

45th Annual Report
2012-13



VST TILLERS TRACTORS LTD.



A VST GROUP
ENTERPRISE

LORD GANESHA



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

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

Ordinary Business:

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

Special Business:

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

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

Salary

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

Perquisites

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

CATEGORY - A

- a. Contribution to Provident Fund shall not be included in the computation of the ceiling on perquisites to the extent it is not taxable under the Income-tax Act.
- b. Gratuity payable shall not exceed one half month’s salary for each completed year of service subject to a ceiling specified in the Gratuity Act.
- c. Earned/Privilege Leave shall be allowed to the Dy. Managing Director on full pay and allowances according to the rules of the Company but not more than 34 (thirty four) days leave for every 12 (twelve) months service. However, leave accumulated but not availed will be allowed to be en-cashed.

CATEGORY - B

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

CATEGORY - C

Commission

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

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

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

NOTES:

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

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

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

ANNEXURE TO THE NOTICE

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

Item No. 6

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

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

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

the Company including its overall development.

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

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

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

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

Place: Bangalore
Date: May 30, 2013

Chinmaya Khatua
Company Secretary

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

**Company Secretary
and Compliance Officer** : Mr. Chinmaya Khatua

Auditors : M/s. Brahmayya & Company
10/2, Khivraj Mansion,
Kasturba Road, Bangalore - 560 001

Cost Auditors : M/s. Rao, Murthy & Associates
No.23/33, Surveyor's Street
Basavanagudi, Bangalore - 560 004

Bankers : M/s. Canara Bank
M/s. State Bank of India

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

Regd. Office : Plot No.1, Dyavasandra Industrial Layout,
P.B.No.4801, Whitefield Road,
Mahadevapura Post, Bangalore - 560 048

INFORMATION

REQUEST TO MEMBERS

1. Please bring your copy of the Annual Report to the meeting as no extra copies will be distributed owing to limited number of copies printed.
2. Members are requested to send their queries, if any, relating to the annual accounts and reports at least one week prior to the date of meeting to facilitate computation of information.
3. Members/their proxies/representatives are advised to bring their Attendance Slip duly filled in for attending the meeting. An Attendance Slip and Proxy form are attached at the end of this Annual Report.

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

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

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

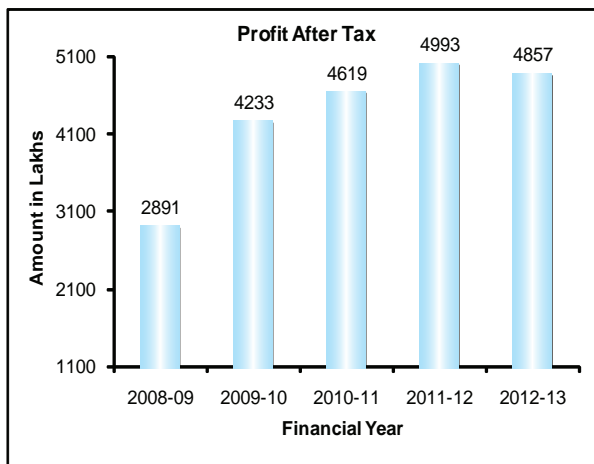
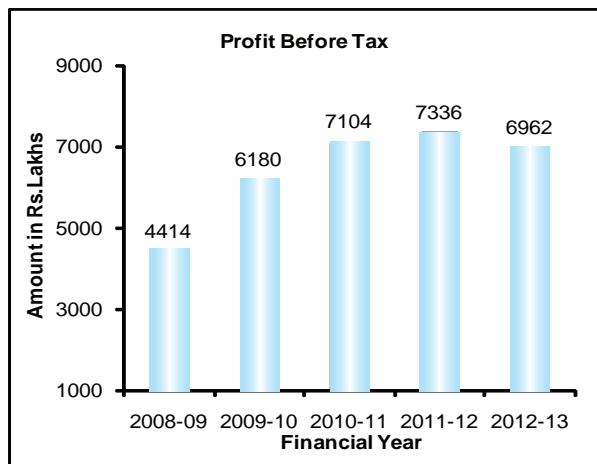
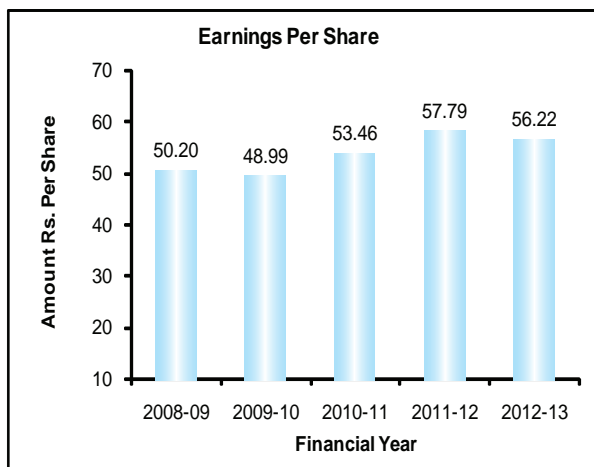
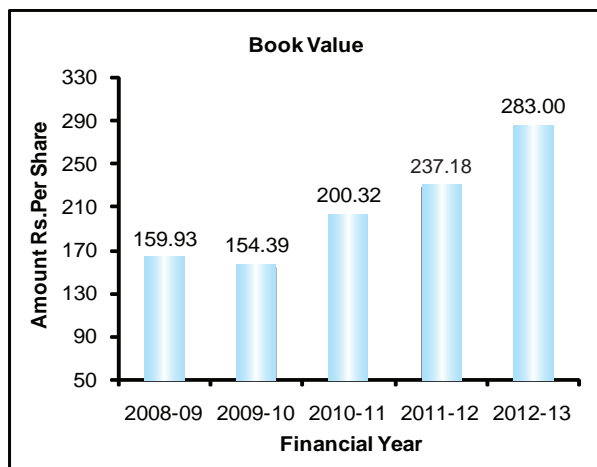
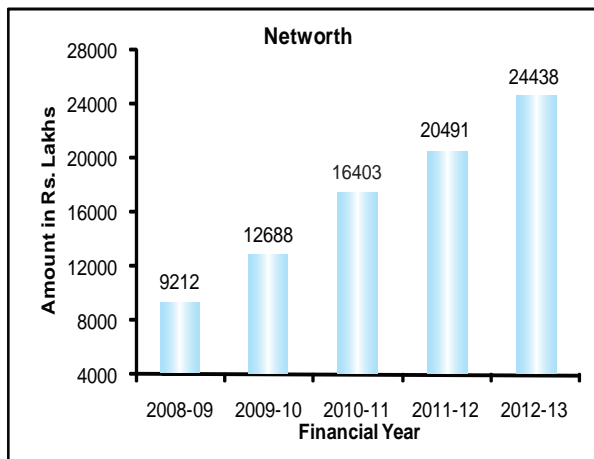
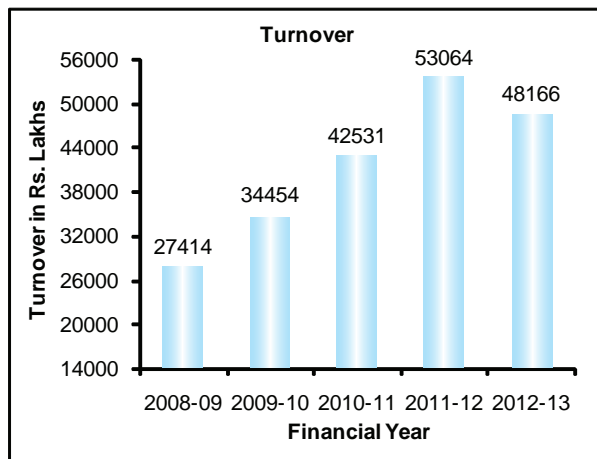
Chinmaya Khatua
Company Secretary

Place: Bangalore
Date: May 30, 2013

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FINANCIAL INDICATORS



Dear Shareholder,

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

FINANCIAL PERFORMANCE

(Rupees in lacs)

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

COMPANY'S PERFORMANCE

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

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

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

DIVIDEND:

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

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

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

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

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

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

OPPORTUNITIES

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

RISKS AND CONCERNS

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

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

CURRENT YEAR OUTLOOK

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

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

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

areas your Company expects to maintain its lead and be better equipped to tackle competition from similar products. Extensive work to educate farmers on cost benefits and hiring through self-help groups is being adopted and your Company driven by these initiatives is expecting to reap rewards in the long term.

Your Company's upcoming tractor manufacturing plant in Hosur, Tamil Nadu would be ready for commissioning in November with a capacity to produce 36,000 units p.a. This state of the art facility with an investment of around Rs 70 crs. and is funded primarily through internal accruals. This unit's infrastructure is leveraging on the technical expertise and innovativeness of your Company's human capital with an aim to improve operational efficiency. In the current competitive environment, your Company is pursuing various strategic initiatives to widen its product portfolio and technical competence to enable future growth.

NSE LISTING:

The shares of the Company were listed and admitted to dealings on the National Stock Exchange of India Limited w.e.f. June 20, 2011.

DIRECTORS:

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

CORPORATE GOVERNANCE:

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

DIRECTOR'S RESPONSIBILITY STATEMENT:

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

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

Appropriate Accounting policies have been selected and applied consistently, reasonable and prudent judgment and estimates have been made so as to ensure that the accounts give a true and fair view of affairs of your company as at March 31, 2013 and the profits of your company for the year ended March 31, 2013.

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

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

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

AUDITORS:

M/s. Brahmayya & Company, Chartered Accountants, retire as Auditors of the Company at the conclusion of 45th Annual General Meeting and are eligible for re-appointment.

COST AUDITORS:

M/s. Rao, Murthy & Associates, Cost Accountants were re-appointed by the Board of Directors in its meeting held on May 30, 2013. The Cost Audit Report for the financial year 2011-12 was filed on January 15, 2013 and the due date for filing the report was February 28, 2013.

PARTICULARS OF EMPLOYEES:

As required by provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (particular of employees) Rules 1975, as amended, there are no employees who draw remuneration as set out in the aforesaid provision of the Companies Act.

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

Information under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of

particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March 2013 is enclosed as Annexure.

