as at Balance Sheet date as under:

- i) The fair value of investment in government securities and quoted investment in equity shares are based on the current bid price of respective investments as at the Balance Sheet date.
- ii) The fair value of investments in mutual fund units is based on the net asset value ('NAV') as stated by the issuers of these mutual fund units in their published statements as at Balance Sheet date. NAV represents the price at which the issuer will issue further units of mutual fund as well as the price at which issuers will redeem such units for the investors.

- iii) The fair values of the derivative financial instruments has been determined using valuation techniques with market observable inputs such as foreign exchange spot rates and forward rates as at end of reporting period, interest yield curves, volatility, etc., as applicable.

- iv) Cash and cash equivalents (except for investments in units of mutual fund), other bank balances, trade receivables, trade payables and other current financial assets and liabilities (except derivative financial instruments), have fair value that approximates to their carrying amount due to their short-term nature.

Fair value of the financial instruments have been classified into various fair value hierarchies respective three levels as under:

Level 1 - Quoted prices for identical assets or liabilities in an active market.

Level 2 - Directly or indirectly observable market inputs, other than Level 1 inputs; and

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

If one or more of the significant inputs is not based on observable market data, the fair value is determined using generally accepted pricing model based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of the counterparty.

Notes to the Financial Statements

The following table shows the carrying amount and fair value of financial assets and liabilities, including their levels in the fair value hierarchy:

Particulars	Note	Fair Value Hierarchy (Level)	₹ in Lakhs			
			As at 31 st March, 2022		As at 31 st March, 2021	
			Carrying Value	Fair Value	Carrying Value	Fair Value
FINANCIAL ASSETS						
Measured at Fair value through OCI						
i) Equity Instruments	3	Level 1	250.58	250.58	255.60	255.60
ii) Equity Instruments	3	Level 3	13.94	13.94	13.94	13.94
Sub-total			264.52	264.52	269.54	269.54
Measured at Fair value through Profit and Loss						
i) Investment in Mutual Funds	9	Level 1	76760.90	76760.90	88442.85	88442.85
Sub-total			76760.90	76760.90	88442.85	88442.85
Derivatives measured at fair value						
i) Foreign exchange forward contracts	5	Level 2	19.95	19.95	78.37	78.37
Sub-total			19.95	19.95	78.37	78.37
Measured at amortised cost						
i) Investments in Government Securities	3	Level 1	20040.53	20106.39		
ii) Loans	4	-	46.09	46.09	11.35	11.35
iii) Other Financial Assets	5	-	262.39	262.39	2.29	2.29
iv) Trade receivables	10	-	3330.43	3330.43	1521.28	1521.28
v) Cash and cash equivalents	11	-	418.81	418.81	936.73	936.73
vi) Other bank balances	12	-	1122.13	1122.13	1146.64	1146.64
Sub-total			25220.38	25286.24	3618.29	3618.29
Total financial assets			102265.75	102331.61	92409.05	92409.05
FINANCIAL LIABILITIES						
Measured at amortised cost						
i) Trade Payables	15	-	10340.51	10340.51	10975.21	10975.21
ii) Other financial liabilities	16	-	3160.16	3160.16	3825.72	3825.72
Sub-total			13500.67	13500.67	14800.93	14800.93
Total financial liabilities			13500.67	13500.67	14800.93	14800.93

There were no significant changes in the classification and no significant movements between the fair value hierarchy classifications of assets and liabilities during current financial year.

C FINANCIAL RISK MANAGEMENT OBJECTIVES

The Company's risk management framework anchored in its policies and procedures and internal financial controls aim to ensure that the Company's business activities that are exposed to a variety of financial risks namely liquidity risk, market risks, credit risk and foreign currency risk are identified at an early stage and managed within acceptable and approved risk parameters in a disciplined and consistent manner and in compliance with applicable regulations.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Cash flow from operating activities provides the funds to service the financial liabilities on a day-to-day basis. The Company's approach in managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring any unacceptable losses. In doing this, Management considers both normal and stressed conditions. The Company maintained a cautious liquidity strategy, with a positive cash balance throughout the year ended 31st March, 2022 and 31st March, 2021.

