

**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**

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

**Registered Office**

*Sulakarai,  
Virudhunagar.*



## NOTICE OF ANNUAL GENERAL MEETING:

NOTICE is hereby given that the Sixty Fourth Annual General Meeting of the Members of the Company will be held at the Registered Office of the Company at Sulakarai, Virudhunagar on Wednesday, the 1<sup>st</sup> day of June, 2011 at 11.30 a.m. to transact the following business:

## AGENDA

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31<sup>st</sup> March, 2011 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 final dividend.
3. To appoint a Director in the place of Sri.A. Mariappan, who retires by rotation.
4. To appoint a Director in the place of Sri. K. Subramanian, who retires by rotation.
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 with or without modifications as an Ordinary Resolution:

RESOLVED that in modification of the resolution passed at the Annual General Meeting of the members of the Company held on 18<sup>th</sup> June 1992, consent be and is hereby accorded to the Board of Directors of the Company to pay donations upto an aggregate limit of Rs.1,00,00,000/- (Rupees One Crore only) in any financial year of the Company to charitable and other funds and purposes not directly relating to the business of the Company or the welfare of its employees.

Kappalur, Madurai.  
18<sup>th</sup> April 2011.

By Order of the Board,  
**T. KANNAN**  
Chairman

## 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 23-05-2011 to 01-06-2011.
3. Pursuant to Sec.205A and 205C of the Companies Act, 1956, the dividend for the financial year 2003-2004 which is remaining unclaimed for seven years will be transferred to the Investors Education and Protection Fund on or before 09.07.2011, being the due date for such transfer. The other dividends are lying in the Unpaid Dividend Account of the Company.

Explanatory Statement under Section 173(2) of the Companies Act, 1956:

## Item No.6

As per the provisions of Section 293 (1) (e) of the Companies Act, 1956, the Directors of a Public Company can contribute to Charitable or other funds not directly relating to the business of the Company or the Welfare of its employees upto Rs.50,000/- or 5% of the Company's average net profit as determined u/s.349 and 350 of the Companies Act, 1956 of the three financial years of the Company immediately preceding, whichever is greater. With the consent of the Company in General Meeting the Company may contribute in excess of the aforesaid limits, but within the ceiling fixed by the General Meeting. At the Annual General Meeting held on 18<sup>th</sup> June 1992 consent has been accorded to the Board of Directors to contribute to Charitable or other funds upto a limit of Rs.50.00 Lakhs.

The Board of Directors consider it expedient to increase the limit in view of the increasing profitability of the Company so that the Board can give donation to Charitable Institutions upto the limit prescribed under the Income Tax Act and also for scientific research which will be allowed as weighted deduction for Income Tax purposes but which will also fall within the provisions of Section 293 (1) (e) and also to discharge the Corporate social responsibility obligations. Accordingly, the resolution is placed before you for approval.

None of the Directors is interested in the Resolution.

Kappalur, Madurai.  
18<sup>th</sup> April 2011.

By Order of the Board,  
**T. KANNAN**  
Chairman

## DIRECTORS' REPORT

To the Members of VTM Limited

Your Directors present their 64<sup>th</sup> Annual Report along with the audited statements of accounts for the year ended 31<sup>st</sup> March, 2011.

## PROFITS, DIVIDENDS &amp; RETENTION :

(Rs. in Lakhs)

	2010 - 2011	2009 - 2010
<b>Turnover:</b>		
Exports	(14%) 1902	(25%) 1965
Domestic	(86%) 11274	(75%) 5924
Total	13176	7889
Profit before Depreciation (after interest)	2820	1220
Less : Depreciation	912	766
Profit after Depreciation	1908	454
Less : Provision for Taxation:		
Current year	390	190
Deferred Tax	228	(127)
Taxation for earlier years	103	3
	721	66
Profit after tax	1187	388
Add : Amount brought forward	114	56
Available for appropriation	1301	444
<b>Appropriation :</b>		
Transfer to General Reserve	810	180
Interim Dividend @ Rs.2.70 per Share	109	
Income Tax on Interim Dividend	18	
	127	
Proposed Final Dividend @ Rs.2.70 per Share	109	129
Income Tax on Final Dividend	17	34
	126	150
Retained profit carried forward to the following year	238	114

## DIVIDEND:

The Company paid an Interim Dividend of Rs.2.70 per Share of Equity Share Capital on 20.01.2011. Your Directors recommend a Final Dividend at Rs.2.70 per Share (i.e., 27%) on Equity Share Capital making a total of Rs.5.40 per Share (i.e., 54%) for the year.

## PERFORMANCE OF THE YEAR AND FUTURE PROSPECTS:

The Sales turnover for the current year has increased to Rs.131.76 Crores from Rs.78.89 Crores during the last year registering an increase of 67%. This is due to improved working efficiency and additional production because of implementation of expansion scheme by installation of 30 looms at a cost of Rs.7.83 Crores during the year.

The Gross Profit before depreciation for the current year 2010-11 has surged to Rs.28.20 Crores i.e., an increase of Rs.16.00 Crores compared to the last year Gross Profit of Rs.12.20 Crores. This constitutes an all time record.

