# VTM LIMITED

*Annual Report*

*2009 - 2010*

ISO-9002

DNV

CERTIFICATED FIRM

VTM

**Board of Directors**

*Thiru T. Kannan*
*Thiru M. Ananthakrishnan*
*Thiru RM. Somasundaram*
*Thiru L.N.V. Subramanian*
*Thiru K. Subramanian*
*Thiru A. Mariappan*

**Chairman**

*Thiru T. Kannan*

**Company Secretary**

*Thiru S. Paramashivan*

**Auditors**

*Messrs. Peri Thiagraj & Co.,*
*Madurai.*

**Bankers**

*Canara Bank*
*State Bank of India*
*IDBI Bank Ltd.*

**Registered Office**

*Sulakarai,*
*Virudhunagar.*

## NOTICE OF ANNUAL GENERAL MEETING:

NOTICE is hereby given that the Sixty third Annual General Meeting of the Members of the Company will be held at the Registered Office of the Company at Sulakarai, Virudhunagar on Monday, the 21st June, 2010 at 12.05 p.m. to transact the following business:

**AGENDA**

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2010 and the Profit and Loss Account for the year ended on that date and the reports of the Directors and the Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in the place of Sri. T. Kannan, who retires by rotation and who, being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Sri. RM. Somasundaram, who retires by rotation and who, being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.
6. To consider and if thought fit, to pass the following resolution as an Special Resolution with or without modification.

   RESOLVED that approval be and is hereby given under section 309(4) of the Companies Act, 1956 for the payment of commission to the Directors of the Company not exceeding the amount as computed at the rate of 3% of the net profits of the Company computed in the manner laid down in section 198(2) of the Companies Act, 1956 for each of the five financial years commencing from the Financial Year ending on 31st March 2011, such commission to be divided and distributed among the Directors in such manner or in such manner as may be determined by the Board of Directors for each year and the said commission shall be exclusive of sitting fees payable to the Directors for attending meetings of the Board of Directors of the Company and committee thereof.

By Order of the Board,

Kappalur, Madurai.
30th April 2010.

**T. KANNAN**
Chairman

**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956:**

The Members of the Company at their Extraordinary General Meeting held on 01.06.2005 have passed a resolution approving the payment of Commission to Directors under section 309(4) of the Companies Act, 1956 for each of the financial years commencing from the financial year ending 31st March 2006 and the same is expiring with the financial year ending 31st March 2010. The Board of Directors is of the opinion that it is desirable to renew the said payment of commission for a further period of five financial years commencing from the Financial Year ending on 31st March 2011. Hence, the resolution is passed before the members for their approval by passing as a Special Resolution.

All the Directors of the Company are interested in the Resolution.

NOTE:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote instead of himself and a proxy need not be a member of the Company.

2. The Register of Members of the Company will remain closed from 10th June 2010 to 21st June 2010 (both days inclusive).

3. Pursuant to Sec.205A and 205C of the Companies Act, 1956, the dividends for the financial year 2002-2003 which are remaining unclaimed for seven years will be transferred to the Investors Education and Protection Fund on or before 10.07.2010, being the due date for such transfer. The other dividends are lying in the Unpaid Dividend Account of the Company.

# DIRECTORS' REPORT

To the Members of VTM Limited

Your Directors present their 63rd Annual Report along with the audited statements of accounts for the year ended 31st March, 2010.

PROFITS, DIVIDENDS & RETENTION :

(Rs. in Lakhs)

| | 2009 - 2010 | | 2008 - 2009 | |
|---|---|---|---|---|
| **Turnover:** | | | | |
| Exports | (25%) | 1965 | (52%) | 4786 |
| Domestic | (75%) | 5924 | (48%) | 4428 |
| Total | | 7889 | | 9214 |
| Profit before Depreciation (after interest) | | 1220 | | 1083 |
| Less : Depreciation | | 766 | | 830 |
| Profit after Depreciation | | 454 | | 253 |
| Less : Provision for Taxation | 190 | | 120 | |
| Short Provision for Taxation for earlier year | 3 | | - | |
| Deferred Tax Liability/Asset | (127) | | (116) | |
| | | 66 | | 4 |
| Profit after tax | | 388 | | 249 |
| Add : Excess provision for Taxation | | - | | 6 |
| MAT Credit Entitlement | | - | | 62 |
| Amount brought forward | | 56 | | 60 |
| Available for appropriation | | 444 | | 377 |
| **Appropriation :** | | | | |
| Transfer to General Reserve | | 180 | | 227 |
| Dividend @ Rs.3.20 per Share | | 129 | | 80 |
| Income Tax on Dividend | | 21 | | 14 |
| Retained profit carried/forward to the following year | | 114 | | 56 |

**DIVIDEND:**

Your Directors recommend a dividend at Rs.3.20 per Share (i.e., 32%) on Equity Share Capital for the year.

**PERFORMANCE OF THE YEAR AND FUTURE PROSPECTS:**

The Sales turnover for the current year 2009-10 has declined to Rs.7889 Lakhs from Rs.9214 Lakhs during the last year 2008-09. This is partly due to undertaking job work and partly because of fall in capacity utilisation following imposition of power cut and labour absenteeism. The Gross Profit before depreciation for the current year 2009-10 has marginally gone up to Rs.1220 Lakhs. i.e., an increase of Rs.137 Lakhs compared to the last year's Gross Profit of Rs.1083 Lakhs.

This year the textile trade has picked up because of rapid recovery in global market. Exports have remained a challenge owing to steep Rupee appreciation over 12%.

The yarn prices have gone up by nearly 50% without commensurate increase in fabric prices in the domestic market.

The power situation continued to be critical throughout the year.

Despite the above adverse factors, the year's working result is, by and large, to be considered satisfactory.

The recovery that has set in the last quarter seems sustainable. Your Directors hope the working results for the year 2010-11 will be better than 2009-10.

**FABRIC DYEING PLANT:**

Of late, there is an increasing demand for processed fabric as well. Hence your Directors are reviewing the feasibility of implementation of the project on Fabric Dyeing Plant kept in abeyance last year.

Your Directors are planning addition of looms to augment production capacity. Further investment in wind energy is also planned.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

In terms of Section 217 (2AA) of the Companies Act, 1956, the Directors would like to state that:-

i) in the preparation of Annual Accounts for the year ended 31st March 2010 the applicable accounting standards had been followed along with proper explanation relating to material departures;

ii) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2010 and of the profit of the Company for that year;

iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) the Directors had prepared the annual accounts on a going concern basis.

**CORPORATE GOVERNANCE:**

The report on Corporate Governance is attached as *Annexure-I.*

The Company has obtained a certificate from the Statutory Auditors of the Company regarding the compliance of conditions of Corporate Governance as stipulated in the Clause 49 of the listing agreement and a copy of the same is annexed.

**GENERAL:**

The additional particulars required to be given in the Directors' Report pursuant to the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are given in the *Annexure-II* which forms part of this report. With regard to particulars of Employees under Section 217(2A) there is no employee drawing salary of more than Rs.2,00,000/- per month or Rs.24,00,000/- per annum.

**LISTING:**

The Company's shares are listed with the following three Stock Exchanges:

1) Bombay Stock Exchange Ltd.,
Regd. Office: Floor 25, P.J. Towers,
Dalal Street,
Mumbai - 400 001.

2) Madras Stock Exchange Ltd.,
Exchange Buildings,
11, Second Line Beach,
Chennai - 600 001.

3) Coimbatore Stock Exchange Ltd.,
CSX Towers,
683-686, Trichy Road,
Singanallur, Coimbatore - 641 008.

The Company has paid listing fee to all the three stock exchanges for the Financial Year 2010-2011.

The Directors place on record their appreciation of the continued co-operation received from its Staff, Employees and the Bankers.

For and on behalf of the Board of Directors,

Kappalur, Madurai.
April 30, 2010.

**T. KANNAN**
Chairman

# ANNEXURE-I TO THE DIRECTORS' REPORT

## REPORT ON CORPORATE GOVERNANCE

### THE COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

The Company is committed to uphold its core values of Customer focus, Community, Performance, Integrity and Quality. The Board endeavours to create a culture of trust and also aims to establish and sustain the credibility of the Company before its various stakeholders. The Company seeks to comply with all applicable legal, regulatory and other requirements. It has been the Company's endeavour to build on its values and practices, to effectively meet its financial, social and environment and statutory obligations.