FIXED DEPOSITS:

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

Internal Control Systems

Your Company maintains adequate internal control system, which provides reasonable assurance that transactions in significant areas are monitored to prevent any misuse. To strengthen this area your Company is looking at improved responsiveness from a fully integrated ERP. This will enable vendors to get information on material requirement and ensure streamlined supply of materials. The new system will improve its capability and speed of information to add more value. The Internal auditors carry out audits on a regular basis and submit their report once in a quarter to the Audit Committee. The Audit Committee reviews the report and recommendations of the Internal Auditors and advises the Management to strengthen and streamline the system wherever required.

Industrial Relation

Industrial relations have been cordial across all the plants during the year. The tri-annual agreement for wage settlement has recently been concluded with mutual satisfaction. Your Company is continuously taking initiatives for building organizational capabilities and enhancing people productivity. Various training and development programs were offered to the managerial cadre to upgrade their skills and develop the human

resource base. Steps are also being implemented to strengthen specific areas that are considered key to the Company in achieving its business goals.

Forward-Looking Statements

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

All information in this release is as of May 30, 2013, The Company undertakes no duty to update any forward looking statement to conform the statement to actual results or changes in the company's expectations.

ACKNOWLEDGEMENTS:

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

for VST TILLERS TRACTORS LTD.

Place: Bangalore
Date : May 30, 2013

V. K. Surendra
Chairman

ANNEXURE

Information under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March 2013.

1. Conservation of energy :

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

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

- a. 22HP Tractor Testing and approval at CFMTTI, Budni completed which will enable the tractor to be listed under subsidy eligibility.
- b. Approval of 22 HP Tractor and 18.5HP high speed tractor for Central Motor Vehicle Rules compliance completed.
- c. Tractor rotary 1100mm and 900mm Tested & approved as products.
- d. 18.5HP Tractor homologation approved for European market.

B. Technology Absorption:

1. Procurement of PTO dynamometer.
2. Upgradation and increase of no. of licenses of both 2D and 3D CAD softwares.

C. Benefits derived :

1. PTO dynamometer will enhance the testing capabilities on Tractor PTO Testing (which will be essential for all new products) to declare the PTO horse Power before submitting the product to the approval agency. Additionally, this will enhance the inhouse product validation capabilities.
2. Increase of CAD software license will enhance the product design Capabilities.

D. Expenditure on R&D :

- a. The Company's expenditure on R&D (including capital expenditure) during the year was Rs. 1,99,62,159

E. Future plan of action :

- a. Design, Testing and approval of 2 wheel drive variants for both 22 HP and 18.5 HP Tractors.
- b. Development of Higher HP compact tractors and compatible engines in the range of 25 to 30 HP.
- c. Torquegenerator/Power steering development for 22 to 30 HP Tractors.
- d. Testing/Evaluation and approval of Power weeder and Cono weeder.

3. Foreign exchange earnings and outgo:

- a) Complete information about exports, which have contributed towards foreign exchange earnings, is given in Note No. 36 to the Audited Accounts annexed to this Report. Similarly, details of foreign exchange outgo on account of imports, expenditure on traveling, dividend etc. are shown in Note No. 35 & 37 respectively in Notes forming part of Accounts.
- b) Total foreign exchange used and earned :
Foreign exchange earnings : Rs. 15,80,46,701
Foreign exchange outgo : Rs. 21,52,01,712

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

To,

The Board of Directors
VST TILLERS TRACTORS LTD

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

- (a) We have reviewed the financial statements and the cash flow statement for the year ended on March 31, 2013 and based on our knowledge and belief, we state that:
 - (i) These statements do not contain any materially untrue statement or omit any material fact or contain any statement that might be misleading;
 - (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws, and regulations.
- (b) We further state that to the best of our knowledge and belief, there are no transactions entered into by the Company during the year, which are fraudulent, illegal, or violative of the Company's code of conduct. We hereby declare that all the members of the Board of Directors and Management Committee have confirmed compliance with the Code of Conduct as adopted by the Company
- (c) We are responsible for establishing and maintaining internal controls and for evaluating the effectiveness of the same over the financial reporting of the Company and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated, based on our most recent evaluation, wherever applicable, to the Auditors and Audit Committee:
 - (i) Significant changes, if any, in the internal control over financial reporting during the year;
 - (ii) Significant changes, if any, in the accounting policies made during the year and that the same has been disclosed in the notes to the financial statements; and
 - (iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in the Company's internal control system over financial reporting.

V. P. Mahendra
Managing Director & CEO

R. Thiagarajan
V P & CFO

Place : Bangalore

Date : May 30, 2013

Auditors' Certificate on Corporate Governance

To the Members,
VST Tillers Tractors Limited

We have examined the Compliance conditions of Corporate Governance of **VST Tillers Tractors Limited** for the year ended on 31st March, 2013, as stipulated in clause 49 of the listing agreement of the said Company with stock exchanges in India.

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

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

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

For Brahmayya & Co.,

Firm Reg. No. : 000515S

Chartered Accountants

Place : Bangalore

Date : May, 30, 2013

G. Srinivas

(Partner)

Membership No. 086761

PHYLOSOPHY ON CORPORATE GOVERNANCE

Your Company believes that, corporate governance is the relationship between corporate managers, directors, and the providers of equity, people and institutions who save and invest their capital to earn a return.

It ensures that the board of directors is accountable for the pursuit of corporate objectives and that the corporation itself conforms to the law and regulations

BOARD OF DIRECTORS:

The Board of Directors along with various Committees provides guidance to the management and directs, supervises and controls the performance of the Company. Information provided to the Board includes quarterly and yearly results of the Company, Minutes of Audit and other Committees, information on recruitment and remuneration of senior officers just below the Board, review of annual operating plans and compliance report etc.

(a) Composition of the Board:

The Board comprising of eight Directors is headed by a Non-Executive Chairman, three whole-time Directors and four Non-Executive Directors. The composition and category, shareholdings, the attendance at Board Meetings and last AGM, number of Directorships and Chairmanship / Membership of Committees in other Companies is as follows :-

Name of the Director	Share Holdings	Category of Directorship	No. of Board Meetings attended	Attendance at the last AGM	No. of other Public Limited Companies in which Director
Mr. V. K. Surendra	1936214*	Non-Executive	4	Yes	3
Mr. R. Subramanian	Nil	Independent	4	Yes	2
Mr. M. K. Bannerjee	Nil	Independent	2	No	-
Mr. V. Ramachandran	1875	Independent	3	Yes	3
Mr. K K Rai	Nil	Independent	3	Yes	3
Mr. V. P. Mahendra	630530*	Managing Director	3	Yes	4
Mr. B C S Iyengar	15976	Executive Director	4	Yes	-
Mr.V.V.Pravindra	221146*	Dy Managing Director	4	Yes	-

* Individually as well as jointly.

(b) Details of Board Meetings:

During the year under review the Board met four times on May 29, 2012, August 13, 2012, November 02, 2012 and February 11, 2013.

(c) Code of Conduct:

The Company has formulated and implemented Code of Conduct for Board Members and Senior Management of the Company in compliance with Clause 49 (1) (D) of the Listing Agreement and the same is displayed on Company's web-site www.vsttillers.com

The certificate by CEO of the Company on compliance with the code of conduct is given below :

To,
The Board of Directors,
VST TILLERS TRACTORS LTD

It is hereby confirmed that the Directors and Senior Management have duly complied with the code of conduct laid down by the Company during the financial year ended March 31, 2013.

Place: Bangalore
Date: May 30, 2013

V P Mahendra
Managing Director & CEO

COMMITTEE MEETINGS :

Audit Committee

Composition

At present the Audit Committee comprises of all the four independent Directors of the Company.

Terms of Reference:

The Audit Committee of the Board of Directors assists the Board of Directors in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing, and reporting practices of the Company, and such other duties as directed by the Board. The Committee's purpose is to oversee the accounting

and financial reporting processes of the Company, the audits of the Company's financial statements, the qualifications of the Statutory Auditors engaged as the Company's independent auditor to prepare or issue an audit report on the financial statements of the Company, and the performance of the Company's internal and independent auditors. The Committee's role includes a particular focus on the qualitative aspects of financial reporting to shareholders, the Company's processes to manage business and financial risk, and compliance with significant applicable legal, ethical, and regulatory requirements. The Committee is directly responsible for the appointment, compensation, retention, and oversight of the Company's independent auditor.

Details of Audit Committee Meetings:

During the year under review the Audit Committee met four times on May 29, 2012, August 13, 2012, November 02, 2012, and February 11, 2013.

Sl.No.	Name of the Member	Designation	Attended
1	Mr. R. Subramanian	Chairman	4
2	Mr. V. Ramachandran	Member	3
3	Mr. M. K. Bannerjee	Member	2
4	Mr K K Rai	Member	3

Power of Audit Committee

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

Role of Audit Committee Includes

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. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
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 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 (2AA) of section 217 of the Companies Act, 1956
 - 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. Qualifications 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 utilized 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 this matter.
 7. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
 8. 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.
 9. Discussion with internal auditors any significant findings and follow up there on.
 10. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
 11. 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.
 12. 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.
 13. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
 14. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
- SHAREHOLDERS' / INVESTORS GRIEVANCE COMMITTEE**
- The current composition of the Committee is Mr. V. Ramachandran (Chairman) and Mr. V V Pravindra the Committee meets to approve transfer / transmission of shares and issue of duplicate share certificates. The Committee also looks into investor complaints like non-receipt of Annual Report, Dividend revalidation etc.
- Mr. Chinmaya Khatua, Company Secretary and Compliance Officer can be contacted :
- Chinmaya Khatua,
No.1, Dyavasandra Indl. Layout,
P.B. No.4801, Whitefield Road,
Mahadevapura Post,
Bangalore – 560 048
Ph. No.080-67141111,28510805 / 6 / 7
Fax No.080-28510221
E-mail: chinmaya@vstillers.com.
- INSIDER TRADING REGULATIONS:**
- The Company has prescribed code of conduct and disclosure practice to prevent insider trading.
- DIRECTORS REMUNERATION**
- The non-executive Directors are not paid any remuneration other than the sitting fees which is within the limits prescribed by Rule 10B of Companies (Central Government's) General Rules and Forms.