During the year the textile industry faced challenges and opportunities. The cotton prices have reached an all time high resulting in pushing up yarn prices by over 32%. The power cost has also gone up due to revision in power tariff by 17.5% from 1.8.2010 onwards and the power supply deficit. The Indian Rupee has again appreciated by 4.2% compared to the last year affecting our competitiveness in the global market. The local market exhibited good demand growth and this is a reflection of the growing Indian economy. In spite of certain adverse factors, the Company has been able to increase its profitability because of higher productivity, product positioning and better offtake; which is to be considered as good.

In the Budget for 2011-12, the Government has levied Excise Duty on ready made garments and made-ups which was an unwelcome move to the fabric market. Your Directors feel the market will absorb this levy and the situation will improve before long.

In order to contain the ever increasing cost of power and as a green energy effort your Company during this year has added one Windmill of 2.1 MW at a cost of Rs.11.12 Crores. With this the Company has so far installed Windmills with a capacity of 4.55 MW.

Your Directors have a proposal to install additional looms to augment production capacity. The investment in Windmills is also being contemplated.

## FABRIC DYEING PLANT:

The implementation of the project on Fabric Dyeing Plant is getting delayed due to various unavoidable factors that lie outside our control.

## DIRECTORS' RESPONSIBILITY STATEMENT:

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

- in the preparation of Annual Accounts for the year ended 31<sup>st</sup> March 2011 the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 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 31<sup>st</sup> March, 2011 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.5,00,000/- per month or Rs.60,00,000/- 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 2011-2012.

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 18, 2011.

**T. KANNAN**  
Chairman

## ANNEXURE-I TO THE DIRECTORS' REPORT

### REPORT ON CORPORATE GOVERNANCE

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

Corporate Governance is the implementation of best management practices, compliance of law and voluntary adherence to ethical standards which are inevitable for achieving organisational efficiency, enhancing shareholders value and discharge of social responsibility. The Board endeavours to create a culture of transparency and trust, which helps to establish and sustain the credibility of the Company before its various stakeholders.

The Company promotes the values of customer orientation, teamwork, commitment, growth and trust. These values practiced by the Company embody the spirit of Corporate Governance and are continuously propagated among the stakeholders.

The Company seeks to comply with all applicable legal, regulatory and license requirements and strives to work constructively with regulatory bodies.

#### 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 and also meets as and when to transact any special business that may arise.

During the year under review Four Board Meetings were held on 30<sup>th</sup> April 2010, 21<sup>st</sup> July 2010, 18<sup>th</sup> October 2010 and 11<sup>th</sup> January 2011. 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 21.6.2010	No. of other Directorships in Companies other than VTM	No. of other memberships in Board Committees	Whether Chairman/Member
Thiru T. Kannan		4	✓	10	4	Member
Thiru M. Ananthakrishnan	ID	2		2	-	-
Thiru RM. Somasundaram	ID	4	✓	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 21<sup>st</sup> June, 2010.

**Details of Directors retiring by rotation:**

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 A. Mariappan, Director and Thiru K. Subramanian, Director retires by rotation at the ensuing Annual General Meeting.

**A brief resume of the two Directors:**

Name of the Director	Thiru A. Mariappan
Age	73 Years
Expertise in functional area	Equipped with long business experience
List of other Directorship held	Thiagarajar Mills (P) Ltd. Colour Yarns Ltd. Thiagarajar Telekom Solutions Ltd. Thiagarajar Leasing Pvt. Ltd. Thiagarajar Rubbers Pvt. Ltd. Karumuttu Farms Pvt. Ltd.
Chairman/Member of the Committees of the Board of the Companies on which he is a Director	NIL

Name of the Director	Thiru K. Subramanian
Age	67 Years
Expertise in functional area	Possess wide technical experience
List of other Directorship held	Anand Super Fabrics Pvt. Ltd.
Chairman/Member of the Committees of the Board of the Companies on which he is a Director	VTM Limited Member in Audit Committee

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 has got built in internal audit system which covers 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: 30.04.2010, 21.07.2010, 18.10.2010 & 11.01.2011

Name of the Director	No. of Audit Committee Meetings attended
Thiru RM. Somasundaram	4
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.10,000/-
Thiru M. Ananthakrishnan	Rs. 4,000/-
Thiru RM. Somasundaram	Rs.20,000/-
Thiru L.N.V. Subramanian	Rs.20,000/-
Thiru K. Subramanian	Rs.14,000/-
Thiru A. Mariappan	Rs.10,000/-

Besides the Sitting Fees, Thiru T. Kannan, Chairman and Thiru A. Mariappan, Director are to be paid Profit Commission of Rs.25.00 Lakhs and Rs.5.00 Lakhs, respectively in terms of Section 309 of the Companies Act, 1956 for the year ended 31<sup>st</sup> March, 2011.

#### 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*

\* Held in joint name.

#### 3. General Body Meetings:

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

AGM for the Financial Year ended	Date & Time of AGM
31 <sup>st</sup> March, 2010	21 <sup>st</sup> June 2010 at 12.05 P.M.
31 <sup>st</sup> March, 2009	12 <sup>th</sup> June 2009 at 12.00 Noon
31 <sup>st</sup> March, 2008	9 <sup>th</sup> June 2008 at 12.00 Noon

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 19(8) 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.

