





Kalaithanthai Karumuttu Thiagarajan Chettiar
1893 - 1974

His Life was an inspiration
His memory is a benediction

NOTICE OF ANNUAL GENERAL MEETING:

NOTICE is hereby given that the 58th 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 1st June, 2005 at 11.00 a.m. to transact the following business:

AGENDA

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2005 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 Thiru A. Mariappan, who retires by rotation and who, being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Thiru. K. Subramanian, 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 2006, 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,
April 22, 2005.

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 24.05.2000 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 2000 and the same is expiring with the financial year ending 31st March 2005. 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 2006. 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 23rd May 2005 to 1st June 2005 (both days inclusive).
3. Pursuant to Sec. 205A and 205C of the Companies Act, 1956, the dividends for the financial year 1997-98 which are remaining unclaimed for seven years will be transferred to the Investors Education and Protection Fund on 11.07.2005. 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 58th Annual Report along with the audited statements of accounts for the year ended 31st March, 2005. The name of the Company has been changed to VTM Limited during the year.

PROFITS, DIVIDENDS & RETENTION :

		(Rs. in Lakhs)	
		2005	2004
<u>Turnover:</u>			
Exports	(75%)	8527	(70%) 7673
Domestic	(25%)	2773	(30%) 3240
		<u>11300</u>	<u>10913</u>
Profit before Depreciation (after interest)		1844	1447
Less : Depreciation		863	648
Profit after Depreciation		<u>981</u>	<u>799</u>
Less : Tax Provision	120		
Deferred Tax Provision(Net)	225		
		<u>345</u>	<u>250</u>
Profit after tax		636	549
Add : Amount brought forward		30	68
Provisions for earlier years no longer required.		<u>60</u>	<u>-</u>
Available for appropriation		726	617
<u>Appropriation :</u>			
Transfer to General Reserve		450	360
Proposed Dividend @ Rs. 5.50 per share		221	201
Income Tax on Proposed Dividend		29	26
Retained profit carried forward to the following year		<u>26</u>	<u>30</u>

DIVIDEND :

Your Directors recommend a dividend at Rs.5.50 per share for the year as against a dividend of Rs.5.00 per share for the last year.

PERFORMANCE OF THE YEAR AND FUTURE PROSPECTS :

The Company has been able to improve upon its performance in the year over that of the previous year. The Gross Profit before depreciation has increased by nearly Rs.4 Crores though the Turnover has registered an increase of only Rs.4 Crores. This has been possible by increase in productivity on account of installation of High speed Airjet Looms besides various cost reduction measures adopted by the Company. The exports have grown from 70% of the Turnover to 75%. However this has not contributed to further the profits as the percentage of DEPB had been slashed by the Government from 7% to 2.8%.

Yarn prices had been on the rise throughout the year. But this has been offset, as already mentioned by increased productivity. Hence on an over all appreciation of the performance of the Company, it could be said that the Company continues to maintain its record of profitability.

The expectations aroused by the opening up of World Markets under the WTO regime, from 1st January 2005, have not materialised to any substantial extent due to severe competition from China.

During this year under report the Company has spent Rs.1688.50 Lakhs towards modernisation.

As the Company is modernising its unit, we hope to improve its profitability in the years to come.

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 2005 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 judgements 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, 2005 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.

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 two Stock Exchanges :

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

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

The Company has paid listing fee to both the exchanges for the Financial Year 2005-2006.

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 22, 2005.

T. KANNAN
Chairman

ANNEXURE-I TO THE DIRECTORS' REPORT

REPORT ON CORPORATE GOVERNANCE

THE COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Your Company continues to follow the good principles and cannons of Corporate Governance which have become more imperative especially in the light of recent developments in Corporate Governance elsewhere. The Company has always realised that Corporate Governance is not simply a slogan, but a source of strength for the Company, its stake holders and the society at large. Strong emphasis is laid on internal controls which form the bedrock for efficient production, sales and profitability, not to mention dilligence, transparency, accountability and integrity. The systems of internal controls are constantly being reviewed and innovations are introduced based upon ever-evolving International Standards.

1. BOARD OF DIRECTORS :

The Board consists of six Directors, of whom four Directors are Independent Directors. The Board meets at least once in a quarter to review the performance of the Company.

During the year under review Five Board Meetings were held on 26th April 2004, 26th July 2004, 16th September 2004, 27th October 2004 and 21st January 2005. 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	Cate- gory	No. of Board Meetings attended	Attendance at the last AGM held on 7.6.2004	No. of other Directorship in Companies other than VTM	No. of other membership in Board Committees	Whether Chairman/ Member
Thiru T. Kannan		5	✓	8	3	Member
Thiru M. Ananthakrishnan	ID	2	-	1	-	-
Thiru RM. Somasundaram	ID	4	-	3	-	-
Thiru L.N.V. Subramanian	ID	3	-	-	-	-
Thiru A. Mariappan		5	-	6	-	-
Thiru K. Subramanian	ID	5	-	1	-	-

ID: Independent Director; VTM: VTM Limited.

Thiru A. Mariappan, Director attended the Extraordinary General Meeting held on 25.10.2004

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 retiring 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 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 A. Mariappan, Director, has long experience in Textile field. He is on the Boards of Thiagarajar Mills Ltd., Colour Yarns Ltd. and Paramount Textile Mills Ltd. The Company is benefitted by his experience.

Thiru. K. Subramanian, Director has been in the office for over four years. He has long experience in the textile fabrics field. He is on the Board of Anand Super Fabrics Pvt. Ltd. The Company is benefitted by his experience.

2. AUDIT COMMITTEE:

The Company constituted Audit Committee during the financial year 2001-2002. 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 Audit Committee was last reconstituted on 23.01.2004, and subsequently on 16.09.2004 and at present all the members are independent Directors. The broad terms of reference of the Audit Committee include 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 and to consider other topics as defined by the Board. 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

Thiru M. Ananthakrishnan was a member of the Audit Committee till 16.09.04.

Thiru K. Subramanian was inducted in the Audit Committee for 16.09.04.

The Company's internal audit 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: 26.04.2004, 26.07.2004, 27.10.2004 & 21.01.2005.

Name of the Director	No. of Audit Committee Meetings attended
Thiru M. Ananthakrishnan	1
Thiru RM.Somasundaram	4
Thiru L.N.V. Subramanian	3
Thiru.K. Subramanian	2

Remuneration to Directors:

Name of the Director	Sitting Fees (For Board & Committee Meetings)
Thiru T. Kannan (Chairman)	Rs.5,000/-
Thiru M. Ananthakrishnan	Rs.3000/-
Thiru RM. Somasundaram	Rs.8000/-
Thiru L.N.V. Subramanian	Rs.6000/-
Thiru K. Subramanian	Rs.7000/-
Thiru A. Mariappan	Rs.5000/-

Besides the Sitting Fees, the Chairman is to be paid Profit Commission of Rs.26.74 Lacs.