Notes to the Financial Statements

On the reporting date, the Company's Current assets aggregate to ₹ 114202.90 Lakhs (2021 - ₹ 125073.01 Lakhs) including Current investments, Cash and cash equivalents and Other bank balances of ₹ 78301.84 Lakhs (2021 - ₹ 90526.22 Lakhs) against an aggregate Non - Current liabilities of ₹ 2296.11 Lakhs (2021 - ₹ 2207.88 Lakhs) and Current liabilities of ₹ 49336.79 Lakhs (2021 - ₹ 52326.82 Lakhs) and also there are no difference in value as per contracts and its carrying value as at the Balance Sheet date and are due within a year. Further, the Company's total equity stood at ₹ 107429.61 Lakhs (2021 - ₹ 94044.27 Lakhs). Accordingly, liquidity risk or the risk that the Company may not be able to settle its dues as they become due does not exist. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

Market Risks

The Company does not trade in equity instruments; it continues to hold certain investments in equity for long term value accretion which are measured at fair value through Other Comprehensive Income. The value of investment in such equity instruments as at 31st March, 2022 is ₹ 264.52 Lakhs (2021 - ₹ 269.54 Lakhs).

The Company's investments are predominantly held in fixed deposits and debt schemes of mutual funds. The decision making is centralised and administered under a set of approved policies and procedures guided by the principles of safety, liquidity and returns. This ensures that investments are only made within acceptable risk parameters after due evaluation.

Fixed deposits are held with highly rated banks and companies and have a short to medium tenure and accordingly, are not subject to interest rate volatility. Investment in debt schemes of mutual funds are susceptible to market price risk that arise mainly from change in interest rate from time to time which may impact the return and value of such investments. However, given the relatively short tenure of the underlying portfolio of such mutual fund schemes in which the Company has invested, such price risk is not significant. Investment in Government Securities are primarily fixed rate interest bearing investments. Hence, the Company is not significantly exposed to interest rate risk.

As the Company is debt-free and its liabilities do not carry interest, the exposure to interest rate risk from the perspective of Financial Liabilities is negligible.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter-party fails to meet its contractual obligations. The Company's customer base is large and diverse and credit is extended in business interest in accordance with well laid out guidelines issued centrally. Exceptions, if any, are approved by appropriate authority after due consideration of the customers credentials and financial capacity, trade practices and prevailing business and economic conditions. Our historic experience of collecting receivables is high and accordingly, the credit risk is low. Hence, all trade receivables together are considered to be a single class of financial assets.

The value of Trade Receivables as at 31st March, 2022 is ₹ 3330.43 Lakhs (2021 - ₹ 1521.28 Lakhs)

Further, the Company maintains exposure in cash and cash equivalents, term deposits with banks, government securities, debt schemes of mutual funds and derivative instruments with financial institution. The Company has set counter-parties limits based on multiple factors including conditionals, financial capacity, credit rating, etc.

The Company's maximum exposure to credit risk as at 31st March, 2022 and 31st March, 2021 is the carrying value of each class of financial assets.

Foreign Currency Risks

The Company undertakes transactions denominated in foreign currency (mainly US Dollar, Euro and Pound Sterling) which are subject to the risk of exchange rate fluctuations. Financial assets and liabilities denominated in foreign currency, arising out of such transactions, are also subject to reinstatement risk.

The Company has an established risk management policy to hedge the volatility arising from exchange rate fluctuation in respect of firm commitments and highly probable forecast transactions, through foreign exchange forward contracts. The proportion of forecast transactions that are to be hedged is decided based on the size of the forecasted transaction and market conditions. As the counterparty for such transactions are Scheduled banks, the risk of their non-performance is considered to be insignificant.

The use of these foreign exchange forward contracts are intended to reduce the risk or cost to the Company and are not intended for trading or speculation purpose.