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:

##### CEO/CFO Certification:

The Company is a Board managed Company and there is no CEO/CFO. 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 constituted 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 seventeen 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 31<sup>st</sup> March 2004, 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 07.07.2011 will be transferred within the time prescribed.

## Distribution of shareholding as on 31.03.2011:

No. of Shares held	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholding
Upto - 500	1567	80.81	240172	4.96
501 - 1000	176	9.08	121938	2.54
1001 - 2000	103	5.31	143989	2.92
2001 - 3000	38	1.96	96282	2.49
3001 - 4000	11	0.57	40919	0.85
4001 - 5000	7	0.36	32250	0.75
5001 - 10000	15	0.77	102110	2.57
10001 - above	22	1.14	3245100	82.92
Total	1939	100%	4022760	100%

Shareholding pattern as on 31<sup>st</sup> March, 2011:

Shareholders	No. of Shares held	% of total shares held
Promoters	3017070	75.00
Financial Institutions	0	0
Corporate Bodies	81005	2.02
Public	920554	22.88
NRI's	4131	0.10
Total	4022760	100%

1. The Promoters have not pledged any of the shares held in the Company.
2. The Company has not issued any ESOP to its Employees/Directors.

## General Information for Shareholders:

1. Date, Time and Venue of the the Annual General Meeting.	: 1 <sup>st</sup> June, 2011 at 11.30 A.M. at the Registered Office at Sulakarai, Virudhunagar.
2. Dates of Book Closure/Record date for Financial Year 2010-2011.	: Record date was fixed as 20.1.2011 for payment of Interim Dividend of Rs.2.70 per share to the members. For Payment of Final Dividend, Register of Members will be closed from 23 <sup>rd</sup> May 2011 to 1 <sup>st</sup> June 2011
3. Dividend payment date.	: Within 30 days from the date of Annual General Meeting.
4. Results for Quarter ending June 30, 2011 (Provisional)	: 3 <sup>rd</sup> week of July, 2011
Results for Quarter ending September 30, 2011 (Provisional)	: 3 <sup>rd</sup> week of October, 2011
Results for Quarter ending December 31, 2011 (Provisional)	: 3 <sup>rd</sup> week of January, 2012.
Financial Calendar - 1 <sup>st</sup> April, 2011 to 31 <sup>st</sup> March 2012 (Audited)	: 4 <sup>th</sup> week of April, 2012.

## 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](http://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 90% 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 '10	84.40	72.00
May '10	91.95	66.55
June '10	98.00	70.10
July '10	154.00	88.55
August '10	132.00	113.70
September '10	158.45	117.20
October '10	191.00	131.50
November '10	188.00	142.50
December '10	166.00	143.00
January '11	215.70	150.00
February '11	168.00	139.00
March '11	160.00	137.60

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,  
 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 64<sup>th</sup> 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 31<sup>st</sup> March 2011, 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  
Firm Registration No.002636S

**T. KALAIRAJ**  
Partner  
Membership No.023840

Madurai,  
April 18, 2011.

## Management Discussion & Analysis:

### Financial Performance:

There has been substantial increase in Sales Turnover from Rs.78.89 Crores to Rs.131.76 Crores. The Gross Profit has gone up by 131%, 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 660.

### 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 :

	31.3.2011	31.3.2010
Electricity		
a) Purchased:		
Units	6464653	5771049
Total Amount	Rs. 3,32,54,305	Rs. 2,77,98,766
Rate per unit	Rs. 5.14	Rs. 4.82
b) Own Generation:		
Through Diesel Generator:		
Units	2684166	3231118
Units per litre of oil	3.49	3.41
Cost per unit	Rs. 9.74	Rs. 8.86
c) Through Windmill :		
Units	5210184	4664687
d) Through an Independent power producer:		
Units	1532118	371070
Rate per unit	Rs. 6.27	Rs. 7.50

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

Electricity per metre of production of cloth	Rs. 4.38	Rs. 5.29
--	----------	----------

- 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 has earned during the year under report foreign exchange equivalent to Rs.1,877 Lakhs (FOB value of exports) through direct exports.

The foreign exchange outgo during the period is Rs.882 Lakhs.

The Company is striving to expand the export market segment by broadening its geographical sweep.

Kappalur, Madurai.  
April 18, 2011.

For and on behalf of the Board of Directors,  
**T. KANNAN**  
Chairman

## To the Members of VTM LIMITED

We have audited the attached Balance Sheet of **VTM Limited**, as at March 31, 2011 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, Service-Tax, Customs Duty, Excise Duty, Cess and there were no amounts outstanding as at March 31, 2011 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, 2011 as stated in Note No.19(6).

- 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 explanations 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, 2011.
  - 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, 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2011 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.

Madurai,  
April 18, 2011.