### 1. BOARD OF DIRECTORS :

The Board consists of six Directors, of whom three Directors are Independent Directors who satisfy the conditions provided in the Clause 1(B)(iii) of the Revised Clause 49 of the Listing Agreement. In terms of Clause 49 (IV) (G) (ia), none of the Directors are related to each other.

None of the Directors on the Board is a member on more than ten committees as per the requirements of Clause 49 of the Listing Agreement. Necessary disclosures have been made by the Directors in this regard.

The Board meets at least once in a quarter to review the performance of the Company.

During the year under review Four Board Meetings were held on 30$^{th}$ April 2009, 27$^{th}$ July 2009, 21$^{st}$ October 2009 and 27$^{th}$ January 2010. Details of attendance at Board Meetings, Directorship and Membership in other Companies for each Director of the Company are as follows:

**Composition and category of Directors and their attendance at Board Meetings and at last Annual General Meeting:**

| Name of the Directors | Category | No. of Board Meetings attended | Attendance at the last AGM held on 12.6.2009 | No. of other Directorships in Companies other than VTM | No. of other memberships in Board Committees | Whether Chairman/ Member |
|---|---|---|---|---|---|---|
| Thiru T. Kannan | | 4 | ✓ | 8 | 4 | Member |
| Thiru M. Ananthakrishnan | ID | 1 | | 2 | - | - |
| Thiru RM. Somasundaram | ID | 2 | ✓ | 2 | - | - |
| Thiru L.N.V. Subramanian | | 4 | | - | - | - |
| Thiru A. Mariappan | | 4 | ✓ | 6 | - | - |
| Thiru K. Subramanian | ID | 3 | | 1 | - | - |

ID: Independent Director; VTM - **VTM** Limited.

Thiru T. Kannan, Chairman and Director, Thiru RM. Somasundaram and Thiru A. Mariappan Directors have attended the Annual General Meeting held on 12$^{th}$ June, 2009.

**Details of Directors retiring by rotation and seeking re-appointment :**

As per the statute, two-third of the Directors should be retiring Directors. One-third of these Directors are required to retire every year and if eligible, these Directors qualify for re-appointment.

Accordingly, Thiru T. Kannan, Chairman and Director, and Thiru RM. Somasundaram, Director retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

A brief resume of the Directors who are eligible for re-appointment is as follows:

Thiru T. Kannan, Chairman is an Industrialist with long and varied experience in Textile field. He has been in the Office for over three decades. He is on the Boards of Thiagarajar Mills (P) Ltd., TVS Motor Company Ltd., Sundaram Brake Linings Ltd., Sundaram Textiles Ltd., and in SIMA Textile Processing Centre Limited.

At present he is a Member of the Executive Committees of TEXPROCIL, Mumbai, Confederation of Indian Textile Industry, Mumbai and Tamilnadu Chamber of Commerce & Industry, Madurai.

He was the past Chairman of *CII* (Southern Region, Chennai). The Company is benefitted by his Corporate experience. He holds 58560 Equity Shares in his name in the Company.

Thiru RM. Somasundaram, Director has been in the office for over a decade. He has long experience in the textiles field. He is on the Boards of Sree Kannattal Mills Ltd., SK.AR.SM.Textiles Pvt.Ltd., J. Balabai & Co. Pvt. Ltd. The Company is benefitted by his experience. He holds 6000 Equity Shares in his name in the Company.

Both the Directors are neither related to each other nor to other Directors.

**2. Audit Committee:**

The Company constituted Audit Committee during the financial year 2001-02. The constitution of Audit Committee was as per the listing agreements with Stock Exchanges, which stipulates formation of such committee when the net worth exceeds Rs.25 Crores. The reconstituted Audit Committee comprise of two Independent Directors and a Non-Independent Director.

The broad terms of reference of the Audit Committee include focusing / overseeing of the Company's financial reporting process, to review the results announcement and the report and accounts at the end of a quarter, half year and the full year before submission to the Board, recommending the appointment of external auditors, reviewing with management the annual financial statements, financial and risk management policies, to review the effectiveness of the system of internal financial control and internal audit functions, its adequacy and discuss the same periodically with the statutory auditors, disclosures made under the CFO certification to the Board and to consider other topics as defined by the Board.

The existing Audit Committee satisfies the conditions as provided in the Revised Clause 49 of the Listing Agreement.

The following Directors are the members of the Audit Committee:

| Director | Category |
|---|---|
| Thiru RM. Somasundaram | Chairman |
| Thiru L.N.V. Subramanian | Member |
| Thiru K. Subramanian | Member |

The Secretary of the Company is the Secretary of the Audit Committee.

The Company's internal audit is carried out by an independent auditor covering all functional areas. The management reporting systems is comprehensive on all the aspects of the Company`s operation and it is periodically reviewed by Senior management headed by the Chairman and a Director.

**Audit Committee Meetings and the attendance during the year:**

There were four meetings of the Audit Committee during the year and the dates and attendance of the same are as under:

Dates: 30.04.2009, 27.07.2009, 21.10.2009 & 27.01.2010

| Name of the Director | No. of Audit Committee Meetings attended |
|---|---|
| Thiru RM. Somasundaram | 2 |
| Thiru L.N.V. Subramanian | 4 |
| Thiru K. Subramanian | 3 |

**Remuneration to Directors:**

| Name of the Director | Sitting Fees (For Board & Committee Meetings) |
|---|---|
| Thiru T. Kannan (Chairman) | Rs. 4,000/- |
| Thiru M. Ananthakrishnan | Rs. 2,000/- |
| Thiru RM. Somasundaram | Rs. 4,000/- |
| Thiru L.N.V. Subramanian | Rs. 8,000/- |
| Thiru K. Subramanian | Rs. 6,000/- |
| Thiru A. Mariappan | Rs. 4,000/- |

Besides the Sitting Fees, Thiru T. Kannan, Chairman and Thiru A. Mariappan, Director are to be paid Profit Commission of Rs.12.24 Lakhs and Rs.1.40 Lakh, respectively in terms of Section 309 of the Companies Act, 1956 for the year ended 31st March, 2010.

**Shares held by Non-Executive Directors:**

| Name of the Director | Number of Shares |
|---|---|
| Thiru T. Kannan | 58560 |
| Thiru M. Ananthakrishnan | 2100 |
| Thiru RM. Somasundaram | 6000 |
| Thiru L.N.V. Subramanian | 600 |
| Thiru K. Subramanian | 50 |
| Thiru A. Mariappan | 50 |

**3. General Body Meetings:**

Details of the last three Annual General Meetings.(AGM)

| AGM for the Financial Year ended | Date & Time of AGM |
|---|---|
| 31st March, 2009 | 12th June 2009 at 12.00 Noon |
| 31st March, 2008 | 9th June 2008 at 12.00 Noon |
| 31st March, 2007 | 6th June 2007 at 10.30 A.M. |

All the resolutions set out in the respective Notices were passed by the Shareholders.

All the Annual General Meetings were held at the Registered Office of the Company.

**4. Disclosure:**

There are no materially significant related party transactions made by the Company with its Promoters, Directors or Management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the Company at large. The Register of Contracts containing the transactions in which Directors are interested is regularly placed before the Board.

Transactions with the related parties are disclosed in Notes on Schedule 10 to the Accounts in the Annual Report.

In the preparation of financial statements, generally accepted accounting principles and policies were followed, including the mandatory accounting standards prescribed by the Institute of Chartered Accountants of India.

During the last three years, there were no penalties imposed either by SEBI or by the Stock Exchanges or by any statutory authority for non-compliance of any matter related to the capital markets.

The Quarterly and Half Yearly results are published in dailies "Trinity Mirror" in English and "Malai Murasu" in Tamil.

**5. Listing Agreements:**

**CFO Certification:**

The Company is a Board managed Company and there is no CEO. However, the Directors have authorised a Committee consisting of the Chairman of the Board of Directors and another Director of the Company, to discharge the obligations expected of a CEO under the Corporate Governance Guidelines prescribed by SEBI [Clause 49(v)]

The Committee has given the Certificate to the Board which has been taken on record.

**Certificate on Code of Conduct:**

As required under Clause 49 of the Listing Agreement, we have laid down Code of Conduct for Directors and senior management. They have affirmed compliance with the Code.

