

**Board of Directors**

*Thiru T. Kannan*  
*Thiru RM. Somasundaram*  
*Thiru L.N.V. 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.*  
*Standard Chartered Bank*

**Registered Office**

*Sulakarai,*  
*Virudhunagar.*

**NOTICE OF ANNUAL GENERAL MEETING:**

NOTICE is hereby given that the Sixty Fifth Annual General Meeting of the Members of the Company will be held at the Registered Office of the Company at Sulakarai, Virudhunagar on Monday, the 11<sup>th</sup> day of June, 2012 at 12.00 Noon 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, 2012 and the Profit and Loss Account for the year ended on that date and the reports of the Directors and the Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in the place of Sri.L.N.V.Subramanian, who retires by rotation.
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.

**SPECIAL BUSINESS****5. SUB-DIVISION OF EQUITY SHARES**

To consider, and if thought fit, to pass with or without modification(s), the following resolution as a SPECIAL RESOLUTION.

"RESOLVED THAT pursuant to the provisions of Sections 13, 16 and 94 and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendments thereto or re-enactment thereof) and subject to such approvals, consents, permissions and sanctions, if any, as may be required from any authority, and subject to such conditions as may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall also include any Committee thereof), consent of the Members be and is hereby accorded for sub-dividing the 1,00,00,000/- Equity Shares of Rs.10/- (Rupees ten) each in the Authorised Share Capital of the Company into 10,00,00,000 Equity Shares of Re.1/- (Rupee One) each and consequently Clause (iv) (being Capital Clause) of the Memorandum of Association and Article 2 of the Articles of Association of the Company relating to Equity Shares be altered accordingly.

RESOLVED FURTHER that pursuant to the sub-division of the Equity Shares of the Company, the issued, subscribed and paid-up Equity Shares of face value Rs.10/- (Rupees Ten) each, shall stand sub-divided into Equity Shares of face value of Re.1/- (Rupee One) each fully paid-up.

RESOLVED FURTHER that the Board of Directors of the Company ("the Board", which expression shall also include a Committee thereof) be and they are hereby authorised to do, perform all such acts, and things as it may consider necessary,

expedient, usual or proper to give effect to this resolution including but not limited to fixing of the record date as per the requirement of the Listing Agreement, issue new share certificates representing the sub-divided Equity Shares with new distinctive numbers, consequent to the sub-division of shares as aforesaid and / or credit the shareholders' accounts maintained with the Depositories, subject to the rules as laid down in the Companies (Issue of Share Certificates) Rules, 1960, and the Articles of Association of the Company and to inform the depositories and the Registrar and Transfer Agents of the Company and execute all such documents, instruments and writings as may be required in this connection and to delegate all or any of the powers herein vested in the Board, to any Committee thereof or to any Director(s) or Company Secretary, to give effect to the aforesaid resolution".

**6. AMENDMENT OF MEMORANDUM OF ASSOCIATION OF THE COMPANY**

To consider, and if thought fit, to pass with or without modification(s), the following resolution as a SPECIAL RESOLUTION,

"RESOLVED that in accordance with the provisions of Section 16 and all other applicable provisions, if any, of the Companies Act, 1956, the existing Clause (iv) of the Memorandum of Association of the Company be and is hereby altered by deleting the same and substituting in its place, the following new Clause(iv):

- (iv) The Authorised Share Capital of the Company is Rs.10,00,00,000/- (Rupees Ten Crores only) divided into 10,00,00,000/- (Ten Crore) Equity Shares of Re.1/- each.

**7. AMENDMENT OF ARTICLES OF ASSOCIATION OF THE COMPANY**

To consider, and if thought fit, to pass with or without modification(s), the following resolution as a SPECIAL RESOLUTION,

"RESOLVED that in accordance with the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the existing Article 2 of the Articles of Association of the Company be altered by deleting the same and substituting, in its place the following new Article, 2:

2. The present Authorised Share Capital of the Company is Rs.10,00,00,000/- Rupees Ten Cores only) divided into 10,00,00,000 (Ten Crore) Equity Shares of Re.1/- (Rupee One) each.

By Order of the Board,

Kappalur, Madurai.  
April 25, 2012.

**T. KANNAN**  
Chairman

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

**The following explanatory statement sets out all material facts relating to the special business mentioned in the notice and shall be taken as forming part of the notice.**

Item Nos.5 & 6

The Equity Shares of the company are listed on the Stock Exchange, Mumbai (BSE), Madras Stock Exchange Limited and Coimbatore Stock Exchange Limited. The shares are traded on BSE and the current share price is around Rs.132/-.

To fulfill the expectation of the shareholders and in order to substantially increase the number of shares available for trading in the market, it is felt desirable to sub-divide the Equity Shares of Rs.10/- each into Equity Shares of Re.1/- each.

The Board of Directors or a Committee of the Board duly authorised in this behalf would advise the date from which the alteration would be effective and take necessary steps to issue share certificates/ credit the account of the shareholders with any depository with equivalent number of new Equity Shares of Re.1/-each in the proportion in which they are entitled to such shares in terms of the resolution.

In terms of Section 94 of the Companies Act, 1956, and as per the Articles of Association of the Company, the resolution for sub-division is placed before the shareholders for approval.

Consequent to the sub-division, the existing Clause (iv) of the Memorandum of Association and Article 2 of Articles of Association of the company are required to be substituted with revised clauses.

The Directors are deemed to be concerned / interested in the resolutions to the extent of their shareholding, if any, in the capital of the company.

The Directors recommend the resolutions for adoption by the shareholders.

The Record date for the purpose of ascertaining the entitlement of the proposed sub-division of Equity Shares will be intimated separately to the Stock Exchange and advertised in the newspapers.