During 2012-13, the Company did not advance any loan to any of its Directors. The remuneration paid to the Executive Directors for the year 2012-13 is given below :

Name of the Director	Category	Salary	Perquisites and Allowances	Commission Payable	P.F.	Total (in Rs.)
1. Mr. V.P Mahendra	Managing Director	14,46,607	4,42,369	21,69,910	1,73,593	42,32,479
2. Mr. B.C.S Iyengar	Executive Director	19,09,193	2,22,587	10,05,161	1,20,619	32,57,560
3. Mr. V.V Pravindra	Dy.Managing Director	11,33,000	1,37,500	6,65,000	79,800	20,15,300

The Sitting Fees paid to the Non Executive Directors for the year 2012-13 is given below :

Name of the Director	Category	Sitting Fees paid (In Rs)	Service tax paid by the Company (In Rs.)
1. Mr. V. K. Surendra	Chairman	60,000.00	5,562.00
2. Mr. R. Subramanian	Independent Director	1,20,000.00	11,124.00
3 Mr. M. K. Bannerjee	Independent Director	60,000.00	3,708.00
4. Mr. V. Ramachandran	Independent Director	90,000.00	7,416.00
5. Mr. K K Rai	Independent Director	90,000.00	7,416.00

MEANS OF COMMUNICATION:

The outcome of the Board Meeting, quarterly and annual financial results are sent to Stock Exchanges immediately after the Board approves. The quarterly and annual financial results are also available in Company web-site www.vstillers.com.

The intimation of date of Board Meeting and quarterly and annual financial results are also published in leading newspapers.

DISTRIBUTION SCHEDULE OF SHAREHOLDINGS AS ON 31ST MARCH 2013

Category	No. of Shareholders	% to total No.of shareholders	Shares Amount (Rs.)	% to total shares amount
Upto 5, 000	8682	98.68	19635420	22.73
5,001 10, 000	40	0.45	3073380	3.56
10,001 20,000	21	0.24	3059140	3.54
20,001 30,000	11	0.13	2728880	3.16
30,001 40,000	8	0.09	2720000	3.15
40,001 50,000	8	0.09	3531640	4.09
50,001 1,00,000	15	0.17	10368080	12.00
1,00,001 and above	13	0.15	41278740	47.78
Total	8798	100.00	86395280	100.00

DETAILS OF REQUEST/COMPLAINTS RECEIVED DURING THE YEAR 2012 – 13.

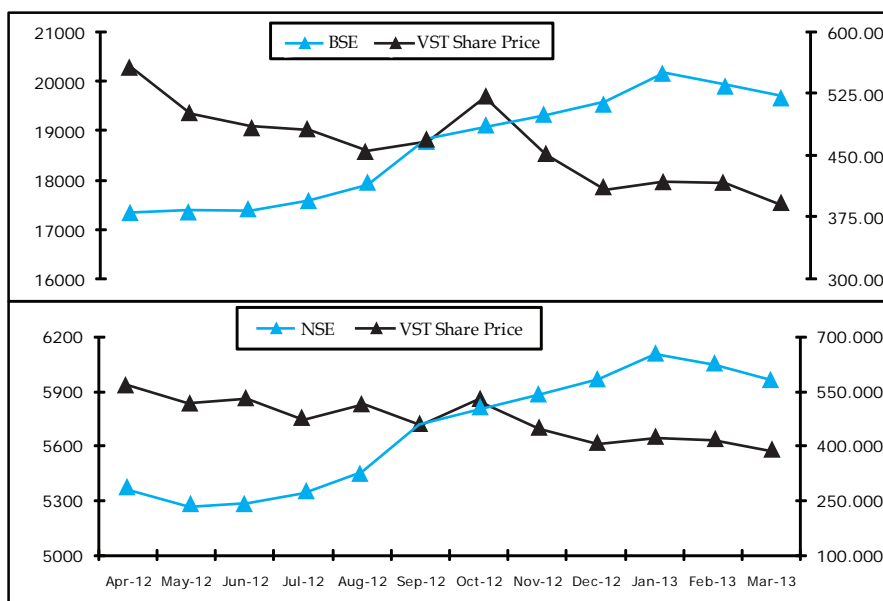
Nature of Request	OB	Received	Attended	Pending
Change of Address	-	25	25	-
Bank Mandate	-	8	8	-
Revalidation of Warrants	-	23	23	-
Duplicate Share Certificates	-	18	18	-
Transfer/Transmission	-	27/5	27/5	-
Dematerialisation	-	60	60	-
Rematerialisation	-	-	-	-

SHAREHOLDING PATTERN AS ON 31ST MARCH 2013

Category	No.of Shareholders	No.of shares held	% to total No.of shares
Promoters/Associates	39	4398939	50.92
Foreign Promoters	1	253125	2.93
Bodies Corporate	275	521067	6.03
Banks	4	2631	0.03
Financial Institutions	5	3225	0.04
Foreign Financial Institutions	7	196034	2.27
Non-Resident Indians	281	82159	0.95
Public/Others	8186	3182348	36.83
Total	8798	8639528	100.00

Market Price Data Information (BSE)

MONTH	HIGH	LOW	MONTH	HIGH	LOW
Apr-12	563.40	451.55	Oct-12	525.95	433.60
May-12	506.00	451.50	Nov-12	455.00	370.00
Jun-12	489.00	452.90	Dec-12	414.00	380.00
Jul-12	485.00	430.00	Jan-13	421.50	380.00
Aug-12	459.90	415.45	Feb-13	421.80	345.00
Sep-12	469.00	440.00	Mar-13	396.00	330.00



Market Price Data Information (NSE)

MONTH	HIGH	LOW	MONTH	HIGH	LOW
Apr-12	569.35	442.60	Oct-12	525.95	432.00
May-12	518.00	421.05	Nov-12	455.00	348.60
Jun-12	534.70	451.10	Dec-12	410.00	385.00
Jul-12	483.00	430.10	Jan-13	424.45	382.05
Aug-12	520.00	409.00	Feb-13	422.00	341.10
Sep-12	464.00	435.00	Mar-13	391.50	330.00

Source: Web-sites of BSE and NSE.

Dematerialization of Equity Shares

Trading in equity shares of the Company became mandatory in dematerialized form. To facilitate trading in demat form, there are two depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The Company has entered into agreements with both these NSDL and CDSL. Shareholders can open their accounts with any of the Depository Participants to hold their shares in dematerialized form. About 96.15% of the Equity Shares of the Company are held in the dematerialized form.

DETAILS OF UNCLAIMED SHARES

	As on 31.03.2012		Transferred during the year		As on 31.03.2013	
Particulars	No of Shareholders	No of Shares	No of Shareholders	No of Shares	No of Shareholders	No of Shares
Unclaimed Shares	182	14492	18	1376	164	13116

GENERAL SHARE HOLDER INFORMATION**Investor Services**

AGM date,
time and venue : August 14th 2013 at 3.00 P.M.
Wood Lands Hotel Pvt. Ltd.
No.5, Rajaram Mohan Roy Road
Bangalore - 560 025

Financial year : 1st April - 31st March

Book Closure : August 10th, 2013 to August
14th, 2013 (Both days inclusive)
for Payment of dividend.

Financial Calendar (tentative)**Results for the quarter ending:**

June 30, 2013 - Third week of August, 2013

September 30, 2013 - Second week of November, 2013

December 31, 2013 - Second week of February, 2014

March 31, 2014 - Last week of May, 2014

Dividend : Dividend if declared would be payable on August 16th, 2013.

Payment of Listing Fees : Annual listing fee for the year 2013-14 has been paid by the Company to BSE, NSE and Bangalore Stock Exchange.

Payment of Depository Fees : Annual Custody/ Issuer fee for the year 2013-14 has been paid by the Company to NSDL and CDSL.

The Company has appointed M/s. Integrated Enterprises (India) Ltd, Registrar & Share Transfer Agents for handling all matters relating to share transfers including transfer/transmission of shares, de-materialization of share certificates, sub division / consolidation of share certificate etc.

Share Holders desiring to communicate on any matter relating to the shares of the Company may either visit in person or write to the Company's Share Transfer Agent quoting their Folio No./ DP ID & Client ID number at the following address.

INTEGRATED ENTERPRISES (INDIA) LTD,

30, Ramana Residency, Ground Floor,
4th Cross, Sampige Road, Malleswaram,
Bangalore - 560 003
Phone Nos. 080-23460815 - 18,
Fax: 080-23460819
E-mail : irg@integratedindia.in

STOCK CODE :

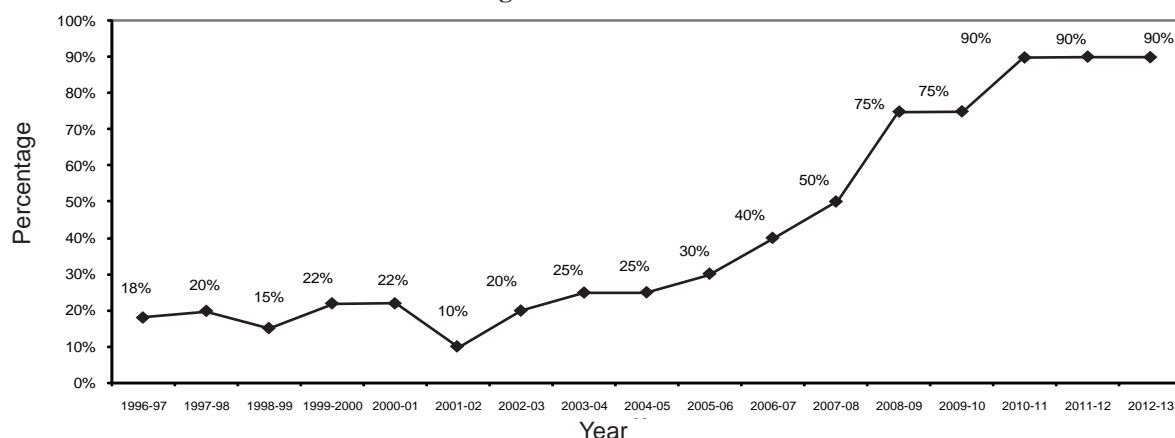
Bombay Stock Exchange Ltd : 531266

National Stock Exchange of India Ltd. : VSTILLERS

Bangalore Stock Exchange Ltd

ISIN : INE 764D01017.