Notes to the Financial Statements

The information on such Derivative Instruments is as follows:

Forward exchange contracts designated under Hedge Accounting that were outstanding on respective reporting dates:

Currency Pair	Currency	As at 31 st March, 2022		As at 31 st March, 2021	
		Buy	Sell	Buy	Sell
USD / INR	INR	-	3496.64	-	3818.73

₹ in Lakhs

The aforesaid hedges have a maturity of less than 1 year as on respective reporting dates.

The carrying amount of foreign currency denominated financial assets and liabilities, are as follows:

Currency Pair	Currency	As at 31 st March, 2022		As at 31 st March, 2021	
		Assets	Liabilities	Assets	Liabilities
USD / INR	INR	1894.73	4.88	950.86	17.42
EUR / INR	INR	-	46.90	-	75.99
GBP / INR	INR	-	7.32	-	-

₹ in Lakhs

Hedges of foreign currency risk and derivative financial instrument

Foreign exchange forward contracts that are designated as cash flow hedges and qualify for hedge accounting are fair valued at each reporting date and the resultant gain or loss is recognised in Other Comprehensive Income under 'Cash Flow Hedge' in Equity to the extent considered highly effective and are reclassified into the Statement of Profit and Loss upon occurrence of the hedged transactions. Gain or loss on derivative instruments that are either not designated as cash flow hedges or designated as cash flow hedges to the extent considered ineffective is recognised in the Statement of Profit and Loss.

The movement in the cash flow hedging reserve in respect of designated cash flow hedges is summarised below:

Particulars	2022	2021
At the beginning of the year	58.64	(63.49)
Add: Changes in the fair value of effective portion of matured cash flow hedges during the year	25.60	134.76
Add: Changes in the fair value of effective portion of outstanding cash flow hedges as at year end	19.95	78.37
Less: Amounts transferred to the statement of profit and loss on occurrence of transaction during the year	103.97	50.03
(Less)/Add: Deferred tax	14.71	(40.97)
At the end of the year	14.93	58.64

₹ in Lakhs

Foreign Currency Sensitivity

A 1% strengthening of the INR against key currencies to which the company is exposed (net of hedges) would have led to the profit before tax for the year ended 31st March, 2022 to be lower by ₹ 18.36 Lakhs (2021 - ₹ 8.57 Lakhs) and total equity (pre-tax) as at 31st March, 2022 would change by ₹ 18.36 Lakhs (2021 - ₹ 8.57 Lakhs).

A 1% weakening of the INR against these currencies would have led to an equal but opposite effect.

General Risk Assessment

The Company, to the extent possible, has considered the risks that may result from the uncertainty relating to COVID-19 pandemic and its impact on the carrying amounts of trade receivables, investments, financial instruments and effectiveness of its hedges. Based on the Company's analysis of the current indicators of the future economic condition on its business and the estimates used in its financial statements, the Company does not foresee any material impact in

Notes to the Financial Statements

the recoverability of the carrying value of the assets. The risk assessment is a continuous process and the Company will continue to monitor the impact of the changes in future economic conditions on its business.

The Company has no outstanding borrowing amount since year 2005 and accordingly appropriate form for satisfaction of charges was filed on time before Registrar of Companies, Hyderabad and the Company has been continuously pursuing with the authorities to reflect the same on their website.

30. EMPLOYEE BENEFIT PLANS

Employee Retirement Benefit Plans of the Company include Provident fund, Retirement Allowances, Gratuity, Pension and Leave Encashment. These plans expose the Company to a number of actuarial risks such as investment risk, interest rate risk, longevity risk and inflation risk. The Company has developed policy guidelines within the applicable statutory framework, for allocation of assets to different classes with the objective of maintaining the right balance between risks and long-term returns. Further, investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

Description of Plans

(i) Provident Fund :

Eligible employees of the Company receive benefits under the Provident Fund which are defined contribution / benefit plans wherein both the Company and the employees make monthly contributions equal to a specified percentage of the covered employees' salary. These contributions are made to the Funds administered and managed by the Govt. of India / Company's own Trust. The Company's own trust plan envisages guarantee of interest at the rate notified by the Provident Fund authority. The Company's contributions along with interest shortfall, if any, are charged to revenue in the year they are incurred. Expenditure for the year amounted to ₹ 314.20 Lakhs (2021 - ₹ 291.73 Lakhs).