**6. Shares:**

**Shares Transfer Procedure:**

The Share Transfer and Demat and Shareholder's Grievances Committee has been constituted as per listing agreement requirements, laid out by the stock exchanges. Through Circular Resolutions, the Committee approves the transfers, transmission and demat requests. The Share Transfer Demat and Shareholder Grievances Committee comprise of Thiru T. Kannan, Chairman and Director, besides Thiru L.N.V. Subramanian, Director. Thiru S. Paramashivan, Secretary of the Company is the Secretary and Compliance Officer for the Committee.

During the year twelve grievances regarding non-receipt of shares applied for transfer, non-receipt of dividend and related matters were received from the shareholders and all the grievances were redressed. There were no transfer of shares pending for transfer at the close of the year.

**Information on Unclaimed Dividend:**

Pursuant to provisions of the Companies Act 1956, Company is committed in making timely payment of dividend. Pursuant to provisions of Section 205A of the Companies Act 1956, dividend that remained unpaid or unclaimed for financial year ended 31st March 2003, due to be transferred to The Investor Education and Protection Fund (IEPF), constituted by Central Government under Section 205C of the Companies Act 1956 on 10.07.2010 will be transferred within the time prescribed.

**Distribution of shareholding as on 31.03.2010:**

| Shareholding of Nominal value of | No. of Folios | Percentage | Amount Rs. | Percentage to Total |
|---|---|---|---|---|
| Upto 5000 | 1297 | 79.47 | 2097460 | 5.22 |
| 5001 - 10000 | 148 | 9.07 | 995460 | 2.47 |
| 10001 - 20000 | 101 | 6.19 | 1428200 | 3.55 |
| 20001 - 30000 | 36 | 2.20 | 909680 | 2.26 |
| 30001 - 40000 | 7 | 0.43 | 260650 | 0.65 |
| 40001 - 50000 | 5 | 0.31 | 227000 | 0.56 |
| 50001 - 100000 | 15 | 0.92 | 1032340 | 2.57 |
| 100001 - above | 23 | 1.41 | 33276810 | 82.72 |
| Total | 1632 | 100% | 40227600 | 100% |

**Shareholding pattern as on 31st March, 2010:**

| Shareholders | No. of Shares held | % of total shares held |
|---|---|---|
| Promoters | 3017070 | 75.00 |
| Financial Institutions | 0 | 0 |
| Corporate Bodies | 104776 | 2.60 |
| Public | 899654 | 22.37 |
| NRI's | 1260 | 0.03 |
| Total | 4022760 | 100% |

**General Information for Shareholders:**

| | | |
|---|---|---|
| 1. Date, Time and Venue of the the Annual General Meeting. | : | 21st June, 2010 at 12.05 P.M. at the Registered Office at Sulakarai, Virudhunagar. |
| 2. Date of Book Closure/Record date Financial Year 2009-2010 | : | 10th June 2010 to 21st June 2010 |
| 3. Dividend payment date | : | Within 30 days from the date of Annual General Meeting. |
| 4. Results for Quarter ending June 30, 2010 (Provisional) | : | 3rd week of July, 2010 |
| Results for Quarter ending September 30, 2010 (Provisional) | : | 3rd week of October, 2010 |
| Results for Quarter ending December 31, 2010 (Provisional) | : | 3rd week of January, 2011. |
| Financial Calendar - 1st April, 2010 to 31st March 2011 (Audited) | : | 4th week of April, 2011. |

**Means of communication:**

The Quarterly results are taken on record by the Board of Directors and submitted to the Stock Exchanges as per the requirements of the Listing Agreements.

The Quarterly and Half Yearly results are published in dailies "Trinity Mirror" in English and "Malai Murasu" in Tamil.

The Company's quarterly results are made available at the website of the Company **www.vtmill.com**

No special resolution was passed through postal ballot during the financial year, under the Provisions of Section 192A of the Companies Act 1956 and the Companies (passing of resolutions by Postal Ballot) Rules 2001.

The Company has not made any formal presentation to the institutional investors or to the analysts during the year.

The Management Discussion and Analysis Report forming part of the Annual Report is enclosed. (Clause 49(IV) (F) of the Listing Agreement).

**Dematerialisation of shares:**

The shares of the Company have been dematerialised and the unique ISIN number allotted for the Company as under:

**ISIN** : **INE222F01011**

The shares of the Company have been dematerialised in the year 2002. Currently 89.53% of the total shares have been dematerialised.

**Listing at Stock Exchanges:**

Bombay Stock Exchange Ltd.,
Regd. Office : Floor 25,
PJ Towers,
Dalal Street,
MUMBAI - 400 001.

Madras Stock Exchange Ltd.,
Exchange Building,
11, Second Line Beach,
CHENNAI - 600 001.

Coimbatore Stock Exchange Ltd.,
CSX Towers, 683-686,
Trichy Road,
Singanallur,
COIMBATORE - 641 008.

**Stock Code:**

| | | |
|---|---|---|
| **Scrip Code at BSE** | : | **532893** |
| **TRADING SYMBOL AT BSE** | : | **VTM** |
| **Demat ISIN No** | : | **INE222F01011** |

**Share Price movements:**

**Market Price data : Exchange** : BSE

| Month | High Rs. | Low Rs. |
|---|---|---|
| April 09 | 47.70 | 31.80 |
| May 09 | 60.00 | 38.20 |
| June 09 | 91.90 | 63.00 |
| July 09 | 97.10 | 53.75 |
| August 09 | 72.85 | 52.60 |
| September 09 | 78.65 | 61.10 |
| October 09 | 68.45 | 59.20 |
| November 09 | 67.10 | 56.50 |
| December 09 | 74.85 | 57.65 |
| January 10 | 100.15 | 69.85 |
| February 10 | 82.35 | 65.55 |
| March 10 | 85.00 | 65.60 |

There was no official trading in the shares of the Company in the year in Madras Stock Exchange and in the Coimbatore Stock Exchange.

| | | |
|---|---|---|
| **Stock options** | : | Nil |
| **Plant Location** | : | Sulakarai,<br>Virudhunagar - 626 003. |

**Address for correspondence:**
Registrar & Transfer Agent:
Karvy Computershare Pvt. Ltd.
(Unit: VTM Limited)
Karvy House, 46 Avenue-4,
Street No.1, Banjara Hills,
Hyderabad-500 034.
Phone : 040-23326591
Contact Person : Mr.V.K. Jeyaraman, Asst. General Manager.

The shareholders may also address their correspondence to:
**VTM Limited**,
Sulakarai,
Virudhunagar - 626 003.
Phone : 04562-252019 & 252907.

**VTM Limited,**
Chairman's Office:
Thiagarajar Mills Premises,
Kappalur, Madurai - 625 008.
Phone : 0452-2482595

**Non-Mandatory Requirements :**

1. The Chairman is provided with an office at Kappalur, Madurai and the expenses thereon are borne by the Company.
2. The Board has not set up a Remuneration Committee as the need for the same has not arisen.
3. No item of business relating to matters requiring voting by Postal Ballot is included in the Notice convening the 63rd Annual General Meeting of the Company.

**Auditors' Certificate on compliance of the provisions of the code of Corporate Governance in the Listing Agreement :**

To
The Shareholders of **VTM LIMITED,** Sulakarai, Virudhunagar.

We have examined the compliance of conditions of Corporate Governance by **VTM LIMITED,** Sulakarai, Virudhunagar for the year ended 31st March 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

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 state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Investors' Grievances Committee.

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 **Peri Thiagraj & Co.,**
Chartered Accountants
**T. Kalairaj**
Partner
Membership No.023840

Madurai,
April 30, 2010.

## Management Discussion & Analysis:

### Financial Performance:

There has been marginal decrease in Sales Turnover from Rs.92.14 Crores to Rs.78.89 Crores. The Gross Profit has gone up by 13%, as set out in the Directors' Report.

### Industry Structure and Developments:

Our Company has presence in the domestic and international markets. Its reputation and goodwill are ever on the increase. The opportunities being thrown up by the expanding Indian economy will be fully availed of by the Company though there is always the element of competition from others similarly placed. The appreciation of Indian Rupee stands in the way of promoting exports in a big way.

### Internal Control Systems and their Adequacy:

Internal Control Systems which are already in place with regard to purchase of raw materials, stores, plant & machinery, other items and for the sale of finished products are ever being strengthened. There is a good system of Internal Audit which is reviewed by the Audit Committee periodically and suggestions given by the Committee are being implemented.

### Human Resources:

The Company has a recruitment and training policy to meet its HR needs. The Company's performance in the Industrial Relations front continues to be cordial. The total number of people employed by our Company is 555.