**For PERI THIAGRAJ & Co.,**  
Chartered Accountants  
Firm Registration No.002636S  
**T. KALAIRAJ**  
Partner  
Membership No.023840

**BALANCE SHEET**  
 as at 31<sup>st</sup> March, 2011

		(Rs. in Lakhs)	
		31.3.2011	31.3.2010
<b>Sources of Funds :</b>	<b>Schedule Number</b>		
<b>Shareholders' Funds :</b>			
Share Capital	1	402.28	402.28
Reserves & Surplus	2	8800.15	7866.77
		9202.43	8269.05
<b>Loan Funds :</b>			
Secured Loans	3	520.37	250.00
Unsecured Loans	4	103.18	101.71
		623.55	351.71
Deferred Tax Liability		845.72	617.53
<b>Total</b>		<b>10671.70</b>	<b>9238.29</b>
<b>Application of Funds :</b>			
<b>Fixed Assets :</b>	5		
(a) Gross Block		15036.69	12914.39
(b) Less : Depreciation		9058.17	8157.67
(c) Net Block		5978.52	4756.72
(d) Capital Work-in-Progress		-	-
<b>Investments</b>	6	36.25	36.25
<b>Current Assets, Loans and Advances :</b>			
<b>(A) CURRENT ASSETS</b>			
Inventories	7	2205.70	2018.16
Debtors	8	2281.46	1162.24
Cash & Bank Balances	9	165.21	1456.16
<b>(B) LOANS AND ADVANCES</b>	10	554.56	343.91
<b>Total (A)</b>		<b>5206.93</b>	<b>4980.47</b>
<b>Current Liabilities &amp; Provisions :</b>	11		
(A) Current Liabilities		371.15	367.66
(B) Provisions		178.85	167.49
<b>Total (B)</b>		<b>550.00</b>	<b>535.15</b>
<b>Net Current Assets (A-B)</b>		<b>4656.93</b>	<b>4445.32</b>
<b>Total</b>		<b>10671.70</b>	<b>9238.29</b>

 Notes on Accounts  
 Schedules 1 to 19 annexed form part  
 of the statement of accounts

 Kappalur,  
 Madurai.  
 April 18, 2011.

**T. KANNAN**  
 Chairman

**A. MARIAPPAN**  
 Director

**S.PARAMASHIVAN**  
 Company Secretary

 To be read with our Report annexed  
 For **PERI THIAGRAJ & Co.,**  
 Chartered Accountants  
 Firm Registration No.002636S

**T. KALAIRAJ**  
 Partner  
 Membership No.023840

**PROFIT & LOSS ACCOUNT**  
 for the year ended 31<sup>st</sup> March, 2011

		(Rs. in Lakhs)	
		31.3.2011	31.3.2010
<b>Income :</b>	<b>Schedule Number</b>		
Sales	12	13176.34	7889.17
Other Income	13	81.56	105.97
<b>Total</b>		<b>13257.90</b>	<b>7995.14</b>
<b>Expenditure :</b>			
Materials	14	8286.30	5177.74
Power		692.40	589.44
Employees	15	543.89	418.26
Interest	16	10.59	11.21
Others	17	459.29	313.74
Depreciation		912.25	765.74
		10904.72	7276.13
Decrease/(Increase) in Stock	18	444.98	264.80
<b>Total</b>		<b>11349.70</b>	<b>7540.93</b>
<b>Profit for the Year before Taxation</b>		<b>1908.20</b>	<b>454.21</b>
<b>Less :</b>			
Provision for Taxation for the year:			
Current Tax		390.00	190.00
Deferred Tax		228.19	(126.84)
Tax in respect of earlier years		103.36	3.11
		721.55	66.27
<b>Add :</b>			
Balance of profit brought forward from previous year		1186.65	387.94
		1186.65	387.94
<b>Less :</b>			
Appropriations			
General Reserve		810.00	180.00
Dividend:			
Interim Dividend @ Rs.2.70 per share		108.62	-
Tax on Interim Dividend		18.04	-
		126.66	-
Proposed Final Dividend @ Rs.2.70 per share		108.62	128.73
Tax on Proposed Dividend		17.62	21.38
		126.24	150.11
<b>Balance Carried to Balance Sheet</b>		<b>237.58</b>	<b>113.83</b>
<b>Earnings per Share (Basic and Diluted)</b>		<b>29.50</b>	<b>9.64</b>
Notes on Accounts	19		
Schedules 1 to 19 annexed form part of the statements of accounts.			

 Kappalur,  
 Madurai.  
 April 18, 2011.

**T. KANNAN**  
 Chairman

**A. MARIAPPAN**  
 Director

**S.PARAMASHIVAN**  
 Company Secretary

 To be read with our Report annexed  
 For **PERI THIAGRAJ & Co.,**  
 Chartered Accountants  
 Firm Registration No.002636S

**T. KALAIRAJ**  
 Partner  
 Membership No.023840

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011**  
(Pursuant to Clause 32 of the Listing Agreement)

(Rs. in Lakhs)

**A. CASH FLOW FROM OPERATING ACTIVITIES :**

Net profit before taxation and extraordinary items	1908
Adjustments for	
Depreciation	912
Interest Income	(44)
Dividend Income	(20)
Profit on sale of assets & investments	(3)
Interest expenses	10
	<u>855</u>
	2763
Operating Profit before working capital changes	
Adjustments for	
Trade Receivables	(1119)
Loans and Advances	210
Inventory	(188)
Trade Payables	3
	<u>(1514)</u>
Cash generated from operations	1249
Income Taxes paid	<u>(458)</u>
	791