Major Category of Plan Assets as a % of the Total Plan Assets of the Company's Own Provident Fund Trust :

Particulars		2022	2021
Central Government Securities	[%]	12.2	12.7
State Government Securities	[%]	46.9	45.1
High Quality Corporate Bonds	[%]	35.7	37.2
Equity Instruments	[%]	5.1	4.8
Cash and cash equivalent	[%]	0.1	0.2

(ii) Retirement Allowance

The Company has an unfunded defined benefit retirement allowance scheme for its employees in the workmen category. Liability with regard to such scheme is determined on actuarial valuation performed by an independent actuary at each balance sheet date using projected unit credit method and charged to revenue in the period determined - ₹ 384.94 Lakhs; (2021- ₹ 446.34 Lakhs). Consequently, Liability recognised in the Balance sheet as at 31st March, 2022 ₹ 2262.57 Lakhs; (2021- ₹ 2181.59 Lakhs).

(iii) Gratuity :

In accordance with 'the Payment of Gratuity Act, 1972' of India, the Company provides for gratuity, a defined retirement benefit plan (the 'Gratuity Plan') covering eligible employees. Liabilities with regard to such Gratuity Plan are determined on actuarial valuation performed by an independent actuary at each balance sheet date using projected unit credit method and are charged to revenue in the period determined. The Gratuity Plan is a funded Plan administered by Company's own Trust which has subscribed to " Group Gratuity Scheme" of Life Insurance Corporation of India.

Notes to the Financial Statements

(iv) Pension Fund:

The Company has a defined contribution pension scheme to provide pension to the eligible employees. The Company makes monthly contributions equal to a specified percentage of the covered employees' salary to a notified pension scheme under National Pension Scheme of the Government of India. The Company's contributions are charged to revenue in the period they are incurred - ₹ 107.65 Lakhs (2021 - ₹ 99.54 Lakhs).

In addition to the above, the Company has a funded defined benefit pension scheme for its employees in the workmen category. Liability with regard to such defined benefit plan are determined on actuarial valuation performed by an independent actuary at each balance sheet date using projected unit credit method and are

charged to revenue in the period determined. This plan is administered by the Company's own Trust which has subscribed to "Group Pension Scheme" of Life Insurance Corporation of India.

(v) Leave Encashment

The Company has a leave encashment scheme whereunder, leaves are both accumulating and non-accumulating in nature. The expected cost of accumulating leaves expected to be paid/availed as a result of the unused entitlement that has accumulated as at the balance sheet date is determined on actuarial valuation performed by an independent actuary at each balance sheet date using projected unit credit method and are charged to revenue in the period determined. The Scheme is fully funded by way of subscription to the "Leave Encashment" of Life Insurance Corporation of India.

Compensation, if any, for non-accumulating leaves is charged to revenue in the period in which the absences occurs.