Percentage of Dividend Declared



Particulars of last 3 Annual General Meetings

Date/Time	Location	Summary of Special Business
13.08.2012 3.00 p.m.	Wood Lands Hotel Pvt., Ltd. No.5, Rajaram Mohan Roy Road Bangalore - 560 025	Re-appointment of Mr. B C S Iyengar as Executive Director.
11.08.2011 3.00 p.m.	Wood Lands Hotel Pvt., Ltd. No.5, Rajaram Mohan Roy Road Bangalore - 560 025	Nil
13.08.2010 3.00 p.m.	Wood Lands Hotel Pvt., Ltd. No.5, Rajaram Mohan Roy Road Bangalore - 560 025	Nil

No special resolution had been passed through Postal Ballot during the year 2012-13.

<u>PLANT LOCATIONS:</u>		
Plot No.1 Dyavasandra Indl. Layout Whitefield Road Mahadevapura PO. BANGALORE 560 048, Karnataka	Plot No. 39, Phase 1 SPICOT Industrial Complex Mookandapalli HOSUR 635 126 Tamil Nadu	Precision Component Division, Plot No.42/43, Survey No.20, Metagalli Indl. Area, MYSORE – 570 016 Karnataka

DISCLOSURES

- ❖ During the year under review, besides the transactions mentioned under Note No.32(B), Page No.38 of Annual Report, there were no other related party transactions by the Company with its promoters, directors and management that had a potential conflict with the interest of the Company at large.
- ❖ There are no instances of non-compliance on any matter relating to the capital market during the last three years.
- ❖ The Company has not adopted the non-mandatory requirements as stated in Annexure I D of clause 49 of the Listing Agreement. However, the Company had moved towards a regime of unqualified financial statements since many years.
- ❖ The Company follows Accounting Standards issued by the Institute of Chartered Accountants of India in the preparation of financial statements, the Company has not adopted a treatment different from that prescribed in the Accounting Standard..

For **VST TILLERS TRACTORS LTD**

Place: Bangalore
Date: May 30, 2013

V K Surendra
Chairman

**TO THE MEMBERS OF
VST TILLERS TRACTORS LIMITED****Report on the Financial Statements**

- 1) We have audited the accompanying financial statements of V.S.T.Tillers Tractors Limited (the company) which comprise the Balance Sheet as at March 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

- 2) Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control 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.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are

appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
 - (b) in the case of the statement of Profit and Loss, of the profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
8. As required by section 227(3) of the Act, we report that:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

- (c) the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account ;
- (d) in our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards referred to in sub-section(3C) of section 211 of the Companies Act, 1956;
- (e) on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors

is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

Place : Bangalore
Date : May 30, 2013

G. Srinivas
(Partner)
Membership No. 086761

ANNEXURE TO INDEPENDENT AUDITORS' REPORT

Referred to paragraph 7 of our report of even date to the members of V.S.T.Tillers Tractors Limited ('the Company') for the year ended 31 March, 2013.

- i) (a) The Company has maintained proper records showing full Particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
- (c) During the year, in our opinion, the Company has not disposed off any major part of fixed assets and there by does not affects the going concern status of the Company.
- ii) (a) The Management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventories followed by the management

are reasonable and adequate in relation to the size of the Company and the nature of its business.

- (c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt within the books of accounts.
- iii) (a) The Company has not given any loans, secured or unsecured, to any company, firm or other parties listed in the Register maintained under section 301 of the Act. Accordingly, clauses (iii) (b) to (iii) (d) of paragraph 4 Order are not applicable for the year.
- (b) The Company has not taken loans, from companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956. Accordingly, clauses (iii) (f) and (iii) (g) of paragraph 4 Order are not applicable for the year.
- iv) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchases of inventory and fixed assets and for the sale of goods and services. Further During the course of our audit, we have not

observed any major weakness or continuing failure to correct any major weakness in the aforesaid internal control system.

- v) (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 of the companies Act 1956, have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the Register maintained under section 301 of the Companies Act, 1956 exceeding the value of rupees five lakh in respect of each party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- vi) The Company has not accepted any deposits from the public; as such the provisions of Sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975, do not apply.
- vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
- viii) We have broadly reviewed the books of accounts maintained by the Company in respect of products where, pursuant to the rules made by the Central Government of India, the maintenance of Cost records has been prescribed under clause (d) of sub section (1), of section 209 of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However we have not made a detailed examination of records with a view to determine whether they are accurate or complete.
- ix) (a) According to the information and explanations given to us and according to the records as produced and examined by us, in our opinion, the Company is regular in depositing with appropriate authorities the undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other statutory dues to the extent applicable to it except few delay in case of TDS. There are no arrears of outstanding statutory dues as at 31st March, 2013 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues in respect of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty/Cess which have not been deposited on account of dispute.
- x) The Company does not have accumulated losses as at 31st March, 2013 and has not incurred any cash losses during the financial year covered by our Audit or in the immediately preceding financial year.
- xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that Company has not defaulted in repayment of dues to the financial institutions and banks. The Company did not have any outstanding dues to any Debenture holders during the year.
- xii) Based on our examination of documents and records, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly clause (xii) of the paragraph 4 of the Order is not applicable to the Company.
- xiii) In our opinion, the Company is not a Chit Fund / Nidhi / Mutual Benefit Fund / Society. Accordingly, clause (xiii) of paragraph 4 of the Order is not applicable to the company.
- xiv) In our opinion, the Company is not dealing in or trading in Shares, Securities. Accordingly, clause (xiv) of paragraph 4 of the Order is not applicable.

- xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly, clause (xv) of paragraph 4 of the Order is not applicable.
- xvi) According to the information and explanations given to us, the term loans have been applied for the purpose for which they were obtained.
- xvii) According to the information and explanations given to us and an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- xviii) The company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, clause (xviii) of paragraph 4 of the Order is not applicable.
- xix) The Company did not have any outstanding debentures during the year. Accordingly, clause (xix) of paragraph 4 of the Order is not applicable.
- xx) The Company has not raised any money by public issues during the year and accordingly, clause (xx) of paragraph 4 of the Order is not applicable.
- xxi) Based on our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during course of our audit.

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

Place : Bangalore
Date : May 30, 2013

G. Srinivas
(Partner)

Membership No. 086761

BALANCE SHEET



(Amount in Rupees)

PARTICULARS	Notes	As at March 31, 2013	As at March 31, 2012
I Equity and liabilities			
(1) Shareholders' funds			
(a) Share capital	3	8,63,95,280	8,63,95,280
(b) Reserves and surplus	4	2,35,73,98,301	1,96,26,99,430
		<u>2,44,37,93,581</u>	<u>2,04,90,94,710</u>
(2) Non-current liabilities			
(a) Deferred tax liability (net)	5	2,92,11,414	3,16,32,860
(b) Other long-term liabilities	6	18,63,74,044	14,33,60,995
(c) Long-term provisions	7	1,70,09,170	1,38,63,806
		<u>23,25,94,628</u>	<u>18,88,57,661</u>
(3) Current liabilities			
(a) Short-term borrowings	8	-	15,98,99,844
(b) Trade Payables	9	22,70,81,902	40,61,99,191
(c) Other current liabilities	10	35,42,39,669	31,51,65,575
(d) Short-term provisions	11	10,06,54,443	9,66,26,219
		<u>68,19,76,014</u>	<u>97,78,90,830</u>
TOTAL		3,35,83,64,223	3,21,58,43,201
II Assets			
(1) Non-current assets			
(a) Fixed assets			
i) Tangible Assets	12.1	77,35,42,761	57,04,66,112
ii) Capital work-in-progress	12.2	14,17,32,681	6,15,77,285
(b) Non-current investments	13	4,15,00,000	4,15,00,000
(c) Long-term loans and advances	14	4,35,09,924	3,76,35,533
		<u>1,00,02,85,366</u>	<u>71,11,78,930</u>
(2) Current assets			
(a) Current investments	15	-	20,23,92,739
(b) Inventories	16	82,85,72,413	65,91,43,026
(c) Trade receivables	17	97,30,05,238	1,23,28,94,935
(d) Cash and cash equivalents	18	32,91,99,463	20,63,23,545
(e) Short-term loans and advances	19	22,48,80,832	20,33,24,613
(f) Other current assets	20	24,20,911	5,85,413
		<u>2,35,80,78,857</u>	<u>2,50,46,64,272</u>
TOTAL		3,35,83,64,223	3,21,58,43,201

Summary of significant accounting policies 2

The accompanying notes 1 to 38 are an integral part of the financial statements.

As per our report of even date

For Brahmayya & Co.,

Firm Registration No: 000515S

Chartered Accountants

G. Srinivas

Partner

Membership No: 086761

Place : Bangalore

Date : May 30, 2013

For and on behalf of the Board of Directors

V.P Mahendra

Managing Director & CEO

Place : Bangalore

Date : May 30, 2013

V.Ramachandran

Director

Chinmaya Khatua

Company Secretary

STATEMENT OF PROFIT AND LOSS



(Amount in Rupees)

PARTICULARS	Notes	For the year ended March 31, 2013	For the year ended March 31, 2012
I Income			
a) Revenue from operations			
Gross Revenue from Operation		4,82,68,60,148	5,31,39,04,250
Less: Excise Duty		(10,272,980)	(7,500,611)
Net Revenue from Operation	21	4,81,65,87,168	5,30,64,03,639
b) Other income	22	2,09,99,510	4,63,41,164
Total Revenue		4,83,75,86,678	5,35,27,44,803
II Expenses			
a) Cost of Material Consumed	23	3,47,28,70,783	3,76,20,89,643
b) Purchase of Stock in Trade		12,45,17,557	6,23,99,029
c) Changes in Inventories of Finished Goods, Work in progress and Stock in trade	24	(30,20,26,000)	(3,91,97,646)
d) Employee Benefits	25	28,11,47,618	28,41,78,752
e) Finance Charges	26	1,28,38,817	86,19,142
f) Depreciation & Amortization Expenses	27	3,35,46,150	3,20,78,118
g) Other Expenses	28	51,84,69,411	50,89,85,092
Total Expenses		4,14,13,64,336	4,61,91,52,130
III. Profit before exceptional and extraordinary items and tax		69,62,22,342	73,35,92,673
Exceptional items		-	-
IV. Profit before extraordinary items and tax		69,62,22,342	73,35,92,673
Extraordinary items		-	-
V. Profit before tax		69,62,22,342	73,35,92,673
VI. Tax expenses			
a) Current tax		21,29,10,000	22,85,00,000
b) Prior Years Tax		-	19,10,212
c) Deferred tax		(2,421,446)	39,12,430
Total tax expense		21,04,88,554	23,43,22,642
VII. Profit for the period		48,57,33,788	49,92,70,031
Earnings per equity share [nominal value of share Rs 10 (March 31, 2012: Rs 10)]			
a) Basic		56.22	57.79
b) Diluted		56.22	57.79

Summary of significant accounting policies

2

The accompanying notes 1 to 38 are an integral part of the financial statements.