**B. CASH FLOW FROM INVESTING ACTIVITIES :**

Purchase of Fixed Assets	(2166)
Proceeds from sale of Assets & Investments	34
Interest received	44
Dividend received	20
	<u>(2068)</u>

**C. CASH FLOW FROM FINANCING ACTIVITIES :**

Increase in Long Term borrowings	271
Interest paid	(10)
Increase in Short Term borrowings	2
Loss on Exchange transactions	
Dividends paid including tax thereon	<u>(277)</u>
	(14)

Net Increase in Cash and Cash Equivalents (A+B+C) (1291)

Cash & Cash equivalent at beginning of the period	1456
Cash & Cash equivalent at the end of the period	<u>165</u> <span style="float:right">(1291)</span>

To be read with our Report annexed  
**For PERI THIAGRAJ & Co.,**  
Chartered Accountants  
Firm Registration No.002636S

**T. KALAIRAJ**

Partner

Membership No.023840

Kappalur,  
Madurai. **T. KANNAN** **A.MARIAPPAN** **S. PARAMASHIVAN**  
April 18, 2011. Chairman Director Company Secretary

To

The Board of Directors,  
**VTM Limited**

We have examined the above cash flow statement of VTM Limited for the year ended 31<sup>st</sup> March, 2011. 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 18<sup>th</sup> April, 2011 to the members of the Company.

**For PERI THIAGRAJ & Co.,**  
Chartered Accountants  
Firm Registration No.002636S

**T. KALAIRAJ**

Partner

Membership No.023840

Madurai,  
April 18, 2011.

## SCHEDULES TO BALANCE SHEET

		(Rs. in Lakhs)	
		31.3.2011	31.3.2010
<b>1. SHARE CAPITAL</b>			
Authorised :			
100,00,000	Equity Shares of Rs.10/- each	1000.00	1000.00
		<u>1000.00</u>	<u>1000.00</u>
Issued, Subscribed and Paid up			
40,22,760	Equity Shares of Rs.10/- each fully paid up	402.28	402.28
		<u>402.28</u>	<u>402.28</u>
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.		

		(Rs. in Lakhs)	
		31.3.2011	31.3.2010
<b>2. RESERVES &amp; SURPLUS</b>			
Capital Reserve :			
As per last Balance Sheet		0.62	0.62
Revaluation Reserve :			
On revaluation of land and buildings		52.32	52.72
As per last Balance Sheet		0.37	0.40
Less: Transfer to Profit & Loss account		<u>51.95</u>	<u>52.32</u>
General Reserve :			
As per last Balance Sheet		7700.00	7520.00
Add : Transfer from Profit and Loss Account		810.00	180.00
		<u>8510.00</u>	<u>7700.00</u>
Surplus : Balance in Profit and Loss Account			
		237.58	113.83
		<u>8800.15</u>	<u>7866.77</u>
<b>3. SECURED LOANS</b>			
Term Loan from Bank under TUF Scheme IDBI - II			
Working Capital Loans from a Bank		520.37	250.00
		<u>520.37</u>	<u>250.00</u>
<b>4. UNSECURED LOANS</b>			
Deposits for leased Land/Property		102.02	100.70
Trade Deposits		1.16	1.01
		<u>103.18</u>	<u>101.71</u>

## 5. FIXED ASSETS

(Rs. in Lakhs)

ASSETS	COST			DEPRECIATION				NET VALUE		
	As at 31.3.2010	Additions	Deductions / Adjustments	As at 31.3.2011	As at 31.3.2010	On Sales/ Adjustment	For the Year	Total 31.3.2011	As at 31.3.2011	As at 31.3.2010
Land	48.38	--	--	48.38	--	--	--	--	48.38	48.38
Buildings	988.86	165.61	--	1154.47	438.54	--	61.46	500.00	654.47	550.32
Plant & Machinery										
Electrical Installation	9429.86	882.22	0.89	10311.19	6788.65	0.87	658.17	7445.95	2865.24	2641.21
Warping & Sizing Plant	922.04	--	--	922.04	444.59	--	68.05	512.64	409.40	477.45
Furniture & Fitting	82.45	1.15	--	83.60	74.61	--	2.83	77.44	6.16	7.84
Vehicles	87.90	5.25	42.99	50.16	56.57	11.25	1.61	46.93	3.23	31.33
PROCESSING UNIT:										
Lease Hold Land	124.43	--	--	124.43	--	--	--	--	124.43	124.43
Capital Work in Progress	18.13	--	--	18.13	--	--	--	--	18.13	18.13
WINDMILLS:										
Land	34.99	7.02	--	42.01	--	--	--	--	42.01	34.99
Plant & Machinery										
Electrical Installation	1177.35	1104.93	--	2282.28	354.71	--	120.50	475.21	1807.07	822.64
Total	12914.39	2166.18	43.88	15036.69	8157.67	12.12	912.62	9058.17	5978.52	4756.72
Less : Transfer to Revaluation Reserve							0.37			
							912.25			

\* Includes 37 cents of land given on lease.