Particulars	₹ in Lakhs			
	As at 31 st March, 2022		As at 31 st March, 2021	
	Gratuity	Pension	Gratuity	Pension
A Components of Employer Expense				
Recognised in the Statement of Profit and Loss				
i) Current Service Cost	143.76	6.49	126.36	6.02
ii) Past Service Cost	-	-	-	-
iii) Net Interest Cost	(14.60)	0.49	(12.85)	(1.72)
iv) Total expense recognised in the Statement of Profit and Loss	129.16	6.98	113.51	4.30
Remeasurements recognised in Other Comprehensive Income				
v) Return on plan assets (excluding amounts included in Net interest cost)	(37.12)	0.38	(8.30)	(0.43)
vi) Effect of changes in demographic assumptions	-	-	-	-
vii) Effect of changes in financial assumptions	(124.49)	(3.15)	-	-
viii) Changes in asset ceiling (excluding interest income)	-	-	-	-
ix) Effect of experience adjustments	203.85	(7.28)	33.82	29.36
x) Total remeasurements included in Other Comprehensive Income	42.24	(10.05)	25.52	28.93
xi) Total defined benefit cost recognised in the Statement of Profit and Loss and Other Comprehensive Income (iv+x)	171.40	(3.07)	139.03	33.23
The current service cost and net interest cost for the year pertaining to Pension and Gratuity expenses have been recognised in "Contribution to Provident and other funds" under Note 22. The remeasurements of the net defined benefit liability are included in Other Comprehensive Income.				
B Net Asset/(Liability) recognised in Balance Sheet				
i) Present value of Defined Benefit Obligation	4250.58	104.15	4274.03	122.22
ii) Fair Value of Plan Assets	4224.68	96.50	4265.00	111.50
iii) Status [Surplus/(Deficit)]	(25.90)	(7.65)	(9.03)	(10.72)

Notes to the Financial Statements

Particulars	₹ in Lakhs			
	As at 31 st March, 2022		As at 31 st March, 2021	
	Gratuity	Pension	Gratuity	Pension
C Changes in Defined Benefit Obligation (DBO)				
i) Present value of DBO at the beginning of the year	4274.03	122.22	4385.39	97.29
ii) Current Service Cost	143.76	6.49	126.36	6.02
iii) Past Service Cost	-	-	-	-
iv) Interest Cost	261.31	7.25	267.53	5.80
v) Remeasurement (gains)/ losses:				
Effect of changes in demographic assumptions	-	-	-	-
Effect of changes in financial assumptions	(124.49)	(3.15)	-	-
Changes in asset ceiling (excluding interest income)	-	-	-	-
Effect of experience adjustments	203.85	(7.28)	33.82	29.36
vi) Curtailment Cost/(Credits)	-	-	-	-
vii) Settlement Cost/(Credits)	-	-	-	-
viii) Benefits paid	(507.88)	(21.38)	(539.07)	(16.25)
ix) Present value of DBO at the end of the year	4250.58	104.15	4274.03	122.22
D Change in Fair Value of Assets				
i) Plan Assets at the beginning of the year	4265.00	111.50	4362.00	119.80
ii) Interest Income	275.91	6.76	280.38	7.52
iii) Remeasurement gains/ (losses) on plan assets	37.12	(0.38)	8.30	0.43
iv) Actual Company Contributions	154.53	-	153.39	-
v) Benefits paid	(507.88)	(21.38)	(539.07)	(16.25)
vi) Plan Assets at the end of the year	4224.68	96.50	4265.00	111.50
E Estimate of Employers' Expected Contribution for the next year	72.73	22.76	83.84	32.16
F Actuarial Assumptions				
i) Discount Rate (%)	7.00	7.00	6.50	6.50
ii) Expected Return on Plan Assets (%)	7.00	7.00	6.50	6.50

The estimates of future salary increases between 6% - 9%, considered in actuarial valuations take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

G Investment details of the Plan assets

In the absence of detailed information regarding plan assets which are funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage or amount of each category to the fair value of plan assets is not disclosed.

H Basis used to determine the Expected Rate of Return on Plan Assets

The expected rate of return on plan assets is based on the current portfolio of assets, investment strategy and market scenario. In order to protect the capital and optimize returns within acceptable risk parameters, the plan assets are well diversified.

Notes to the Financial Statements

I Sensitivity Analysis

The Sensitivity Analysis below has been determined based on reasonably possible change of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. These sensitivities show the hypothetical impact of a change in each of the listed assumptions in isolation. While each of these sensitivities holds all other assumptions constant, in practice such assumptions rarely change in isolation and the asset value changes may offset the impact to some extent. For presenting the sensitivities, the present value of the Defined Benefit Obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the Defined Benefit Obligation presented above. There was no change in the methods and assumptions used in the preparation of the Sensitivity Analysis from previous year.