### Cautionary Statement:

Certain statements in the "Management Discussion and Analysis Report" may be forward looking and are as required by applicable laws and regulations. Many factors may affect the actual results, which could be different from what the Directors envisage in terms of the future performance and outlook.

## ANNEXURE-II TO THE DIRECTORS' REPORT

**Additional particulars furnished pursuant to the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.**

### I. CONSERVATION OF ENERGY :

The Company has been making all-out efforts to conserve energy. The Company is periodically conducting power audit to check the energy consumption and to improve the maintenance of machinery in order to conserve the energy. Power factor improvement capacitors and fuel efficiency motors have been installed, with the result the power factor is maintained at optimum level.

### A. POWER AND FUEL CONSUMPTION :

| | | 31.3.2010 | | 31.3.2009 |
|---|---|---|---|---|
| **Electricity** | | | | |
| a) Purchased: | | | | |
| Units | | 5771049 | | 6856540 |
| Total Amount | Rs. | 2,77,98,766 | Rs. | 3,20,11,999 |
| Rate per unit | Rs. | 4.82 | Rs. | 4.67 |
| b) Own Generation: | | | | |
| Through Diesel Generator | | | | |
| Units | | 3231118 | | 3384773 |
| Units per litre of oil | | 3.41 | | 3.41 |
| Cost per unit | Rs. | 8.86 | Rs. | 9.38 |
| c) Through Windmill : | | | | |
| Units | | 4664687 | | 4217898 |
| d) Through an Independent power producer | | | | |
| Units | | 371070 | | 766617 |
| Rate per Unit | Rs. | 7.50 | | 7.50 |

### B. CONSUMPTION PER UNIT OF PRODUCTION OF CLOTH :

| | | | | |
|---|---|---|---|---|
| Electricity per metre of production of cloth | Rs. | 5.29 | Rs. | 5.59 |

**Note :** 1. No standard rate of consumption is available.

2. As the Company is producing numerous varieties or sorts of cloth, separate details for each variety or sort are not given.

## II. TECHNOLOGY ABSORPTION AND RESEARCH AND DEVELOPMENT :

Constant efforts are being made to improve the quality and productivity by adopting latest technology.

## III. FOREIGN EXCHANGE EARNINGS AND OUTGO:

The Company is engaged on the export front. The possibility of diversifying the export market is also being explored. Regular visits are made to trade fairs held abroad to develop trade contacts.

The Company has earned during the year under report foreign exchange equivalent to Rs.1831.73 Lakhs (FOB value of exports) through direct exports.

The foreign exchange outgo during the period is Rs.105.48 Lakhs.

For and on behalf of the Board of Directors,

Kappalur, Madurai.
April 30, 2010.

**T. KANNAN**
Chairman

# AUDITORS' REPORT

**To the Members of VTM LIMITED**

We have audited the attached Balance Sheet of **VTM Limited,** as at March 31, 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow statement for the year ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1) 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.

2) As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditors' Report) Amendment Order 2004 issued by the Central Government of India in terms of Sub-Section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks of the books and records of the Company as we considered appropriate and the information and explanations given to us, we state that:

   i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.

   b) According to the information and explanations given to us, the Fixed Assets have been physically verified by the Management during the year and no serious discrepancies between the book records and physical inventory have been noticed.

   c) The Company has not disposed of a substantial part of the Fixed Assets during the year.

   ii) a) The Company has maintained proper records and the Stocks of finished goods, stores and spare parts and raw materials have been physically verified by the Management at reasonable periods.

   b) In our opinion, the records and procedures of physical verification of the aforesaid stocks followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.

c) According to the records, no discrepancies have been noticed on such verification of stocks of finished goods and raw materials. The discrepancies noticed on such verification of stores and spare parts were not material as compared to Book Stock and the same have been properly dealt within the books of Account.

iii) a) The Company has not granted any loans secured or unsecured to Companies, Firms or other parties as listed in the Register maintained under Section 301 of the Companies Act, 1956 and/or the Companies under the same management as defined under Sub-Section (1B) of Section 370 of the Companies Act, 1956.

b) The Company has accepted deposit for leased land from Company as listed in the Register maintained under Section 301 of the Companies Act, 1956.

iv) In our opinion and according to the information and explanations given to us, during the course of the audit, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of raw materials, stores, plant and machinery, equipment and other assets and for sale of goods. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal control.

v) According to the information and explanations given to us, the transactions of purchase and sale of goods and materials made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 aggregating during the year to Rs.5,00,000/- or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices for such goods and materials or the prices at which transactions for similar goods have been made with other parties.

vi) The Company has not accepted any deposits from the Public during the year.

vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

viii) The cost records and accounts prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 have been made and maintained by the Company.

ix) a) According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues payable in respect of Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income-Tax, Sales - Tax, Wealth-Tax, Sevice-Tax, Customs Duty, Excise Duty, Cess and there were no amounts outstanding as at March 31, 2010 for a period of more than six months from the date they became payable.

b) The Company has disputed Tax liability as at March 31, 2010 as stated in Note No.19(8).

x) The Company has no accumulated losses. The Company has not incurred cash losses in the Financial Year under report and in the immediately preceding Financial Year.

xi) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to a Financial Institution or Bank or Debenture Holder.

xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities, and in our opinion, adequate documents and records are maintained.

xiii) Clause (xiii) of the Order is not applicable to the Company as the Company is not a Chit Fund Company, Nidhi or Mutual Benefit Society.

xiv) According to the information and explanations given to us, proper records have been maintained in respect of transactions and contracts in shares, securities, debentures and other investments and timely entries have been made therein. The shares, securities, debentures and other investments, have been held by the Company in its own name.

xv) According to the information and explantions given to us, the Company has not given any guarantee for loans taken by others from Bank or Financial Institutions.

xvi) According to the information and explanations given to us, Term Loans were applied for the purpose for which the loans were obtained.

xvii) According to the information and explanations given to us, funds raised on Short-term basis have not been used for long-term investment. Similarly, no funds raised on long term basis have been used for short-term investments.

xviii) According to the information and explanations given to us, no shares has been allotted by the Company during the year.

xix) The Company has not issued Debentures and hence requirement of reporting regarding creation of securities in respect of Debentures issued does not arise.

xx) According to the records of the Company and information and explanations given to us, the Company has not raised any money through public issue during the year.

xxi) According to the information and explanations given to us, a fraud on or by the Company has not been noticed or reported during the year.

3) In our opinion and to the best of our information and according to the explanations given to us, the attached accounts together with the notes thereon, give the information required by the Companies Act, 1956 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, 2010.

b) In the case of the Profit and Loss Account, of the Profit of the Company 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.

4) On the basis of written representations received from the Directors, as on March 31, 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2010 from being appointed as a Director of the Company in terms of Section 274(1)(g) of the Companies Act, 1956 on the said date.

5) In our opinion proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books.

6) In our opinion, the Balance Sheet and Profit and Loss Account complies with the accounting standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956.

7) The Balance Sheet and Profit and Loss Account dealt with by this Report are in agreement with the books of account.

**For PERI THIAGRAJ & Co.,**
Chartered Accountants
**T. KALAIRAJ**
Partner
Membership No.023840

Madurai,
April 30, 2010.

## BALANCE SHEET
**as at 31st March, 2010**

(Rs. in Lakhs)

| | Schedule Number | 31.3.2010 | | 31.3.2009 | |
|---|---|---|---|---|---|
| **Sources of Funds :** | | | | | |
| **Shareholders' Funds :** | | | | | |
| Share Capital | 1 | 402.28 | | 402.28 | |
| Reserves & Surplus | 2 | 7866.77 | | 7629.34 | |
| | | | 8269.05 | | 8031.62 |
| **Loan Funds :** | | | | | |
| Secured Loans | 3 | 250.00 | | 550.00 | |
| Unsecured Loans | 4 | 101.71 | | 100.36 | |
| | | | 351.71 | | 650.36 |
| Deferred Tax Liability | | | 617.53 | | 744.37 |
| **Total** | | | 9238.29 | | 9426.35 |
| **Application of Funds :** | | | | | |
| Fixed Assets : | 5 | | | | |
| Gross Block | | 12914.39 | | 12738.16 | |
| Less: Depreciation | | 8157.67 | | 7404.43 | |
| | | | 4756.72 | | 5333.73 |
| Investments | 6 | | 36.25 | | 65.73 |
| **Current Assets :** | | | | | |
| Inventories | 7 | 2018.16 | | 1818.44 | |
| Debtors | 8 | 1162.24 | | 1141.69 | |
| Cash & Bank Balances | 9 | 1456.16 | | 880.90 | |
| Loans & Advances | 10 | 343.91 | | 449.41 | |
| | | 4980.47 | | 4290.44 | |
| Less: Current Liabilities & Provisions | 11 | 535.15 | | 288.74 | |
| | | | 4445.32 | | 4001.70 |
| Deferred Revenue Expenditure | | | - | | 25.19 |
| Total | | | 9238.29 | | 9426.35 |
| Notes on Accounts | 19 | | | | |

Schedules 1 to 19 annexed form part of the statements of accounts.