\*\* Includes Depreciation of Rs.0.37 Lakh on Written up value due to revaluation.

## 6. INVESTMENTS-(Long Term)

(Rs. in Lakhs)

			31.3.2011	31.3.2010
Particulars	Number of Shares	Face Value	Cost	Cost
<b>I. SHARES OF JOINT STOCK COMPANIES :</b>				
Fully paid up				
Equity Shares (face value Rs.10/- each unless otherwise stated)				
<b>(A) Trade Investments (Unquoted) :</b>				
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>(B) Non-Trade Investments</b>				
<b>Quoted</b>				
Telesys Software Limited	19000	1.90	2.85	2.85
Integrated Hitech Limited	1800	0.18	0.18	0.18
	<b>Total</b>		<u>38.09</u>	<u>36.25</u>
<b>NOTE :</b>				
1. Aggregate cost of quoted investments			3.03	3.03
2. Aggregate cost of unquoted investments			<u>33.22</u>	<u>33.22</u>
			<u>36.25</u>	<u>36.25</u>
Market Value of Quoted Investments			0.72	0.69



(Rs. in Lakhs)

31.3.2011

31.3.2010

## 7. INVENTORIES

Stores & Spare parts	88.42		118.45
Yarn	1490.65	955.49	
Yarn in Process	390.88	263.49	
	<u>1881.53</u>	<u>1218.98</u>	
Cloth in Process	32.99	27.51	
Cloth	201.36	649.83	
Waste	1.40	3.39	
	<u>235.75</u>	<u>680.73</u>	
	<u>2205.70</u>	<u>2018.16</u>	

## 8. DEBTORS (Unsecured - Considered good)

Outstanding for a period exceeding 6 months	134.66	107.27
Others	2117.46	1018.56
	<u>2252.12</u>	<u>1125.83</u>
DEPB & Drawback Receivables	29.34	36.41
	<u>2281.46</u>	<u>1162.24</u>

## 9. CASH AND BANK BALANCES

Cash on hand	3.09	1.68
Balance with Scheduled Banks:		
In Current accounts	122.71	221.14
In Fixed Deposit account	-	1200.00
In Unpaid Dividend Current accounts	39.41	33.34
	<u>165.21</u>	<u>1456.16</u>

(Rs. in Lakhs)

31.3.2011

31.3.2010

## 10. LOANS AND ADVANCES

Advances recoverable in cash or in kind  
or for value to be received (Unsecured)

Considered Good	413.78	188.54
Considered Doubtful	-	4.45
	<u>413.78</u>	<u>192.99</u>
Less: Provision for Doubtful Debts	-	4.45
	<u>413.78</u>	<u>188.54</u>
Deposit with Electricity Board, Post & Telegraph Department etc.	78.52	93.11
MAT Credit entitlement	62.26	62.26
	<u>554.56</u>	<u>343.91</u>

## 11. CURRENT LIABILITIES &amp; PROVISIONS

Current Liabilities :

Sundry Creditors:

a) Total outstanding dues of Micro Enterprises and Small Enterprises	-	-
b) Total outstanding dues of Creditors other than Micro Enterprises and Small Enterprises.	331.74	334.32
Investor Education & Protection Fund shall be credited by Unclaimed Dividends - see note 1(I)(c) of Notes on accounts	39.41	33.34
	<u>371.15</u>	<u>367.66</u>
Provisions :		
Provision for Taxation (Net)	52.61	17.38
Proposed Dividend	108.62	128.73
Tax on Proposed Dividend	17.62	21.38
	<u>550.00</u>	<u>535.15</u>

## SCHEDULES TO PROFIT AND LOSS ACCOUNT

	(Rs. in Lakhs)	
	31.3.2011	31.3.2010
<b>12. SALES</b>		
Cloth	13019.56	7543.94
Waste	19.83	27.39
DEPB & Duty Drawback	129.32	106.61
Conversion Charges - receipts (TDS: Rs.0.13 Lakh : LY Rs.4.58 Lakhs)	7.63	211.23
	<u>13176.34</u>	<u>7889.17</u>
<b>13. OTHER INCOME</b>		
Rent Received	2.16	2.14
Interest Receipts (TDS: Rs.3.21 Lakhs : LY Rs.5.55 Lakhs)	43.93	47.52
Miscellaneous Income	13.15	7.91
Dividend Income :		
From Companies	19.63	1.16
Profit on Sale of Fixed Assets	2.69	2.27
Profit on Sale of Investments	-	44.97
	<u>81.56</u>	<u>105.97</u>
<b>14. MATERIALS</b>		
Opening Stock	1218.98	807.37
Add: Purchases		
Yarn	8373.89	5239.96
Cloth Bought	-	2.77
	<u>9592.87</u>	<u>6050.10</u>
Less : Sales	92.71	240.46
	<u>9500.16</u>	<u>5809.64</u>
Less : Closing stock	1881.53	1218.98
	<u>7618.63</u>	<u>4590.66</u>
Conversion charges - Fabric	5.66	-
Bleaching & Processing charges	210.07	132.28
Stores and Spare parts	451.94	454.80
	<u>8286.30</u>	<u>5177.74</u>
<b>15. EMPLOYEES</b>		
Salaries, Wages & Bonus	331.68	316.59
Contribution to Gratuity Fund	60.99	6.30
Contribution to Provident Fund & Other Funds	30.22	28.73
Labour Welfare	121.00	66.64
	<u>543.89</u>	<u>418.26</u>