	₹ in Lakhs	
	DBO as at 31 st March, 2022	DBO as at 31 st March, 2021
1. Discount Rate + 100 basis points	3809.67	4124.85
2. Discount Rate - 100 basis points	4340.41	4696.65
3. Salary Increase Rate + 1%	4207.38	4549.09
4. Salary Increase Rate - 1%	3906.16	4232.70
Maturity Analysis of the Benefit Payments		
Year 1	617.63	492.23
Year 2	446.57	609.68
Year 3	591.33	435.13
Year 4	440.57	598.66
Year 5	382.78	419.39
Next 5 Years	1360.34	1377.08

31. EMPLOYEE SHARE BASED PAYMENT

Information in respect of Options granted under the Company's Employee Stock Option Scheme ("Scheme").

S. No.	VST Employees Stock Option Scheme - 2020
1. Date of Shareholders' approval	5 th February, 2021
2. Total number of options approved under the Scheme	Options equivalent to 7,70,000 Ordinary Shares of ₹ 10.00 each.
3. Vesting Schedule	The vesting period for conversion of Options is as follows: On completion of 12 months from the date of grant of the Options : 30% vests On completion of 24 months from the date of grant of the Options : 30% vests On completion of 36 months from the date of grant of the Options : 40% vests
4. Pricing Formulae	The Pricing Formula, as approved by the Shareholders of the Company, is such price, as determined by the Nomination & Remuneration Committee (NRC). Currently, NRC has envisaged grant of share option to eligible employees at 'market price' as defined from time to time under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.
5. Maximum term of options granted	4 years from the date of vesting
6. Source of Shares	Secondary Market
7. Variation in terms of options	None

Notes to the Financial Statements

S. No.	VST Employees Stock Option Scheme - 2020
8.	Method used for accounting of share based payment plans
	The employee compensation cost has been calculated at fair value using Black Schole's option pricing model after applying the following key assumptions on a weighted average basis.
	Date of Grant
	27 th April, 2021
	No. of options granted *
	31500
	Exercise Price per option - ₹
	3318.65
	Expected volatility
	28.33% - 29.07%
	Risk-free interest rate
	4.70% - 5.16%
	Weighted average fair value per option - ₹
	666.49
	Expected volatility :
	Volatility was calculated using standard deviation of daily change in historic stock price.
	Expected option life :
	The expected option life for each tranche shall be different depending on its vesting period and contractual term. Accordingly, the expected option life is calculated as (Year of Vesting + Contractual Option Term)/2
	Risk-free interest rate :
	Zero coupon sovereign bond yields were utilised with maturity equal to expected term of the option.

9. Movement in options granted

Particulars	No. of options	Range of fair value per option (₹)	Weighted average fair value per option (₹)	Weighted average remaining contractual life (years)
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	31500	594.56 - 716.81	666.49	6.10
Cancelled during the year	3000	594.56 - 716.81	666.49	-
Expired during the year	-	-	-	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	28500	594.56 - 716.81	666.49	5.18
Vested and exercisable at the end of the year	-	-	-	-

* This includes 16,500 options granted to key managerial personnel

For the year ended 31st March 2022, the Company has accounted expense of ₹ 99.11 Lakhs (2021 - ₹ Nil) as employee benefit expenses (see note 22) on the aforesaid employee stock option plan. The balance in share based payment reserve account is ₹ 99.11 Lakhs as of 31st March, 2022 (2021 - ₹ Nil).