As per our report of even date

For Brahmayya & Co.,

Firm Registration No: 000515S

Chartered Accountants

G. Srinivas

Partner

Membership No: 086761

Place : Bangalore

Date : May 30, 2013

For and on behalf of the Board of Directors

V.P Mahendra

Managing Director & CEO

V.Ramachandran

Director

Place : Bangalore

Date : May 30, 2013

Chinmaya Khatua

Company Secretary

CASHFLOW STATEMENT



(Amount in Rupees)

PARTICULARS	Notes	For the year ended March 31, 2013	For the year ended March 31, 2012
Cash flow from operating activities			
Profit before tax from continuing operations		69,62,22,342	73,35,92,673
Non-cash adjustment to reconcile profit before tax to net cash flows			
Depreciation and amortisation		3,35,46,150	3,26,28,616
Interest income		(8,28,698)	(6,16,764)
Income from investments		(71,36,373)	(2,78,78,582)
Profit on sale of fixed assets		(1,46,872)	(9,83,798)
Assets written off		11,64,834	-
Provision for Doubtful Debts		1,33,25,095	-
Provisions no longer required, written back		(19,75,227)	(58,68,732)
Unrealized foreign exchange gain		(391,190)	(1,62,087)
Finance cost		1,28,38,817	86,19,142
Operating profit before working capital changes		74,66,18,878	73,93,30,468
Movements in working capital :			
Trade payables, Other liabilities and Provisions		(8,89,51,778)	17,09,54,304
Trade receivables		24,69,55,791	(61,08,56,845)
Inventories		(16,94,29,387)	(11,06,14,486)
Loans and Advances and other current assets		(89,44,840)	(4,45,52,043)
Cash generated from /(used in) operations		7,26,248,664	14,42,61,398
Direct taxes paid including for the previous years		(22,71,38,554)	(23,98,49,061)
Net cash flow from/ (used in) operating activities (A)		49,91,10,110	(9,55,87,663)
Cash flows from investing activities			
Purchase of fixed assets, including CWIP		(31,82,84,433)	(10,89,33,333)
Capital advances		(64,67,196)	(1,82,06,387)
Proceeds from sale of fixed assets		4,23,701	19,88,108
Redemption/ maturity of bank deposits		45,32,217	-
Sale of current investments		20,23,92,739	12,43,83,151
Interest received		12,03,180	6,16,764
Income from investment		71,36,373	2,78,78,583
Net cash flow from/ (used in) investing activities (B)		(10,90,63,419)	2,77,26,885
Cash flows from financing activities			
Repayment of long-term borrowings		-	-
Proceeds from short-term borrowings		(15,98,99,844)	15,98,99,844
Dividends paid on equity shares		(7,72,85,969)	(7,73,84,514)
Tax on equity dividend paid		(1,26,13,927)	(1,26,13,927)
Interest paid		(1,28,38,817)	(86,19,142)
Net cash flow from/ (used in) in financing activities (C)		(26,26,38,557)	6,12,82,261
Net increase/(decrease) in cash and cash equivalents (A + B + C)		12,74,08,134	(6,578,516)
Cash and cash equivalents at the beginning of the year		19,85,24,116	20,51,02,632
Cash and cash equivalents at the end of the year		32,59,32,250	19,85,24,116
Components of cash and cash equivalents			
Cash on hand		1,37,144	2,45,933
Cheques/ drafts on hand		11,13,44,994	11,82,56,659
With banks			
- on current account		7,44,50,112	6,00,21,523
- on deposit account		14,00,00,000	2,00,00,000
Total cash and cash equivalents		32,59,32,250	19,85,24,115
Other Bank Balances			
a) Deposits with Banks		1,50,000	1,50,000
b) Margin money deposit		-	50,00,000
c) Earmarked balances with banks		31,17,213	26,49,430
		32,67,213	77,99,430
Total Cash and Bank Balances	18	32,91,99,463	20,63,23,545

The accompanying notes 1 to 38 are an integral part of the financial statements.

As per our report of even date

For Brahmaya & Co.,

Firm Registration No: 000515S

Chartered Accountants

G. Srinivas

Partner

Membership No: 086761

Place : Bangalore

Date : May 30, 2013

For and on behalf of the Board of Directors

V.P Mahendra
Managing Director & CEO

V.Ramachandran
Director

Place : Bangalore
Date : May 30, 2013

Chinmaya Khatua
Company Secretary

Note 1: Company overview

VST Tillers Tractors Limited (VTTL) was incorporated on December 18, 1967 in Bangalore, India. It was promoted by the VST Group, a well-known business house in South India, in technical collaboration and joint venture with Mitsubishi Heavy Industries and Mitsubishi Corporation, Japan for the manufacture of Power Tillers and Diesel Engines. The plant went into production in the year 1970.

In 1984, an additional technical and financial collaboration with Mitsubishi Agricultural Machinery Company Ltd, Japan for the manufacture of 18.5 HP, 4 wheel drive Tractor was entered into.

The company was incorporated for the purpose of manufacture and or deal with Tractor, Tillers, Diesel Engines, Harvestors, Reapers, Binders, Transplanters/ planters, Trench Cutters, Front end Loaders and all kinds of allied agricultural, plantation and horticultural machinery including attachments, components, accessories, spares implements and other equipments required for the satisfactory functioning of the agricultural equipments.

Note 2: Significant Accounting Policies

a) Basis of preparation

The financial statements have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the Notified accounting standards by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements are prepared in accordance with the historical cost convention on an accrual basis, except for certain fixed assets which are revalued.

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in India requires management to make estimates and assumptions that affect the reported

amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

c) Fixed Assets - Tangible

- i. Fixed Assets are stated at cost net of cenvat credit less accumulated depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidental expenditure attributable to bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.
- ii. Assets under installation or under construction as at the balance sheet date are shown as capital work in progress.

d) Depreciation:

Depreciation is provided on straight line method at the rates based on the estimated useful lives of the assets or those prescribed under Schedule XIV of the Companies Act 1956, whichever is higher. Individual assets costing less than Rs.5,000 are fully depreciated in the year of purchase.

Leasehold improvements are amortised over shorter of estimated useful lives or Lease period.

e) Borrowing Costs:

Borrowing costs that are attributable to acquisition construction or production of a qualifying asset are capitalized as a part of cost of such asset. All other borrowing costs are recognized as an expense in the year in which they are incurred.

f) Impairment of Assets

All fixed assets are assessed for any indication of impairment at each balance sheet date based on internal / external factors. On any such indication the impairment loss (being the excess of carrying value over the recoverable value of the asset) is immediately charged to the Statement of Profit

and Loss. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

g) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Long-term investments are stated at cost except where there is a diminution in value other than temporary, in which case the carrying value is reduced to recognize the decline. Current investments are valued at lower of cost and fair value determined on an individual investment basis.

h) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises of cost of purchase, cost of conversion and other costs including manufacturing overheads incurred in bringing them to their respective present location and condition. Cost of raw materials, consumables, stores and spares, trading and other products are determined on weighted average basis.

i) Foreign exchange transaction

Foreign currency transactions are recorded in the reporting currency, at the exchange rates prevailing on the date of the transaction. Current assets and current liabilities are translated at the exchange rate prevailing on the balance sheet date and the resultant gain / loss is recognised in the financial statements.

Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

In case of Forward Exchange Contracts or any financial instruments i.e. in substance a forward exchange contract to hedge the foreign currency risk which is on account of firm commitment and / or is a highly probable forecast transaction the premium or discount arising at the inception of the contract is amortized as expense or income over the life of the contract.

j) Revenue recognition

- i. Revenue is recognized only when it can be reliably measured and it is reasonable to expect ultimate collection. Revenue from operations includes sale of goods and services is net of Excise Duty, Service tax, VAT/ CST and trade discounts.
- ii. Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
- iii. Dividend is recognised when the shareholders' right to receive payment is established by the balance sheet date.

k) Retirement benefits to employees

i. Defined Contribution Plans

Contributions paid/payable to defined contribution plans comprising of provident fund and pension fund, employees state insurance etc., are charged to the Statement of profit and loss on accrual basis. The Company has no obligation, other than the contribution payable to the funds.

ii) Defined Benefit Plan

Gratuity for employees is generally covered under a scheme of Life Insurance Corporation of India, except the employees in Mysore Unit and contributions in respect of such scheme are recognised in the Statement of Profit and Loss. The liability as at the Balance Sheet date is provided for based on the actuarial valuation, based on Projected Unit Credit Method at the balance sheet date, carried out by an independent actuary. Actuarial Gains and Losses comprise experience adjustments and the effect of changes in the actuarial assumptions and are recognised immediately

in the Statement of Profit and Loss as income or expense.

iii) Other Long term employee benefits

Other Long term employee benefits comprise of Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation at the balance sheet date based on actuarial valuation carried out at each balance sheet date. Actuarial gains and losses are recognised immediately in the Statement of Profit and Loss as income or expense.

iv) Short term employee benefits

Short term employee benefits, including accumulated compensated absences as at the Balance Sheet date, are recognized as an expense as per Company's schemes based on the expected obligation on an undiscounted basis.

l) Research and Development

Revenue expenditure on Research and Development are included under respective heads of expenditure. Capital expenditure on Research and Development are treated in the same manner as expenditure on other fixed assets.

m) Taxes on Income

Provision for income tax comprises current taxes and deferred taxes. Current tax is determined on the amount of tax payable in respect of taxable income for the year.