To be read with our Report annexed
**For PERI THIAGRAJ & Co.,**
Chartered Accountants
**T. KALAIRAJ**
Partner
Membership No.023840

Kappalur,
Madurai.
April 30, 2010.

**T. KANNAN**
Chairman

**A. MARIAPPAN**
Director

**S.PARAMASHIVAN**
Company Secretary

## PROFIT & LOSS ACCOUNT

**for the year ended 31st March, 2010**

(Rs. in Lakhs)

| | Schedule Number | | 31.3.2010 | | 31.3.2009 |
|---|---|---|---|---|---|
| **Income :** | | | | | |
| Sales | 12 | | 7889.17 | | 9214.28 |
| Other Income | 13 | | 105.97 | | 122.57 |
| | Total | | 7995.14 | | 9336.85 |
| **Expenditure :** | | | | | |
| Materials | 14 | | 5177.74 | | 5803.24 |
| Power | | | 589.44 | | 698.48 |
| Employees | 15 | | 418.26 | | 417.67 |
| Interest | 16 | | 11.21 | | 26.56 |
| Others | 17 | | 313.74 | | 826.27 |
| Depreciation | | | 765.74 | | 830.32 |
| | | | 7276.13 | | 8602.54 |
| Decrease/(Increase) in Stock | 18 | | 264.80 | | 481.96 |
| | Total | | 7540.93 | | 9084.50 |
| **Profit for the Year before Taxation** | | | 454.21 | | 252.35 |
| Less : Income Tax in respect of earlier years paid | | 3.11 | | - | |
| Less : Provision for Taxation for the year: | | | | | |
| Income Tax & Wealth Tax | | 190.00 | | 117.50 | |
| Fringe Benefit Tax | | - | | 2.50 | |
| Deferred Tax Liability | | (126.84) | | (116.89) | |
| Deferred Tax Asset withdrawn | | - | | 0.65 | |
| | | | 66.27 | | 3.76 |
| Add : Excess Provision of tax of earlier years | | - | | 5.70 | |
| MAT credit entitlement | | - | | 62.26 | |
| | | | - | | 67.96 |
| | | | 387.94 | | 316.55 |
| Add : Balance of profit brought forward from previous year | | | 56.00 | | 60.02 |
| | | | 443.94 | | 376.57 |
| Less : Appropriations | | | | | |
| General Reserve | | 180.00 | | 226.44 | |
| Dividend: | | | | | |
| Proposed Final Dividend @ Rs.3.20 per share (32%) | | 128.73 | | 80.46 | |
| Tax on Proposed Dividend | | 21.38 | | 13.67 | |
| | | | 330.11 | | 320.57 |
| **Balance Carried to Balance Sheet** | | | 113.83 | | 56.00 |
| Earnings per Share of Rs.10/-each | | | 9.64 | | 7.87 |
| Notes on Accounts | 19 | | | | |

Schedules 1 to 19 annexed form part of the statements of accounts.

To be read with our Report annexed
**For PERI THIAGRAJ & Co.,**
Chartered Accountants
**T.KALAIRAJ**
Partner
Membership No.023840

Kappalur,
Madurai.
April 30, 2010.

**T. KANNAN**
Chairman

**A. MARIAPPAN**
Director

**S.PARAMASHIVAN**
Company Secretary

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

(Pursuant to Clause 32 of the Listing Agreement)

| | | (Rs. in Lakhs) |
|---|---|---|
| **A. CASH FLOW FROM OPERATING ACTIVITIES :** | | |
| Net profit before taxation and extraordinary items | | 454 |
| Adjustments for | | |
| Depreciation | 766 | |
| Interest Income | (47) | |
| Dividend Income | (1) | |
| Profit on sale of assets & investments | (48) | |
| Interest expenses | 11 | |
| | | 681 |
| | | 1135 |
| Operating Profit before working capital changes | | |
| Adjustement for | | |
| Trade Receivables | (16) | |
| Loans and Advances | 23 | |
| Inventory | (200) | |
| Trade Payables | 172 | |
| Deferred Expenditure | 25 | |
| | | 4 |
| Cash generated from operations | | 1139 |
| Income Taxes paid | | (91) |
| | | 1048 |
| **B. CASH FLOW FROM INVESTING ACTIVITIES :** | | |
| Purchase of Fixed Assets | (190) | |
| Proceeds from sale of Assets & Investments | 78 | |
| Interest received | 47 | |
| Dividend received | 1 | |
| | | (64) |
| **C. CASH FLOW FROM FINANCING ACTIVITIES :** | | |
| Decrease in Long Term borrowings | (300) | |
| Interest paid | (11) | |
| Increase in Short Term borrowings | 1 | |
| Dividends paid including tax thereon | (94) | |
| | | (404) |
| Net Increase in Cash and Cash Equivalents (A+B+C) | | 580 |
| Cash & Cash equivalent at beginning of the period | 881 | |
| Cash & Cash equivalent at the end of the period | 1461 | |
| | | 580 |

To be read with our Report annexed
**For PERI THIAGRAJ & Co.,**
Chartered Accountants
**T. KALAIRAJ**
Partner
Membership No.023840

Kappalur,
Madurai.
April 30, 2010.

**T. KANNAN** Chairman

**A.MARIAPPAN** Director

**S. PARAMASHIVAN** Company Secretary

To

The Board of Directors,
**VTM Limited**

We have examined the above cash flow statement of VTM Limited for the year ended 31st March, 2010. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of listing agreement with Stock Exchange and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report of 30th April, 2010 to the members of the Company.

**For PERI THIAGRAJ & Co.,**
Chartered Accountants
**T. KALAIRAJ**
Partner
Membership No.023840

Madurai,
April 30, 2010.

## SCHEDULES TO BALANCE SHEET

(Rs. in Lakhs)

| | 31.3.2010 | 31.3.2009 |
|---|---|---|
| **1. SHARE CAPITAL** | | |
| Authorised : | | |
| 100,00,000 Equity Shares of Rs.10/- each | 1000.00 | 1000.00 |
| | 1000.00 | 1000.00 |
| **Issued, Subscribed and Paid up** | | |
| 40,22,760 Equity Shares of Rs.10/- each fully paid up | 402.28 | 402.28 |
| | 402.28 | 402.28 |

**Of the Above**

36,87,530 Equity shares of Rs.10/- each have been allotted as fully paid up Bonus shares by Capitalisation of Reserves.

| | | 31.3.2010 | | 31.3.2009 |
|---|---|---|---|---|
| | | | (Rs. in Lakhs) | |
| **2. RESERVES & SURPLUS** | | | | |
| **Capital Reserve :** | | | | |
| As per last Balance Sheet | | 0.62 | | 0.62 |
| **Revaluation Reserve :** | | | | |
| On revaluation of land and buildings | | | | |
| As per last Balance Sheet | 52.72 | | 53.15 | |
| Less: Transfer to Profit & Loss account | 0.40 | | 0.43 | |
| | | 52.32 | | 52.72 |
| **General Reserve :** | | | | |
| As per last Balance Sheet | 7520.00 | | 7293.56 | |
| Add : Transfer from Profit and Loss Account | 180.00 | | 226.44 | |
| | | 7700.00 | | 7520.00 |
| **Surplus :** Balance in Profit and Loss Account | | 113.83 | | 56.00 |
| | | 7866.77 | | 7629.34 |
| **3. SECURED LOANS** | | | | |
| Term Loan from Bank under TUF Scheme | | | | |
| IDBI - II | | 250.00 | | 500.00 |
| IDBI - III | | - | | 50.00 |
| | | 250.00 | | 550.00 |
| **4. UNSECURED LOANS** | | | | |
| Deposits for leased land | | 100.70 | | 100.00 |
| Trade Deposits | | 1.01 | | 0.36 |
| | | 101.71 | | 100.36 |