Notes to the Financial Statements

32. RATIOS

S. No.	Particulars	Numerator	Denominator	31 st March, 2022	31 st March, 2021
1.	Current Ratio (in times)	Current Assets	Current Liabilities	2.3	2.4
2.	Debt-Equity Ratio (in times)		Not Applicable		
3.	Debt Service Coverage Ratio (in times)		Not Applicable		
4.	Return on Equity (%)	Net profit after tax	Average Equity	31.8	36.0
5.	Inventory Turnover Ratio (in times)	Cost of goods sold	Average Inventory	1.7	1.6
6.	Trade Receivables Turnover Ratio (in times) *	Sales (on credit)	Average Trade Receivables	8.8	13.1
7.	Trade Payables Turnover Ratio (in times)	Purchases	Average Trade Payables	4.8	4.1
8.	Net capital Turnover Ratio (in times)	Sales	Working Capital (Total Current Assets less Total Current Liabilities)	2.4	2.0
9.	Net Profit Ratio (%)	Profit after tax	Sales	20.5	21.1
10.	Return on Capital employed (%)	Profit before tax	Capital Employed (Net worth less Deferred tax Assets)	40.7	45.6
11.	Return on Investments (%)	Income from Investments	Average Investments	4.2	4.3

* Revenue growth with corresponding increase in year end trade receivables without change in customer credit terms.

As per our report of even date.

For **B S R & Associates LLP**
Firm Registration No. 116231W/ W - 100024
Chartered Accountants

ARPAN JAIN
Partner
Membership No. 125710
Hyderabad, 26th April, 2022

On behalf of the Board,

NARESH KUMAR SETHI
DIN : 08296486

ADITYA DEB GOOPTU
DIN : 07849104

ANISH GUPTA

PHANI K. MANGIPUDI

Hyderabad, 26th April, 2022

Chairman

Managing Director

Chief Financial Officer

Company Secretary

Operating Results

OPERATING RESULTS 2013 - 2022

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	₹ in Lakhs									
Revenue from operation - Cigarette	143369	138528	146140	178731	198325	110788	94382	113034	127173	134662
Less: excise duty	95739	84203	88692	117984	133891	41106	8510	13107	36191	38250
Net revenue from operation - Cigarette	47630	54325	57448	60747	64434	69682	85872	99927	90982	96412
Revenue from operation - Others	19238	24593	26168	27568	27805	25076	24029	24008	20116	21404
Total revenue from operation - Net	66868	78918	83616	88315	92239	94758	109901	123935	111098	117816
Operating profit	15781	19154	21067	20638	21082	25483	31177	37289	37551	38154
Other income (Net)	2625	3244	1809	2020	2008	2462	3890	4736	4179	4667
Profit before tax & extraordinary item	18406	22398	22876	22658	23090	27945	35067	42025	41730	42821
Profit after tax & extraordinary item	12625	15015	15221	15311	15153	18189	22684	30409	31079	32023
Other comprehensive income after tax	-	-	-	-	(129)	62	(63)	(418)	162	(72)
Total comprehensive income	12625	15015	15221	15311	15024	18251	22621	29991	31241	31951

EQUITY, LIABILITIES AND ASSETS 2013 - 2022

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	₹ in Lakhs									
Share capital	1544	1544	1544	1544	1544	1544	1544	1544	1544	1544
Other equity	28867	31280	33124	35499	52353	56665	64859	77165	92500	105886
Shareholder's funds	30411	32824	34668	37043	53897	58209	66403	78709	94044	107430
Property, plant and equipment, intangible assets and capital work-in-progress (Net)	17523	20913	19778	21468	22083	22930	21371	19975	20601	20542
Other assets (Net of Liabilities*)	12888	11911	14890	15575	31814	35279	45032	58734	73443	86888
Net assets employed	30411	32824	34668	37043	53897	58209	66403	78709	94044	107430

PERFORMANCE 2013 - 2022

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	₹ in Lakhs									
Earnings per share (₹)	81.8	97.2	98.6	99.2	98.1	117.8	146.9	196.9	201.3	207.4
Dividend per share (₹)	62.5	70.0	70.0	70.0	75.0	77.5	95.0	103.0	114.0	140.0
Dividend [^]	9651	10809	10809	10809	11581	11967	14670	15905	17604	21619
Return on capital employed (%)	62.3	70.4	68.8	64.8	44.8	50.1	55.4	55.3	45.6	40.7

* Borrowings - Nil

[^] Excludes Income Tax on Dividend, if any



VST INDUSTRIES LIMITED