	(Rs. in Lakhs)	
	31.3.2011	31.3.2010
<b>16. INTEREST</b>		
On Term Loans	2.20	10.82
On Other Accounts	8.39	0.39
	<u>10.59</u>	<u>11.21</u>
<b>17. OTHER EXPENSES</b>		
Rent	9.54	5.70
Taxes and Licence fees	5.90	4.09
Insurance	11.24	13.59
Postage, Telephones and Telegrams	4.59	6.92
Advertisement and Subscription	8.21	2.05
Travelling & Conveyance	22.80	13.32
Cloth sales expenses	(35.55)	48.96
Cloth export expenses:		
Steamer Freight	25.54	27.01
Other Expenses	(73.29)	(88.49)
	<u>(47.75)</u>	<u>(61.48)</u>
Selling Agency Commission	9.22	8.97
Brokerage	185.20	78.45
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	0.01	0.02
	<u>0.30</u>	<u>0.31</u>
Directors' Sitting fees and Travelling expenses	0.86	0.32
Repairs and maintenance:		
Building	36.65	14.82
Machinery	96.31	114.74
	<u>132.96</u>	<u>129.56</u>
Administrative expenses	71.64	49.33
Commission to Directors Under Sec.309	30.00	13.64
Loss on Sale of Fixed Assets	0.13	0.01
Donation	50.00	-
	<u>459.29</u>	<u>313.74</u>
<b>18. DECREASE / (INCREASE) IN STOCKS</b>		
Opening stock of cloth & waste	680.73	945.53
Closing stock of cloth & waste	235.75	680.73
	<u>444.98</u>	<u>264.80</u>

## 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 31 <sup>st</sup> December, 1977 | : | Under the Written Down Value method.                                      |
| ii) On additions from 1 <sup>st</sup> 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) REVENUE RECOGNITION :

- Income and expenditure are accounted on a going concern basis
- Sales are recognized at the time of despatches of the goods to the customers and recorded net of sales return and includes export benefits.
- Interest income is recognized on a time proportion basis taking into account the amount of outstanding and rate applicable.
- Dividend income : The Company has derived income during the current year out of its investment and is recognised when the Company's right to receive dividend is established.
- Lease rentals in respect of assets given on "operating lease" are taken to Profit & Loss Account under the head of Miscellaneous income on the basis of the terms and conditions specified in the lease agreement.

## 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. Provision for diminution in the carrying cost of investments is made if such diminution is other than temporary in nature.

## 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.

Deferred 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:-

- In respect of exports of cloth made on or before 31.3.2011, the amount due have been accounted at the rate at which the export bills were tendered to the Bank for Collection/Discounting.
- 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 31.03.2011 - US\$ 16700.78)
- 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 :

- Total outstanding dues of Micro Enterprises and Small Enterprises: Rs. Nil
- Total outstanding dues of Creditors others than Micro Enterprises and Small Enterprises: Rs.331.74 Lakhs
- Investor Education and Protection Fund shall be credited by the following amounts as and when they become due :

Unclaimed Dividend

Rs. 39.41 Lakhs

K) The Company operates in only one business segment viz. "TEXTILES".

L) Earning per share :

	(Rs.in Lakhs)	
	2010-11	2009-10
Profit as per Profit & Loss Account	1186.65	387.94
Equity Share of Rs.10/- each outstanding during the year	40.22	40.22
Earning per share (basic & diluted)	Rs. 29.50	Rs. 9.64

## 2. SECURED LOANS:

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.

	(Rs.in Lakhs)	
	31-3-2011	31-3-2010
3. Contingent Liability on Trade Bills discounted.	112.83	19.92
4. Estimated amount of contracts remaining to be executed on capital account and not provided for.	5.99	
5. Income Tax assessment from Assessment Year 2009-2010 are pending.		
6. The Company has Disputed Tax liability as at March 31, 2011 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. 80HHC	34.09 Lakhs	2003-04	CIT (A)
2.	Income Tax Act	Dispute u/s. 80HHC	42.51 Lakhs	2002-03	CIT (A)

7. 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)	
	31-3-2011	
Profit before Taxation	1908.20	
Add: Commission under Section 309	30.00	
Directors Sitting Fees	0.78	
		30.78
		1938.98
Less: Profit on sale of assets of capital nature		
Net Profit in terms of Section 349 of the Companies Act, 1956		1938.98
Commission @ 3%		58.17
Restricted to		30.00

8. 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 (Chairman) :