Deferred tax is recognized on timing differences being the differences between taxable income and accounting income that originate in one year and are capable of reversal in one or more subsequent years. Deferred tax assets and liabilities are measured on the timing differences applying the tax rate and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised only to the extent that there is reasonable/virtual certainty supported by convincing evidence that sufficient

future tax income will be available against which such deferred tax assets can be realized.

n) Provisions

A provision is recognized when an enterprise has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions, other than employee benefits, are not discounted to their present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

o) Leases

Assets acquired under Leases, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Such leases are capitalised at the inception of the lease at lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.

Assets acquired as leases, where a significant portion of the risk and rewards of ownership are retained by the lessor, are classified as operating leases. Lease rentals are charged to the Statement of Profit and Loss on accrual basis as per terms of the lease.

p) Warranty

The company periodically assesses and provides for the estimated liability on warranty given on sale of its products based on past experience of claims.

q) Earnings per share

The basic earnings per share are computed by dividing the net profit/(loss) after tax for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings per share, if any are computed using the weighted average number of equity shares and dilutive potential equity share outstanding during the year except when the results would be anti-dilutive.

(Amount In Rupees)

3 Share Capital

Authorised:

1,00,00,000 (March 31, 2012: 1,00,00,000) equity shares of Rs. 10 each

10,00,00,000

10,00,00,000

Issued, subscribed and paid-up:

86,39,528 (March 31, 2012: 86,39,528) equity shares of Rs.10 each paid up

8,63,95,280

8,63,95,280

Total issued, subscribed and paid-up share capital
8,63,95,280

8,63,95,280

(a) Reconciliation of the shares outstanding at the beginning and end of the reporting period

Equity Shares	As at March 31,2013		As at March 31,2012	
	Nos	Rs.	Nos	Rs.
At the beginning of the year	86,39,528	8,63,95,280	86,39,528	8,63,95,280
Movement during the year	-	-	-	-
Outstanding at the end of the year	86,39,528	8,63,95,280	86,39,528	8,63,95,280

(b) Terms/ rights attached to equity shares

The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity share is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares would be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Details of shareholders holding more than 5% shares in the Company

Equity shares of Rs. 10 each fully paid	As at March 31,2013		As at March 31,2012	
	Nos	% holding	Nos	% holding
V P Mahendra	6,30,530	7.30%	6,30,530	7.30%
V K Surendra	19,36,214	22.41%	19,36,214	22.41%
ICICI Prudential ⁽¹⁾	-	-	4,41,960	5.12%
	25,66,744	29.71%	30,08,704	34.83%

(1) includes all schemes under their management

As per records of the Company, including its register of shareholders/ members, the above shareholding represent legal ownership of shares.

(d) Shares allotted as fully paid up by way of bonus shares (during 5 years preceding March 31, 2013)

Issued, Subscribed and Paid-up Capital includes 28,79,843 equity shares of Rs.10 each, which were allotted as fully paid up by way of bonus shares by capitalisation of Share Premium on 9th Feb, 2010.

(Amount In Rupees)

4 Reserves and Surplus**(A) Capital Reserve**

Opening Balance	2,64,04,870	2,64,04,870
(+) Current Year Transfers	-	-
Closing Balance	2,64,04,870	2,64,04,870

(B) Revaluation Reserve

Opening Balance	65,57,813	66,22,565
(+) Current Year Transfers	-	-
(-) Depreciation for the year	64,575	64,752
Closing Balance	64,93,238	65,57,812

(C) General Reserve

Opening Balance	1,50,00,00,000	1,22,00,00,000
(+) Transferred from the Statement of profit and Loss	30,00,00,000	28,00,00,000
Closing balance	1,80,00,00,000	1,50,00,00,000

(D) Balance in Statement of Profit and Loss

Opening Balance	42,97,36,748	30,08,36,395
Add : profit for the year	48,57,33,788	49,92,70,031
	91,54,70,536	80,01,06,426

Less : Appropriations

(a) Proposed Dividend	7,77,55,752	7,77,55,752
(b) Tax on Distributed Dividend	1,32,14,590	1,26,13,927
(c) Transfer to General Reserve	30,00,00,000	28,00,00,000
	39,09,70,342	37,03,69,678

Closing balance in the Statement of Profit and Loss

	52,45,00,194	42,97,36,748
--	---------------------	---------------------

Total Reserves and Surplus (A+B+C+D)

	2,35,73,98,301	1,96,26,99,430
--	-----------------------	-----------------------

5 Deferred tax liability (net)**Deferred tax liabilities**

Fixed assets: Impact of difference between tax depreciation and depreciation/ amortization charged for the financial reporting	4,10,53,080	3,66,19,491
--	-------------	-------------

Deferred tax assets

Provision for Employee Benefits	1,18,41,666	(4,986,631)
---------------------------------	-------------	-------------

Deferred tax liability (Net)

	2,92,11,414	3,16,32,860
--	--------------------	--------------------

6 Other Long Term Liabilities

Rental Deposit	20,00,000	24,00,000
Dealer Deposits	18,19,81,591	13,66,77,350
Others	23,92,453	42,83,645
	18,63,74,044	14,33,60,995

(Amount In Rupees)
7 Long Term Provisions
Provision for employee benefits

Provision for Gratuity

Provision for compensated absence

**As at
March 31, 2013**
**As at
March 31, 2012**
29,52,228

23,71,716

1,40,56,942

1,14,92,090

1,70,09,170

1,38,63,806

8 Short-term Borrowings
Unsecured

Purchase Invoice-discounting

-

15,98,99,844

-

15,98,99,844

9 Trade Payable

 Dues to Micro, Small and Medium Enterprises
(Refer Note 30)

4,39,03,280

10,82,24,676

Dues to others

14,96,50,021

29,79,74,515

Bills Acceptance

3,35,28,601

-

22,70,81,902

40,61,99,191

10 Other Current Liabilities

Unclaimed Dividend

31,17,213

26,47,430

Advance from customers and dealers

3,15,41,450

1,42,47,914

Incentives and Marketing Expenses Payable

22,29,69,854

20,79,39,801

TDS Payable

36,14,835

34,36,902

VAT Payable

2,70,85,384

2,81,15,358

Other statutory dues

55,77,777

28,51,874

Staff Dues and Recoveries

92,09,579

2,73,30,329

Other advance Received

5,11,23,578

2,85,95,966

35,42,39,669

31,51,65,575

11 Short Term Provisions

Proposed Dividend

7,77,55,752

7,77,55,752

Tax on Proposed dividend

1,32,14,590

1,26,13,927

Provision for Warranties

63,49,213

47,50,857

Provision for Gratuity

17,16,479

2,12,839

Provision for Compensated absence

16,18,409

12,92,845

10,06,54,443

9,66,26,219

12.1 TANGIBLE ASSETS

(Amount In Rupees)

	Land	Buildings	Plant and Machinery	Computer Equipments	Office Equipments	Vehicles	Furniture & Fixtures	Total
Cost or valuation								
At April 1, 2011	28,28,78,096	10,72,22,203	41,86,48,690	1,15,57,691	22,01,081	1,42,11,683	25,30,637	83,92,50,081
Additions	-	2,85,26,060	3,61,47,571	4,43,170	11,700	47,89,480	68,920	6,99,86,901
Disposals	-	21,18,274	46,58,500	-	-	18,40,529	-	86,17,303
At March 31, 2012	28,28,78,096	13,36,29,989	45,01,37,761	1,20,00,861	22,12,781	1,71,60,634	25,99,557	90,06,19,679
Additions	11,75,15,000	41,11,293	11,32,12,496	22,82,376	2,44,037	7,63,835	-	23,81,29,037
Disposals	6,84,437	3,85,092	15,99,850	17,440	-	5,08,302	53,483	32,48,604
At March 31, 2013	39,97,08,659	13,73,56,190	56,17,50,407	1,42,65,797	24,56,818	1,74,16,167	25,46,074	113,55,00,112
Depreciation								
At April 1, 2011	-	2,92,07,304	26,15,08,812	74,14,098	11,16,932	43,97,063	14,28,982	30,50,73,191
Charge for the year	-	51,50,650	2,45,38,341	13,32,183	1,04,872	14,14,767	1,52,555	3,26,93,368
Disposals	-	21,18,274	46,20,339	-	-	8,74,379	-	76,12,992
At March 31, 2012	-	3,22,39,680	28,14,26,814	87,46,281	12,21,804	49,37,451	15,81,537	33,01,53,567
Charge for the year	-	31,08,608	2,73,18,969	13,00,763	1,08,926	16,27,745	1,45,713	3,36,10,724
Disposals	-	57,205	14,23,874	17,440	-	2,54,938	53,483	18,06,940
At March 31, 2013	-	3,52,91,083	30,73,21,909	1,00,29,604	13,30,730	63,10,258	16,73,767	36,19,57,351
Net Block								
At March 31, 2012	28,28,78,096	10,13,90,309	16,87,10,947	32,54,580	9,90,977	1,22,23,183	10,18,020	57,04,66,112
At March 31, 2013	39,97,08,659	10,20,65,107	25,44,28,498	42,36,193	11,26,088	1,11,05,909	8,72,307	77,35,42,761

12.2 CAPITAL WORK-IN-PROGRESS

	As at March 31, 2013	As at March 31, 2012
a) Buildings	10,34,41,328	5,31,02,440
b) Plant and Machinery	2,50,89,087	-
c) Electrical	5,02,915	-
d) Consultancy	65,00,960	38,60,500
e) Others	61,98,391	46,14,345
	14,17,32,681	6,15,77,285

(Amount In Rupees)
13 Non Current investment
Trade - Unquoted

MHI -VST Diesel Engines Private Limited

(41,50,000 (March 31, 2012: 41,50,000) Equity Shares of Rs.10 each.)

**As at
March 31, 2013**
**As at
March 31, 2012**
4,15,00,000

4,15,00,000

4,15,00,000

4,15,00,000

14 Long term loans and advance

Capital advance

3,00,32,897

2,35,65,702

Security deposits

1,21,60,162

1,13,36,948

Staff special / Annual advance

13,16,865

24,80,708

Advance Against Suppliers

-

2,52,175

4,35,09,924

3,76,35,533

15 Current investments
Non Trade Unquoted
a) Taurus Mutual Fund

(1) Taurus Dynamic Income Fund-Dividend Plan

-

10,71,07,913

[Current Year:Nil (Previous Year: 10,71,07,913 Units of Rs.10.3373 each)]

(2) Taurus Sort Term Income Fund-Dividend Plan

-

1,79,21,680

[Current Year:Nil (Previous Year: 1,79,21,680 Units of Rs.1531.7276 each)]

(3) Taurus Ultra Short Term Bond Fund-Super Institutional-Daily Dividend

-

3,00,28,529

[Current Year:Nil (Previous Year: 3,00,28,529 Units of Rs.1001.8759 each)]

b) J P Morgan India Mutual Fund

J P Morgan India Liquid Fund-Super Inst. Daily Dividend Pal-Reinvest.