(Rs. in Lakhs)

## 5. FIXED ASSETS

| ASSETS | COST | | | | DEPRECIATION | | | | NET VALUE | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 31.3.2009 | Additions | Deductions / Adjustments | As at 31.3.2010 | As at 31.3.2009 | On Sales/ Adjustment | For the Year | Total 31.3.2010 | As at 31.3.2010 | As at 31.3.2009 |
| Land | 48.38 | -- | -- | 48.38 * | -- | -- | -- | -- | 48.38 | 48.38 |
| Buildings | 917.16 | 71.70 | -- | 988.86 | 387.95 | -- | 50.59 ** | 438.54 | 550.32 | 529.21 |
| Plant & Machinery Electrical Installation | 9350.52 | 89.52 | 10.18 | 9429.86 | 6227.57 | 9.67 | 570.75 | 6788.65 | 2641.21 | 3122.95 |
| Warping & Sizing Plant | 922.04 | -- | -- | 922.04 | 376.57 | -- | 68.02 | 444.59 | 477.45 | 545.47 |
| Furniture & Fitting | 81.40 | 1.38 | 0.33 | 82.45 | 71.83 | 0.32 | 3.10 | 74.61 | 7.84 | 9.57 |
| Vehicles | 63.76 | 27.50 | 3.36 | 87.90 | 47.96 | 2.91 | 11.52 | 56.57 | 31.33 | 15.80 |
| PROCESSING UNIT: | | | | | | | | | | |
| Lease Hold Land | 124.43 | -- | -- | 124.43 | -- | -- | -- | -- | 124.43 | 124.43 |
| Others | 18.13 | -- | -- | 18.13 | -- | -- | -- | -- | 18.13 | 18.13 |
| WINDMILLS: | | | | | | | | | | |
| Land | 34.99 | -- | -- | 34.99 | -- | -- | -- | -- | 34.99 | 34.99 |
| Plant & Machinery Electrical Installation | 1177.35 | -- | -- | 1177.35 | 292.55 | -- | 62.16 | 354.71 | 822.64 | 884.80 |
| Total | 12738.16 | 190.10 | 13.87 | 12914.39 | 7404.43 | 12.90 | 766.14 | 8157.67 | 4756.72 | 5333.73 |
| Less : Transfer to Revaluation Reserve | | | | | | | 0.40 | | | |
| | | | | | | | 765.74 | | | |

* Includes 37 cents of lands given on lease.

** Includes Depreciation of Rs.0.40 lakh on Written up value due to revaluation.

## 6. INVESTMENTS-(Long Term)

(Rs. in Lakhs)

| Particulars | Number of Shares | Face Value | 31.3.2010 Cost | 31.3.2009 Cost |
|---|---|---|---|---|
| **I. SHARES OF JOINT STOCK COMPANIES :** | | | | |
| Fully paid up Equity Shares (face value Rs.10/- each unless otherwise stated) | | | | |
| **(A) Trade Investments (Unquoted) :** | | | | |
| Thiagarajar Mills (P) Limited | 70140 | 7.01 | 4.22 | 4.22 |
| Colour Yarns Limited | 270000 | 27.00 | 27.00 | 27.00 |
| SIMA Textile Processing Centre Limited | 20000 | 2.00 | 2.00 | 2.00 |
| **(B) Non-Trade Investments** | | | | |
| **Quoted** | | | | |
| Telesys Software Limited | 19000 | 1.90 | 2.85 | 2.85 |
| Integrated Hitech Limited | 1800 | 0.18 | 0.18 | 0.18 |
| State Bank of Bikaner and Jaipur (Face value Rs.100/-) | 640 | 0.64 | - | 11.85 |
| Bharathi Shipyard Limited | 1478 | 0.15 | - | 0.98 |
| Power Finance Corporation Limited | 4884 | 0.49 | - | 4.15 |
| Redington (India) Limited | 4303 | 0.43 | - | 4.86 |
| Power Grid Corporation Limited | 14685 | 1.47 | - | 7.64 |
| | | 41.27 | 36.25 | 65.73 |

NOTE :

| | 31.3.2010 | 31.3.2009 |
|---|---|---|
| 1. Aggregate cost of quoted investments | 3.03 | 32.51 |
| 2. Aggregate cost of unquoted investments | 33.22 | 33.22 |
| | 36.25 | 65.73 |
| Market Value of Quoted Investments | 0.69 | 28.54 |

(Rs. in Lakhs)

| | | 31.3.2010 | | 31.3.2009 |
|---|---|---|---|---|
| **7. INVENTORIES** | | | | |
| Stores & Spare parts | | 118.45 | | 65.54 |
| Yarn | 955.49 | | 419.43 | |
| Yarn in Process | 263.49 | 1218.98 | 387.94 | 807.37 |
| Cloth in Process | 27.51 | | 22.19 | |
| Cloth | 649.83 | | 916.64 | |
| Waste | 3.39 | 680.73 | 6.70 | 945.53 |
| | | 2018.16 | | 1818.44 |
| **8. DEBTORS (Unsecured - Considered good)** | | | | |
| Outstanding for a period exceeding 6 months | | 107.27 | | 15.34 |
| Others | | 1018.56 | | 1109.26 |
| | | 1125.83 | | 1124.60 |
| DEPB & Drawback Receivables | | 36.41 | | 17.09 |
| | | 1162.24 | | 1141.69 |
| **9. CASH AND BANK BALANCES** | | | | |
| Cash on hand | | 1.68 | | 2.44 |
| Balance with Scheduled Banks: | | | | |
| In Current accounts | | 221.14 | | 717.77 |
| In Fixed Deposit account | | 1200.00 | | 125.00 |
| In Unpaid Dividend Current accounts | | 33.34 | | 35.69 |
| | | 1456.16 | | 880.90 |

| | 31.3.2010 | 31.3.2009 |
|---|---|---|
| | (Rs. in Lakhs) | |
| **10. LOANS AND ADVANCES** | | |
| Advances recoverable in cash or in kind or for value to be received (Unsecured) | | |
| Considered Good | 188.54 | 210.32 |
| Considered Doubtful | 4.45 | 4.45 |
| | 192.99 | 214.77 |
| Less: Provision for Doubtful Debts | 4.45 | 4.45 |
| | 188.54 | 210.32 |
| Deposit with Electricity Board, Post & Telegraph Department etc. | 93.11 | 93.39 |
| Advance Tax (net) | - | 83.44 |
| MAT Credit entitlement | 62.26 | 62.26 |
| | 343.91 | 449.41 |
| **11. CURRENT LIABILITIES & PROVISIONS** | | |
| **Current Liabilities :** | | |
| Sundry Creditors | 334.32 | 158.92 |
| Investor Education & Protection Fund shall be credited by Unclaimed Dividends - see note 1(h)(c) of Notes on accounts | 33.34 | 35.69 |
| | 367.66 | 194.61 |
| **Provisions :** | | |
| Provision for Taxation (Net) | 17.38 | - |
| Proposed Dividend | 128.73 | 80.46 |
| Tax on Proposed Dividend | 21.38 | 13.67 |
| | 535.15 | 288.74 |