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 Pvt. Ltd.
4. Thiagarajar Telekom Solutions Ltd.
5. Sree Devi Karumari Finance Pvt. Ltd.
6. Sree Thiagaraja Finance Pvt. Ltd.
7. Thirumagal Finance Pvt. Ltd.
8. Thiagarajar Leasing Pvt. Ltd.
9. Thiagarajar Rubbers Pvt. Ltd.
10. Karumuttu Farms Pvt. Ltd.
11. Kannappan Traders Pvt. Ltd.
12. Sivakami Textile Traders Pvt. Ltd.
13. SIMA Textile Processing Centre Ltd.
14. T. Kannan (HUF)
15. Thiagarajar Knitters
16. Guruvayoorappan Investments
17. Avittam Investments
18. Thirumagal Investments
19. 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	25.00
b. Sitting Fees	0.10
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	4636.53
b. Sale of Materials	2.83
c. Availing of Services	20.04
d. Lending of Services	6.51

9. The Deferred Tax liabilities in pursuance of Accounting Standard 22 issued by the Institute of Chartered Accountants of India is as stated below:

	(Rs. in Lakhs)		
	As on 31.03.2010	During the year	As at 31.3.2011
Deferred Tax Liabilities :			
Difference between book and Tax depreciation	617.53	228.19	845.72

10. Information required to be furnished by notification of Department of Company Affairs dated 30<sup>th</sup> October, 1973.

		(Figures in Lakhs)			
		31.3.2011	31.3.2010		
		Value	Value		
		Rs.	Rs.		
(i) Sales :					
Cloth	Mtrs.	163.24	13019.56	110.27	7543.94
Yarn Waste	Kgs.	0.70	19.83	1.03	27.39
(ii) Raw Materials consumed :					
Yarn	Kgs.	27.90	7618.63	22.13	4590.66
(iii) Opening stock of finished goods :					
Cloth	Mtrs.	6.66	649.83	12.461	916.64
Yarn Waste	Kgs.	0.18	3.39	0.360	6.70
(iv) Closing stock of finished goods :					
Cloth	Mtrs.	1.74	201.36	6.66	649.83
Yarn Waste	Kgs.	0.04	1.40	0.18	3.39
(v) Purchases					
Cloth	Mtrs.	-	-	0.028	2.77
(vi) Licensed and Installed capacities :					
(Number of Looms)					
Licensed Capacity		Not applicable		Not applicable	
Installed Capacity		258 Nos.		228 Nos.	
(vii) Actual Production :					
Cloth (on own account)	Mtrs.	158.24		104.47	
Cloth (on others)	Mtrs.	-		7.04	
Production by outside establishment from cotton yarn supplied by the Co.					
Cloth	Mtrs.	0.08		-	
(viii) CIF Value of Imports :					
Spare Parts			61.75		45.55
Capital Goods			774.32		-
Raw Materials			-		-
Packing Materials			15.70		-
(ix) Expenditure in foreign currency :					
Commission (accrual basis)			8.77		57.88
Travelling Expenses			3.42		0.89
Other matters			17.94		1.16
(x) Value of raw materials consumed :					
Imported			-		-
Indigenous			7618.63(100%)		4590.66(100%)
(xi) Value of stores and spares consumed :					
Imported			69.89(15.5%)		213.92(47.03%)
Indigenous			382.05(84.5%)		240.88(52.97%)
(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)			1877.21		1831.73
Merchant Exports			-		-

11. 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  
Firm Registration No.002636S

Kappalur,  
Madurai.  
April 18, 2011.

T. KANNAN  
Chairman

A.MARIAPPAN  
Director

S. PARAMASHIVAN  
Company Secretary

T. KALAIRAJ  
Partner  
Membership No.023840

## BALANCE SHEET ABSTRACT AND GENERAL BUSINESS PROFILE

## 1. Registration Details

Registration No.03270 of 1946

State Code 18

Balance Sheet Date

31.03.2011

(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	1067170
Total Assets	1067170

## Sources of Funds:

Paid up Capital	40228
Reserves & Surplus	880015
Secured Loans	52037
Unsecured Loans	10318
Deferred Tax Liability	84572

## Application of Funds:

Net Fixed Assets	597852
Investments	3625
Deferred Tax Assets	-
Net Current Assets	465693
Miscellaneous Expenditure	-

## 4. Performance of Company

Turnover	1317634
Total Expenditure	1134970
Profit Before Tax	190820
Profit After Tax	118665
Earning per share in Rs.	29.50
Interim Dividend per share in Rs.	2.70
Final Dividend per share in Rs.	2.70

## 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  
Firm Registration No.002636S

T. KALAIRAJ  
Partner

Membership No.023840

Kappalur,  
Madurai. T. KANNAN A.MARIAPPAN S. PARAMASHIVAN  
April 18, 2011. Chairman Director Company Secretary

## VTM LIMITED

Regd. Office: SULAKARAI

VIRUDHUNAGAR

No. of Shares	Folio No./Client ID

## PROXY FORM

I/We.....of.....  
.....being a member/members of the above named  
Company, hereby appoint.....of.....  
or failing him.....of.....  
.....as my/our proxy to vote  
for me/us on my/our behalf at the 64<sup>th</sup> Annual General Meeting of the Company to be held on Wednesday,  
the 1<sup>st</sup> June, 2011 at 11.30 a.m. and/or at any adjournment thereof.

Signed.....

Affix  
Re. I/-  
Revenue  
Stamp

Date .....

NOTE: Proxies must reach the Company's Registered Office not less than 48 hours before the Meeting.