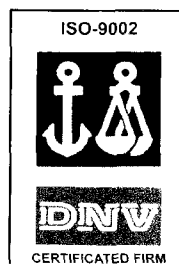


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Kalaithanthal Karumuttu Thiagarajan Chettiar

1893 - 1974

His Life was an inspiration

His memory is a benediction

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
ABN-AMRO Bank
State Bank of India
IDBI Bank Ltd.

Registered Office

Sulakarai,
Virudhunagar.

Board of Directors

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Virudhunagar.

NOTICE OF ANNUAL GENERAL MEETING:

NOTICE is hereby given that the Sixtieth 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 6th June, 2007 at 10.30 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, 2007 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 appoint a Director in the place of Sri T. Kannan, who retires by rotation and who, being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Sri R.M. Somasundaram, who retires by rotation and who, being eligible, offers himself for re-appointment.
4. 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.

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By Order of the Board,

Kappalur, Madurai.
26th April 2007.

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. Pursuant to Sec.205A and 205C of the Companies Act 1956, the dividends for the financial year 1999-2000, which are remaining unclaimed for seven years will be transferred to the investors Education and Protection Fund on or before 1st July, 2007. 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 60th Annual Report along with the audited statements of accounts for the year ended 31st March, 2007.

PROFITS, DIVIDENDS & RETENTION :

(Rs. in Lakhs)

	2006 - 2007	2005 - 2006
<u>Turnover:</u>		
Exports	(70%) 7359	(64%) 6248
Domestic	(30%) 3151	(36%) 3533
Total	10510	9781
Profit before Depreciation (after interest)	1585	1141
Less : Depreciation	993	899
Profit after Depreciation	592	242
Less : Tax Provision	91	
Deferred Tax		
Provision (Net)	(75)	
	16	179
Profit after tax	576	63
Add : Amount brought forward	5	26
Income Tax for earlier years /		
Provision no longer required	(38)	13
Available for appropriation	543	102
<u>Appropriation :</u>		
Transfer to General Reserve	346	14
Interim Dividend @ 27% on Equity	109	-
Proposed Dividend on Equity	-	73
Income Tax on Dividend	15	10
Retained profit carried forward to		
the following year	73	5

DIVIDEND:

The Company had already paid an interim dividend at 27% on Equity Share Capital for the year and this is being treated as the final dividend.

PERFORMANCE OF THE YEAR AND FUTURE PROSPECTS:

An extremely competitive environment prevails in the domestic and the export markets. The Indian Rupee has been steadily appreciating and is currently hovering at the levels last seen a decade ago!

During the year under review, yarn prices were firming thus pushing up the cost of raw materials for the Company.

Despite these adverse factors your Company has been able to increase its Sales Turnover from Rs.97.81 Crores in 2005-06 to Rs.105.10 Crores this year. The Gross Profit before depreciation for the year has gone up to Rs.1,585 Lakhs - an increase of 39% over the last year figure of Rs.1,141 Lakhs. This has been possible because of accrual of full benefits of the modernisation scheme implemented in the second half of last year.

The Directors hope that with appropriate product mix and with the implementation of the new project for fabric processing, the Company would improve its turnover and profitability during the current year.

FABRIC DYEING PLANT

The cost of the project is estimated at Rs.8,600 Lakhs. The Company has already made financial tie-up of Rs.6,800 Lakhs with IDBI to finance the cost of the project. We are expecting clearance from Pollution Control Board any moment when the Company will go ahead with the implementation of the project.

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 2007 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, 2007 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 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 2007-2008.

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 26, 2007.

T. KANNAN
Chairman

ANNEXURE-I TO THE DIRECTORS' REPORT

REPORT ON CORPORATE GOVERNANCE

THE COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Knowledge, Leadership, Courage, Change... All lead us to success. Corporate Governance helps to achieve the Ultimate Excellence. Corporate excellence is a destination which could be achieved through the journey of Corporate Governance. The Company believes that Corporate Governance is adopting voluntary practices and compliance with laws and regulations leading to effective control and management of the organization, besides establishing a climate of trust and confidence. The philosophy of the Company in relation to Corporate Governance continues to ensure transparency in operations, make disclosures and enhance shareholder value without compromising in any way compliance with laws and regulations.

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

During the year under review Six Board Meetings were held on 27th April 2006, 27th July 2006, 19th October 2006, 27th December 2006, 24th January 2007 and 7th March 2007. 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 9.6.2006	No. of other Directorship in Companies other than VTM	No. of other membership in Board Committees	Whether Chairman/ Member
Thiru T. Kannan		5	✓	9	4	Member
Thiru M. Ananthakrishnan	ID	-	-	1	-	-
Thiru RM. Somasundaram	ID	5	✓	2	-	-
Thiru L.N.V. Subramanian		6	✓	-	-	-
Thiru A. Mariappan		6	-	6	-	-
Thiru K. Subramanian	ID	3	-	1	-	-

ID: Independent Director; VTM: VTM Limited.

Thiru T. Kannan, Chairman and Director, Thiru RM. Somasundaram and Thiru L.N.V. Subramanian, Directors have attended the Annual General Meeting held on 9th June, 2006.

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 T. Kannan, Chairman & 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 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 Committee of the Indian Cotton Mills Federation (ICMF), TEXPROCIL and Tamilnadu Chamber of Commerce & Industry. He was the past Chairman of CII (Southern Region, Chennai). The Company is benefitted by his 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 Kannathal Mills Ltd., SK.AR.SM.Textiles P.Ltd., J.Balabai & Co. P.Ltd. The Company is benefitted by his experience. He holds 6000 Equity Shares in his name in the Company.

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 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.

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.