## SCHEDULES TO PROFIT AND LOSS ACCOUNT

(Rs. in Lakhs)

| | 31.3.2010 | 31.3.2009 |
|---|---|---|
| **12. SALES** | | |
| Cloth | 7543.94 | 8932.08 |
| Waste | 27.39 | 19.73 |
| DEPB & Duty Drawback | 106.61 | 262.47 |
| Conversion Charges - receipt (TDS: Rs.4.58 Lakhs) | 211.23 | – |
| | 7889.17 | 9214.28 |
| **13. OTHER INCOME** | | |
| Rent Received | 2.14 | 1.17 |
| Interest Receipts (TDS: Rs.5.55 Lakhs) | 47.52 | 32.09 |
| Miscellaneous Income | 7.91 | 10.68 |
| Dividend Income : | | |
| From Companies | 1.16 | 8.20 |
| Profit on Sale of Fixed Assets | 2.27 | 70.43 |
| Profit on Sale of Investments | 44.97 | – |
| | 105.97 | 122.57 |
| **14. MATERIALS** | | |
| Opening Stock | 807.37 | 1386.41 |
| Add: Purchases | | |
| Yarn | 5239.96 | 4652.84 |
| Cloth Bought | 2.77 | 0.35 |
| | 6050.10 | 6039.60 |
| Less : Sales | 240.46 | 123.46 |
| | 5809.64 | 5916.14 |
| Less : Closing stock | 1218.98 | 807.37 |
| | 4590.66 | 5108.77 |
| Conversion charges - Fabric | – | 3.61 |
| Bleaching & Processing charges | 132.28 | 198.17 |
| Stores and Spare parts | 454.80 | 492.69 |
| | 5177.74 | 5803.24 |
| **15. EMPLOYEES** | | |
| Salaries, Wages & Bonus | 316.59 | 322.35 |
| Contribution to Gratuity Fund | 6.30 | 2.91 |
| Contribution to Provident Fund & Other Funds | 28.73 | 27.86 |
| Labour Welfare | 66.64 | 64.55 |
| | 418.26 | 417.67 |

| | | | | | (Rs. in Lakhs) |
|---|---|---|---|---|---|
| | | 31.3.2010 | | 31.3.2009 |
| **16. INTEREST** | | | | |
| On Term Loans | | 10.82 | | 16.58 |
| On Other Accounts | | 0.39 | | 9.98 |
| | | 11.21 | | 26.56 |
| **17. OTHER EXPENSES** | | | | |
| Rent | | 5.70 | | 5.42 |
| Taxes and Licence fees | | 4.09 | | 3.75 |
| Insurance | | 13.59 | | 15.45 |
| Postage, Telephones and Telegrams | | 6.92 | | 6.95 |
| Advertisement and Subscription | | 2.05 | | 2.23 |
| Travelling & Conveyance | | 13.32 | | 11.80 |
| Cloth sales expenses | | 48.96 | | 130.99 |
| Cloth export expenses: | | | | |
| Steamer Freight | 27.01 | | 97.59 | |
| Other Expenses | (88.49) | | 195.30 | |
| | | (61.48) | | 292.89 |
| Selling Agency Commission | | 8.97 | | 57.10 |
| Brokerage | | 78.45 | | 75.24 |
| Auditors' Remuneration: | | | | |
| For audit of Company accounts | 0.16 | | 0.16 | |
| For audit of P.F. Accounts | 0.02 | | 0.02 | |
| For certification | 0.11 | | 0.11 | |
| For expenses | 0.02 | | 0.11 | |
| | | 0.31 | | 0.40 |
| Directors' Sitting fees and Travelling expenses | | 0.32 | | 0.37 |
| Repairs and maintenance: | | | | |
| Building | 14.82 | | 17.75 | |
| Machinery | 114.74 | | 146.74 | |
| | | 129.56 | | 164.49 |
| Administrative expenses | | 49.33 | | 51.53 |
| Commission to Directors Under Sec.309 | | 13.64 | | 7.66 |
| Loss on sale of Fixed Assets | | 0.01 | | – |
| | | 313.74 | | 826.27 |
| **18. DECREASE / (INCREASE) IN STOCKS** | | | | |
| Opening stock of cloth & waste | | 945.53 | | 1427.49 |
| Closing stock of cloth & waste | | 680.73 | | 945.53 |
| | | 264.80 | | 481.96 |

## 19. NOTES TO THE ACCOUNTS

### 1. Statement of Significant Accounting Policies:-

**A) Basis of preparation of Financial Statements:**

The financial statements have been prepared on the basis of going concern, under the historic cost convention, to comply in all the material aspects with applicable accounting principles in India, the accounting standards notified under section 211 (3C) of the Companies Act, 1956 and the relevant provision of the said act.

**B) FIXED ASSETS :**

Land is stated at cost or revaluation. Building is stated at cost or revaluation less depreciation. Depreciation has been provided in the accounts on the following basis, at the rates prescribed in Schedule XIV to the Companies Act,1956.

**(a) Plant and Machinery other than Windmill :**

| | | |
|---|---|---|
| i) On additions till 31st December, 1977 | : | Under the written down value method. |
| ii) On additions from 1st January, 1978 | : | Under straight line method at the rates specified in Clause (II) (i) (a). |
| **(b) On all other Assets** | : | Under the written down value method. |
| **(c) Windmill** | : | Under straight line method at the rates specified in Clause (II) (i) (b). |

**(d)** In respect of additions during the year, full depreciation has been provided irrespective of the period of use. Similarly no depreciation to be provided on assets disposed off during the year.

**C) SALES :**

Sales comprise sale of goods net of excise duty of Rs. 'Nil' and includes export benefits.

**D) INVENTORIES :**

Inventories are valued at lower of cost and net realisable value. Cost is determined on weighted average basis. Cost of work-in-progress and the finished goods includes labour and manufacturing overheads, where applicable.

**E) INVESTMENTS :**

Investments are stated at cost.

No provision is made for diminution in value of Investments, as the Investments are considered as long term.

**F) RETIREMENT BENEFITS :**

Gratuity with respect to defined benefit schemes are accrued based on actuarial valuations, carried out by an independent actuary as at the balance sheet date and paid to Gratuity Fund.

Provident Fund, Employees' State Insurance Scheme and defined contribution plans are charged to the Profit and Loss Account when incurred.

**G) TAXATION :**

Provision is made for income tax liability estimated to arise on the results for the year at the current rate of tax in accordance with the Income Tax Act, 1961.

Defferred tax resulting from timing differences between book and tax profits is accounted for under liability method, at the current rate of tax.

Deferred tax assets arising on account of brought forward losses and unabsorbed depreciation are recognised only when there is virtual certainty supported by convincing evidence that such assets will be realised. Deferred tax assets arising on other temporary timing differences are recognised only if there is a reasonable certainty of realisation.

**H) BORROWING COSTS :**

Borrowing costs that are attributable to the acquisition of qualifying assets are capitalised upto the period such assets are ready for its intended use. All other borrowing costs are charged to the Profit and Loss Account.

**I) FOREIGN CURRENCIES:**

Transactions involving foreign exchange are dealt with as follows:-

(a) In respect of exports of cloth made on or before 31.3.2010, the amount due have been accounted at the rate at which the export bills were tendered to the Bank for Collection/Discounting.

(b) Foreign Currency Current Accounts with Bank are restated at the rate ruling at the year end and the exchange difference is dealt with in the Profit & Loss account (Balance as on 31.03.2010 - US$ 16700.78)

(c) In case of foreign exchange forward contracts, the difference between the forward rate and exchange rate at the date of transaction is recognised as income / expense over the life of the contract.

**J) CURRENT LIABILITIES :**

a) No amount is due to any small scale industrial undertaking.

b) Total outstanding dues to small scale industrial undertaking : Rs. Nil

c) Investor Education and Protection Fund shall be credited by the following amounts as and when they become due :

| | |
|---|---|
| Unclaimed Dividend | Rs. 33.34 Lakhs |

2. **SECURED LOANS:**

a) Term Loan from Bank is secured by hypothecation of specified machinery of the Company.

b) Cash Credit and other facilities are secured against hypothecation of stock of raw materials, goods in process, finished goods, stores, second charge on all fixed assets.

3. The Company operates in only one business segment viz. **"TEXTILES".**

| | 31-3-2010 | 31-3-2009 |
|---|---|---|
| | (Rs.in Lakhs) | |
| 4. Contingent Liability on Trade Bills discounted. | 19.92 | 22.38 |
| 5. Estimated amount of contracts remaining to be executed on capital account and not provided for. | – | – |
| 6. Counter Guarantee given to Bank for NLC Tamilnadu Power Ltd. | – | 33.86 |

7. Income Tax assessment from Assessment Year 2008-2009 are pending.

8. The Company has Disputed Tax liability as at March 31, 2010 as detailed below:

| Sl. No. | Name of the Statute | Nature of Dues | Amount Rs. | Assessment Year | Forum where dispute is pending |
|---|---|---|---|---|---|
| 1. | Income Tax Act | Dispute u/s. 80I(A) & 40 (a) | 116.23 Lakhs | 2007-08 | CIT (A) |

9. Computation of Commission to Directors under Section 309 of the Companies Act, 1956:
(Profit computed in terms of Sec.349 of the Companies Act)

| | | (Rs. in Lakhs) 31-3-2010 |
|---|---|---|
| Profit before Taxation | | 454.21 |
| Add: Commission under Section 309 | 13.64 | |
| Directors Sitting Fees | 0.28 | |
| | | 13.92 |
| | | 468.13 |
| Less: Profit on sale of assets of capital nature | | – |
| Net Profit in terms of Section 349 of the Companies Act,1956 | | 468.13 |
| Commission @ 3% | | 13.64 |