-

4,73,34,617

[Current Year: Nil (Previous Year: 4,73,34,617 Units of Rs.1005.2219 each)]

-

20,23,92,739

16 Inventories

a) Raw material and Components

20,10,98,894

31,40,57,222

b) Work-in-Progress

6,15,26,481

5,52,14,136

c) Finished Goods

41,31,28,736

9,51,24,217

d) Spares and Attachments

8,89,57,543

12,96,54,463

e) Trading goods

4,47,56,315

2,63,50,260

g) Loose Tools

1,58,53,392

3,15,49,485

h) Machinery Spares and Others

32,51,052

71,93,243

82,85,72,413

65,91,43,026

(Amount In Rupees)

17 Trade Receivables

Unsecured :-

Receivables outstanding for a period exceeding six months
and considered good

Doubtful

Others

Total

Less: Provision for doubtful Trade receivables

Total Trade Receivables

Above Receivables include:

Receivable from India Garage Service Station (Related Party)

18 Cash and Bank Balances

Cash and Cash equivalents

I. Cash on hand

II. Balances with banks:

a) On current accounts

b) Deposits with less than three months maturity

c) Cheques on hand

Total Cash and Bank balances

III. Other bank balances with more than three months maturity

a) Deposits with Banks

b) Margin money deposit

c) Earmarked balances with banks

Total Cash and Cash Equivalents (I+II+III)

19 Short Term Loans and advances

Advances to Staff

Advances given to Suppliers

Cenvat Receivable

VAT Receivable

Service Tax Receivable

Advance Income Tax Net of Provisions

Others

20 Other Current Assets

Income Accrued but not due

(Amount In Rupees)
21 Revenue from operations

	For the year ended March 31, 2013	For the year ended March 31, 2012
a) Sale of products	4,81,16,57,918	5,28,84,16,867
Less : Excise duty	1,02,72,980	75,00,611
Net Sales	4,80,13,84,938	5,28,09,16,256
b) Sale of services	12,45,516	67,72,235
c) Other operating revenues	1,39,56,714	1,87,15,148
	4,81,65,87,168	5,30,64,03,639

22 Other Income

a) Gain on Foreign Exchange Fluctuation (Net)	3,91,190	27,09,094
b) Insurance claims	21,65,899	11,58,363
c) Interest	8,28,698	6,16,764
d) Profit on sale of assets	1,46,870	9,83,798
e) Dividend from Non trade Investments	71,36,373	2,78,78,583
f) Rent Received	56,12,283	54,23,587
g) Sundry credit balances written back	19,75,227	58,68,732
h) Miscellaneous Receipts	27,42,970	17,02,244
	2,09,99,510	4,63,41,164

23 Cost of Material Consumed

a) Castings	70,97,50,682	82,84,96,582
b) Forgings	94,15,01,876	92,52,34,418
c) Sheet Metal Components	69,65,13,430	80,11,28,260
d) Tyres & Tubes	17,63,23,572	20,28,28,836
e) Others	1,07,32,98,779	1,00,44,01,546
	3,59,73,88,339	3,76,20,89,643

24 Changes in inventories
Opening Stock as at 1st April, 2012

a) Work in Progress	5,52,14,136	9,66,70,622
b) Finished Goods	9,51,24,217	5,69,29,760
c) Trading Goods	2,63,50,260	2,93,42,803
d) Spares and attachments	12,96,54,463	8,42,02,245
Total (A)	30,63,43,076	26,71,45,430

Closing Stock as at 31st March, 2013

a) Work in Progress	6,15,26,481	5,52,14,136
b) Finished Goods	41,31,28,736	9,51,24,217
c) Trading Goods	4,47,56,315	2,63,50,260
d) Spares and attachments	8,89,57,543	12,96,54,463
Total (B)	60,83,69,076	30,63,43,076

(Increase)/Decrease in stock (A-B)
(3,02,026,000)

(Amount In Rupees)

25 Employee Benefit Expenses

	For the year ended March 31, 2013	For the year ended March 31, 2012
a) Salaries, Wages and Bonus	25,61,85,517	26,12,65,566
b) Contribution to Funds	1,55,22,416	1,40,65,802
c) Welfare Expenses	94,39,685	88,47,385
	<u>28,11,47,618</u>	<u>28,41,78,752</u>

26 Finance Costs

a) Interest Expense		
i) Interest paid on working Capital	33,044	4,498
ii) Interest on Other	1,23,20,566	82,34,753
(ii) Other Borrowing Costs		
Loan Processing Fees	4,85,207	3,79,891
	<u>1,28,38,817</u>	<u>86,19,142</u>

27 Depreciation and amortization expense

Depreciation of tangible assets	3,35,46,150	3,20,78,118
	<u>3,35,46,150</u>	<u>3,20,78,118</u>

28 Other Expenses

a) Power and Fuel	2,51,90,847	2,77,06,759
b) Consumption of Stores & Tools	5,77,12,093	3,45,52,656
c) Consultancy and Legal Charges	76,89,668	56,54,883
d) Payment to Statutory Auditors		
i) Audit fee	7,00,000	7,00,000
ii) Tax audit fee	1,00,000	1,00,000
iii) Company Law Matters	30,000	33,090
iv) Reimbursement of expenses	1,50,560	24,610
e) Payment to Cost Auditors		
i) Audit fee	1,25,000	1,25,000
ii) Reimbursement of expenses	45,226	22,328
f) Fees, Rates and Taxes	2,05,06,813	1,51,99,874
g) Directors Sitting Fees	4,20,000	5,10,000
h) Insurance	29,99,384	25,19,856
i) Rent	36,14,989	23,25,336
j) Repairs to Buildings	29,58,674	88,76,001
k) Repairs to Machinery	1,22,12,601	1,19,57,778
l) Repairs & Maintenance	1,33,04,086	1,18,48,369
m) Research and Development	41,77,409	36,70,731
n) Bank Charges	11,97,127	23,04,623
o) Travelling and Conveyance	1,90,14,799	1,47,26,024

(Amount In Rupees)

28 Other Expenses (Contd.)

	For the year ended March 31, 2013	For the year ended March 31, 2012
p) Communication Expenses	38,89,339	38,95,532
q) Assets written off	11,64,834	-
r) Miscellaneous Expenses	45,50,557	43,52,780
s) Advertisement & Publicity	1,04,33,764	92,89,644
t) Freight and Forwarding	10,66,00,447	11,77,74,518
u) Selling Expenses	15,64,18,226	17,50,27,995
v) Donations	14,75,000	14,50,000
w) Service and Warranty Expenses	4,84,58,416	5,37,22,880
x) Provision for bad and doubtful debts	1,33,25,095	-
y) Prior Period Expense	4,458	6,13,826
	51,84,69,411	50,89,85,092

29 Contingent Liabilities

a) Cases filed by customers in various consumer courts not acknowledged as debts	43,79,000	47,04,000
b) Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances).	8,68,66,454	4,64,44,394
c) Bank Guarantees issued to Government agencies by way of security.	1,33,62,500	63,80,500

The Vendor Financing Facility with M/S. Axis Bank Ltd., aggregating to Rs. 25.00 Crores to the vendors of the Company is with recourse to the Company on the delayed payments at interest rate of 2% p.a over and above the contracted rate.

30 Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act):

Based on the information available with the company, there are no Micro, Small and Medium enterprises, to which the company owes dues, which are outstanding for more than 45 days as at 31st March, 2013. Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.

31 The actuarial value of gratuity liability as at 31st March 2013 is Rs.5,74,97,126/- (Rs.5,11,09,025) as per the workings under AS 15(Revised) issued by the institute of chartered accountants of India.

Gratuity Report under AS-15 (Revised 2005) for year ended March 31, 2013

The following tables sets out the funded status of the gratuity plans and the amounts recognized in the Company's financial statements as at March 31, 2013.

a) Assumption :	2012-13	2011-12
Discount Rate	8.25%	8.50%
Salary Escalation	5%	5%
(Amount In Rupees)		
b) Table Showing changes in present value of Obligation:	2012-13	2011-12
Present value of obligation as at beginning of year	5,11,09,025	5,06,69,519
Interest Cost	40,62,762	40,59,574
Current Service Cost	63,79,557	63,34,574
Benefits Paid	(37,26,854)	(58,19,654)
Actuarial (gain) / loss on obligation	(3,27,364)	(41,34,988)
Present value of obligation as at end of year	5,74,97,126	5,11,09,025

(Amount In Rupees)

c) Table showing changes in the fair value of plan assets :	2012-13	2011-12
Fair value of plan assets at beginning of year	4,95,99,578	4,56,67,132
Expected return on plan assets	39,21,766	36,47,661
Contributions	25,71,842	56,76,914
Benefits Paid	(37,26,854)	(58,19,654)
Actuarial gain / (loss) on Plan assets	4,62,087	4,27,525
Fair value of plan assets at the end of year	5,28,28,419	4,95,99,578
d) Table showing fair value of plan assets :	2012-13	2011-12
Fair value of plan assets at beginning of year	4,95,99,578	4,56,67,132
Actuarial return of plan assets	39,21,766	36,47,661
Contributions	25,71,842	56,76,914
Benefits Paid	(37,26,854)	(58,19,654)
Fair value of plan assets at the end of year	5,23,66,332	4,91,72,053
e) Actuarial Gain / Loss recognised :	2012-13	2011-12
Actuarial (gain) / loss on obligations	(3,27,364)	(41,34,988)
Actuarial (gain) / loss the year - plan assets	(4,62,087)	(4,27,525)
Total (gain) / loss for the year	(7,89,451)	(45,62,513)
Actuarial (gain) / loss recognised in the year	(7,89,451)	(50,11,332)
f) The amount to be recognised in the Balance Sheet and statement of Profit and Loss :	2012-13	2011-12
Present value of obligation as at the end of the year	5,74,97,126	5,11,09,025
Fair value of plan assets as at the end of the year	5,28,28,419	4,95,99,578
Net asset / (liability) recognised in Balance Sheet	(46,68,707)	(15,09,447)

Notes :

- The estimates of future salary increases considered in actuarial valuation take into consideration for inflation, seniority, promotion and other relevant factors
- The expected return on plan assets is determined considering several applicable factors such as the composition of the plan assets held, assessed risks of asset management, historical results of the return on plan assets and the company's policy for plan assets is expected to vary from year to year reflecting the returns on matching Government bonds.
- Gratuity liability in case of employees of Precision Components Division, Mysore are unfunded and the gratuity liability for the year was Rs.6,01,016 (March 31, 2012 Rs.8,60,525) and the cumulative liability as on March 31, 2013 was Rs.31,85,571 (March 31, 2012 Rs.25,84,555).