10. Related Party disclosures as required by Accounting Standard No.18 are given below:

I Where Control Exists:

Subsidiary Company : Nil

II Other related parties with whom transactions have been entered into during the year:

(A) Key Management Personnel:

Thiru T. Kannan

(B) Relatives of Key Management Personnel:

1. Dr. (Tmt.) Radha Thiagarajan
2. Tmt. Uma Kannan
3. Tmt. Lakshmi Murugesan

(C) Enterprises in which Key Management Personnel have significant influence:

1. Thiagarajar Mills (P) Ltd.
2. Colour Yarns Ltd.
3. Tamaraiselvi Finance Ltd.
4. Sree Devi Karumari Finance Pvt. Ltd.
5. Sree Thiagaraja Finance Pvt. Ltd.
6. Thirumagal Finance Pvt. Ltd.
7. Thiagarajar Leasing Pvt. Ltd.
8. Thiagarajar Rubbers Pvt. Ltd.
9. Karumuttu Farms Pvt. Ltd.
10. Kannappan Traders Pvt. Ltd.
11. Sivakami Textile Traders Pvt. Ltd.
12. Paramount Textile Mills Pvt. Ltd.
13. SIMA Textile Processing Centre Ltd.
14. Thiagarajar Knitters
15. Guruvayoorappan Investments
16. Avittam Investments
17. Thirumagal Investments
18. Karumuttu Investments

(D) The following transactions were carried out with the related parties in the ordinary course of business:

i) Details relating to parties referred in item I above.

-Nil-

ii) Details relating to parties referred in item II-A above.

| | (Rs. in Lakhs) |
|---|---|
| a. Remuneration | 12.24 |
| b. Sitting Fees | 0.04 |
| c. Interest on Deposits | – |
| d. Purchase of Materials | – |
| e. Sale of Materials | – |
| f. Availing of Services | – |

iii) Details relating to parties referred in item II-B above

-Nil-

iv) Details relating to parties referred in item II-C above

| | |
|---|---|
| a. Purchase of Materials | 2731.46 |
| b. Sale of Materials | - |
| c. Availing of Services | 17.94 |
| d. Lending of Services | 224.00 |

11. The portion of Deferred Tax assets and liabilities in pursuance of Account Standard 22 issued by the Institute of Chartered Accountants of India is as stated below:

(Rs. in Lakhs)

| | As on 1.4.2009 | During the year | As at 31.3.2010 |
|---|---|---|---|
| Deferred Tax Liabilities : | | | |
| Difference between book and Tax depreciation | 744.37 | (-) 126.84 | 617.53 |

12. A sum of Rs.226.17 Lakhs was paid as ex-gratia payment to workers who retired from the Company under the Voluntary Retirement Scheme for the financial years from 31.03.2005. The said expenditure is treated as Deferred Revenue expenditure to be written off over a period of 5 years. Accordingly a sum of Rs.200.98 Lakhs has been written off as in earlier years and in addition the balance of Rs.25.19 Lakhs has been written off during the year in pursuance of Accounting Standard 15.

13. Information required to be furnished by notification of Department of Company Affairs dated 30th October,1973.

(Figures in Lakhs)

| | | | 31.3.2010 | | 31.3.2009 | |
|---|---|---|---|---|---|---|
| | | | | Value Rs. | | Value Rs. |
| (i) | Sales : | | | | | |
| | Cloth | Mtrs. | 110.27 | 7543.94 | 128.00 | 8932.08 |
| | Yarn Waste | Kgs. | 1.03 | 27.39 | 0.79 | 19.73 |
| (ii) | Raw Materials consumed : | | | | | |
| | Yarn | Kgs. | 22.13 | 4590.66 | 29.72 | 5108.77 |
| (iii) | Opening stock of finished goods : | | | | | |
| | Cloth | Mtrs. | 12.46 | 916.64 | 16.14 | 1396.77 |
| | Yarn Waste | Kgs. | 0.36 | 6.70 | 0.23 | 4.79 |
| (iv) | Closing stock of finished goods : | | | | | |
| | Cloth | Mtrs. | 6.66 | 649.83 | 12.46 | 916.64 |
| | Yarn Waste | Kgs. | 0.18 | 3.39 | 0.36 | 6.70 |
| (v) | Purchases | | | | | |
| | Cloth | Mtrs. | 0.028 | 2.77 | 0.001 | 0.35 |
| (vi) | Licensed and Installed capacities : (Number of Looms) | | | | | |
| | Licensed Capacity | | Not applicable | | Not applicable | |
| | Installed Capacity | | 228 | | 228 | |
| (vii) | Actual Production : | | | | | |
| | Cloth (on own account) | Mtrs. | 104.47 | | 124.21 | |
| | Cloth (on others) | Mtrs. | 7.04 | | – | |
| | Production by outside establishment from cotton yarn supplied by the Co. | | | | | |
| | Cloth | Mtrs. | – | | 0.11 | |
| (viii) | CIF Value of Imports : | | | | | |
| | Spare Parts | | | 45.55 | | 72.87 |
| | Capital Goods | | | – | | – |
| | Raw Materials | | | – | | – |
| (ix) | Expenditure in foreign currency : | | | | | |
| | Commission (accrual basis) | | | 57.88 | | 57.10 |
| | Travelling Expenses | | | 0.89 | | 1.73 |
| | Other matters | | | 1.16 | | 17.88 |
| (x) | Value of raw materials consumed : | | | | | |
| | Imported | | | – | | – |
| | Indigenous | | | 4590.66(100%) | | 5108.77(100%) |
| (xi) | Value of stores and spares consumed : | | | | | |
| | Imported | | | 213.92(47.03%) | | 93.12(18.90%) |
| | Indigenous | | | 240.88(52.97%) | | 399.57(81.10%) |
| (xii) | Amount remitted during the year in foreign currency on account of Dividends | | | – | | – |
| (xiii) | Earnings in foreign exchange : | | | | | |
| | On account of export of goods: | | | | | |
| | Direct Export (FOB value) | | | 1831.73 | | 4426.24 |
| | Merchant Exports | | | – | | – |

14. Previous year's figures have been regrouped wherever necessary.

Signatures to Schedules and Notes

To be read with our Report annexed
**For PERI THIAGRAJ & Co.,**
Chartered Accountants
**T. KALAIRAJ**
Partner
Membership No.023840

Kappalur,
Madurai.
April 30, 2010.

**T. KANNAN**
Chairman

**A.MARIAPPAN**
Director

**S. PARAMASHIVAN**
Company Secretary

## BALANCE SHEET ABSTRACT AND GENERAL BUSINESS PROFILE

### 1. Registration Details

| | |
|---|---|
| Registration No.03270 of 1946 | State Code 18 |
| Balance Sheet Date | 31.03.2010 |
| | (Rs. in Thousands) |
| **2. Capital Raised during the period** | |
| Public Issue | Nil |
| Rights Issue | Nil |
| Bonus Issue | Nil |
| Private Placement | Nil |
| **3. Position of Mobilisation and Deployment of Funds** | |
| Total Liabilities | 923829 |
| Total Assets | 923829 |
| **Sources of Funds:** | |
| Paid up Capital | 40228 |
| Reserves & Surplus | 786677 |
| Secured Loans | 25000 |
| Unsecured Loans | 10171 |
| Deferred Tax Liability | 61753 |
| **Application of Funds:** | |
| Net Fixed Assets | 475672 |
| Investments | 3625 |
| Deferred Tax Assets | - |
| Net Current Assets | 444532 |
| Miscellaneous Expenditure | - |
| **4. Performance of Company** | |
| Turnover | 788917 |
| Total Expenditure | 754093 |
| Profit Before Tax | 45421 |
| Profit After Tax | 38794 |
| Earning per share in Rs. | 9.64 |
| Dividend per share in Rs. | 3.20 |
| **5. Generic Names of Three Principal Products/Services of Company** | |
| Item Code No.(ITC Code) | 520811-50 |
| Product Description | CLOTH |

To be read with our Report annexed
**For PERI THIAGRAJ & Co.,**
Chartered Accountants
**T. KALAIRAJ**
Partner
Membership No.023840

Kappalur,
Madurai.
April 30, 2010.

**T. KANNAN**
Chairman

**A.MARIAPPAN**
Director

**S. PARAMASHIVAN**
Company Secretary