32(A) Related Party Transactions:

Information given in accordance with the requirements of Accounting Standard 18 on related party disclosures issued by the Institute of Chartered Accountants of India

Name of the Party	Nature of Relationship
i. Vinay Industries	Associates / Joint Ventures
ii. India Garage Service Station	Associates / Joint Ventures
iii. India Garage Petrol Pump	Associates / Joint Ventures
iv. MHI-VST Diesel Engines Private Limited	Associates / Joint Ventures
v. Anand & Associates	Associates / Joint Ventures
vi. Rama Infotech	Associates / Joint Ventures
vii. Mr. V.P. Mahendra	Key Management Personnel
ix. Mr. V.V. Pravindra	Key Management Personnel
x. Mr. B.C.S. Iyengar	Key Management Personnel

(Amount In Rupees)
32(B) Summary of Transactions with related parties :
I. Nature of Transactions:

- a) Availing of services of machining of components

Vinay Industries

-

29,649

- b) Sale of power tillers, tractors, diesel engines, attachments and spare parts etc.

India Garage Service Station

4,56,10,790

4,55,74,382

- c) Purchase of fuel for company vehicles

India Garage Petrol Pump

-

99,497

- d) Supply of machined components and provide facilities for inspection of components

MHI-VST Diesel Engines Private Limited

1,33,850

2,92,252

- e) Renting of Immovable property

MHI-VST Diesel Engines Private Limited

23,17,425

19,85,400

- f) Architectural Profession Services

Anand & Associates

26,40,460

42,33,591

- d) Availing computer software and maintenance services

Rama Infotech

16,88,564

17,09,470

II. Balance as at March 31

- a) Receivables

- India Garage Service Station

44,99,612

1,04,70,067

- b) Payable

Vinay Industries

-

7,405

MHI-VST Diesel Engines Private Limited

2,72,455

2,74,378

Anand & Associates

3,53,934

3,47,445

India Garage Petrol Pump

10,98,967

-

III. Managerial Remuneration* :

Mr. V. P. Mahendra

42,32,479

42,81,358

Mr. V. V. Pravindra

20,15,300

18,03,600

Mr. B. C. S. Iyengar

32,57,560

19,91,730

95,05,339

80,76,688

* Managerial Remuneration includes commission

33 In Calculating Basic and Diluted Earnings per Share :

Numerator used:

- (a) Profit after Tax

48,57,33,788

49,92,70,031

Denominator used:

- (b) Number of equity shares

86,39,528

86,39,528

Earnings per Share

56.22

57.79

Face value per equity shares (Rupees)

10

10

(Amount In Rupees)

34	Expenditure towards Research & Development	2012-13	2011-12
	Revenue Expenditure		
	Salaries & Allowances	98,42,963	52,95,372
	Testing Fees paid	32,12,806	26,62,308
	Development charges	9,10,834	9,53,938
	Others	53,769	54,485
	Depreciation on R&D Assets	10,58,472	7,72,394
	Total (A)	1,50,78,844	97,38,497
	Capital Expenditure		
	Machinery	48,83,315	15,14,895
	Total (B)	48,83,315	15,14,895
	Grand Total (A+B)	1,99,62,159	1,12,53,392

35	a) CIF Value of Imports :	2012-13	2011-12
	i) Components and spares	20,98,81,785	15,71,94,332
	ii) Capital Equipments	7,41,397	2,36,95,744
	Total	21,06,23,182	18,08,90,076

	b) Expenditure in Foreign Currency :	2012-13	2011-12
	i) Travelling	5,13,357	3,94,574
	ii) Commission Paid	4,96,498	12,28,988
	iii) Others	12,90,550	5,01,544
	Total	23,00,405	21,25,106

c) Value of Imported and Indigenous Materials, components and Traded goods consumed :	2012-13		2011-12	
	Amount	% to total consumption	Amount	% to total consumption
i) Imported	10,90,91,619	3.14%	12,12,59,607	3.22%
ii) Indigenous	3,36,37,79,164	96.86%	3,64,08,30,036	96.78%
Total	3,47,28,70,783	100.00%	3,76,20,89,643	100.00%

36	Earnings in Foreign Exchange:	2012-13	2011-12
	i) Export of Goods on FOB Basis	15,64,21,159	9,43,27,002
	ii) Others (Freight, Insurance etc.)	16,25,542	5,89,991
	Total	15,80,46,701	9,49,16,993

(Amount In Rupees)

37 Remittance in Foreign Currency during the year on account of Dividend:	2012-13	2011-12
i) Amount Remitted (Net of Tax)	22,78,125	22,78,125
ii) No. of Non Resident Shareholders	1	1
iii) No. of shares on which dividend was due	2,53,125	2,53,125

38 Previous year figures have been regrouped/reclassified to conform to the classification of the current year.

For Brahmayya & Co.,
Firm Registration No: 000515S
Chartered Accountants

For and on behalf of the Board of Directors

G. Srinivas
Partner
Membership No: 086761

V.P Mahendra
Managing Director & CEO

V.Ramachandran
Director

Place : Bangalore
Date : May 30, 2013

Place : Bangalore
Date : May 30, 2013

Chinmaya Khatua
Company Secretary

SALE OF PRODUCTS

Details of Production and Sales Quantity & Value

CLASS OF GOODS	01-04-2012 - 31-03-2013				01-04-2011 - 31-03-2012			
	Production		Sales		Production		Sales	
	Quantity Nos.	Quantity Nos.	Value Rs.		Quantity Nos.	Quantity Nos.	Value Rs.	
a) Power Tillers	24,264	21,231	2,60,63,63,860		26,091	26,154	3,01,02,91,404	
b) Tractors	6,446	6,233	1,54,35,09,187		7,219	7,038	1,65,03,83,220	
c) Rice Transplanters		404	6,35,84,688			370	5,51,37,453	
d) Spares			36,08,59,773				34,53,50,349	
e) Others			22,70,67,430				21,97,53,830	
Total			4,80,13,84,938				5,28,09,16,256	



VST TILLERS TRACTORS LIMITED

Regd. Office : Plot No.1, Dyavasandra Industrial Layout
P.B. No.4801, Whitefield Road, Mahadevapura Post,
Bangalore - 560 048

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Name of
Proxy

Attendance Slip

45th

Annual General Meeting

Wednesday, the 14th August, 2013

at Woodlands Hotel Pvt. Ltd.
No.5, Rajaram Mohan Roy Road
Bangalore - 560 025

Folio No.	
CLIENT ID No.	
DP ID No.	
No. of Shares	
Signature of Member / proxy	



VST TILLERS TRACTORS LIMITED

Regd. Office : Plot No.1, Dyavasandra Industrial Layout
P.B. No.4801, Whitefield Road, Mahadevapura Post,
Bangalore - 560 048

Proxy Form

Proxy Form	Folio No.	
	CLIENT ID No.	
Proxy No.	DP ID No.	
Date of Receipt	No. of Shares	

I/We

of.....in the district of.....being
a member / members of VST Tillers Tractors Limited hereby appoint.....
of.....in the district of.....or failing him
.....of.....in the district of.....as
my / our proxy to attend and vote for me/us on my/our behalf at the Annual General Meeting of the
Company to be held at "Krishna Hall", Hotel Woodlands Hotel Pvt. Ltd., No.5, Rajaram Mohan Roy Road,
Bangalore - 560 025 on Wednesday, the 14th August, 2013 at 3.00 P.M. and at any adjournment thereof.

Date :

Signature of member

Affix Re. 1-00.
Revenue Stamp

The Proxy form duly completed must reach the
Registered Office atleast 48 hours before the
commencement of the meeting.



VST SHAKTI 130 DI POWER TILLER



VST YANJI SHAKTI RICE TRANSPLANTER



MITSUBISHI SHAKTI VWH 120 POWER TILLER



MITSUBISHI SHAKTI MT 180D TRACTOR



V.S.T. TILLERS TRACTORS LTD.

P.B. No. 4801, Mahadevapura P.O., Bangalore - 560 048, India.

Ph : 91-80-67141111, 28510805/6/7 Fax : 91-80-28510221

E-mail : vstgen@vsttillers.com Web : www.vsttillers.com






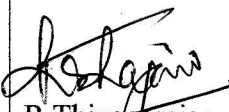

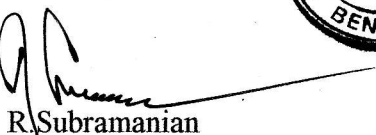

VST TILLERS TRACTORS LIMITED

Regd. Office & Factory: P.B. No.4801, Mahadevapura Post, Whitefield Road, Bangalore – 560 048
Ph : 91-80-67141111, 28510805/6/7, Fax : 91-80-28510221, email : vstgen@vsttillers.com, www.vsttillers.com



FORM-A

Format of covering letter of the annual audit report to be filed with the stock exchanges.

1	Name of the Company	V.S.T. Tillers Tractors Ltd.
2	Annual financial statements for the year ended	31 st March, 2013
3	Type of Audit Observation	Un-Qualified
4	Frequency of Observation	Not Applicable
5	Signed by-	<p> V.P Mahendra Managing Director</p> <p> R. Thiyagarajan CFO</p> <p> G. Srinivas Partner Bramhayya & Co Statutory Auditors</p> <p> R. Subramanian Audit Committee Chairman</p> <p></p>



Manufacturing & Marketing : Power Tillers, Tractors & Diesel Engines
Marketing : Rice Transplanters & Reapers