**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 1-06-2012 to 11-06-2012 (both days inclusive).
3. Pursuant to Sec.205A and 205C of the Companies Act, 1956, the dividend for the financial year 2004-2005 which is remaining unclaimed for seven years will be transferred to the Investors Education and Protection Fund on or before 09.07.2012, being the due date for such transfer. The other dividends are lying in the Unpaid Dividend Account of the Company.

By Order of the Board,

**T. KANNAN**  
Chairman

Kappalur, Madurai.  
April 25, 2012.

**DIRECTORS' REPORT**

To the Members of VTM Limited

Your Directors present their 65<sup>th</sup> Annual Report along with the audited statements of accounts for the year ended 31<sup>st</sup> March, 2012.

**PROFITS, DIVIDENDS & RETENTION :**

(Rs. in Lakhs)

	2011 - 2012	2010 - 2011
<b><u>Turnover:</u></b>		
Exports	(13%) 1574	(14%) 1902
Domestic	(87%) 10091	(86%) 11274
Total	11665	13176
Profit before Depreciation (after interest)	1603	2820
Less : Depreciation	846	912
Profit after Depreciation	757	1908
Less : Provision for Taxation:		
Current year	300	390
Deferred Tax	(178)	228
Taxation for earlier years	8	103
	130	721
Profit after tax	627	1187
Add : Amount brought forward	238	114
Available for appropriation	865	1301
<b><u>Appropriation :</u></b>		
Transfer to General Reserve	490	810
Interim Dividend @ Rs.2.70 per Share	-	109
Income Tax on Interim Dividend	-	18
	-	127
Proposed Dividend @ Rs.4.00 per Share	161	109
Income Tax on Dividend	26	17
	187	126
Retained profit carried/forward to the following year	188	238

**DIVIDEND:**

Your Directors recommend Dividend at Rs.4.00 per Share (i.e., 40%) on Equity Share Capital for the year 2011-12.

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

The year under review was quite challenging for the textile industry. After having reached record highs in early 2011, cotton prices registered a steep fall of about 40% during the first quarter of the year. This in turn set off a chain reaction in the textile markets and prices of fabrics declined by about 30%. These were the result of inconsistent policies followed by the Government with regard to raw cotton exports and they did not allow free market forces to have their play and kept on tinkering with policies so as to influence pricing. Hopefully this syndrome is behind us and a sense of balance has returned to the markets.

The year under review witnessed erratic power supply position and as we write this report, the power cut in Tamil Nadu is as high as 70%. Your Company had to generate its own power and/or procure from 3<sup>rd</sup> parties at prices 3 times over and above the TANGEDCO prices. These factors had impacted the sales as well as margins adversely.

Your Directors have initiated number of measures to mitigate rising cost of power and they hope that the power supply situation will get better in the coming year. The textile market is showing positive signs and your Directors look forward to better results in the ensuing year.

**FUTURE PLANS:**

Your Company has turned totally debt free and has cash reserves to the tune of Rs.20.00 Crores and your Directors are considering investment avenues so as to maximize returns.

**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 31<sup>st</sup> March 2012 the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31<sup>st</sup> March, 2012 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) Coimbatore Stock Exchange Ltd.,  
CSX Towers,  
683-686, Trichy Road,  
Singanallur, Coimbatore - 641 008.
- 3) Madras Stock Exchange Ltd.,  
Exchange Buildings,  
11, Second Line Beach,  
Chennai - 600 001.

The Company has paid listing fee to all the three stock exchanges for the Financial Year 2012-2013.

The Directors wish to place on record the valuable services rendered by Late Shri M. Ananthakrishnan who served on the Board from 17.1.1975 to 2.4.2012.

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 25, 2012.

**T. KANNAN**  
Chairman

ADDENDUM TO DIRECTORS REPORT TO THE ANNUAL REPORT 2011-12:

Disclosure of full particulars of Cost Auditor in terms of Circular No. 15/2011 dt. 11.04.2011.

COST AUDITOR:

In conformity with the directives of the Central Government, the Company has appointed Shri M.Kannan, Cost Accountant, IV-B, Akshaya Homes, 9-B-20, Tagore Nagar, Bharathiyar 4<sup>th</sup> Street, S.S.Colony, Madurai-625 016 as the Cost Auditor of the Company u/s. 233B of the Companies Act, 1956 for the audit of cost accounts for the fabrics manufactured by the Company for the year ending 31.03.2012.

For the year ended 31.03.2011, the due date of filing the Cost Audit Report was 30<sup>th</sup> September 2011 and the actual date of filing the Cost Audit Report was 11<sup>th</sup> September 2011.

Kappalur, Madurai .

For and on behalf of Board of Directors

April 25, 2012

T. KANNAN  
Chairman



## ANNEXURE-I TO THE DIRECTORS' REPORT

## REPORT ON CORPORATE GOVERNANCE

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

The Company believes that Good Corporate Governance is essential for achieving Long term Corporate goals and enhancing stakeholder's value. The Company's business objective and that of its management and employees is to manufacture and market the products in such a way so as to create value that can be sustained on a long term basis for all its stakeholders.

The Company in addition to compliance with regulatory requirements, also endeavours to ensure high standards of ethical conduct in the organization. <sup>2</sup>

## I. Board of Directors:

The Board consists of four Directors, of whom two 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 18<sup>th</sup> April 2011, 21<sup>st</sup> July 2011, 24<sup>th</sup> October 2011 and 23<sup>rd</sup> January 2012; 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 1.6.2011	No. of other Directorships in Companies other than VTM	No. of other memberships in Board Committees	Whether Chairman/Member
Thiru T. Kannan		4	✓	11*	4	Member
Thiru RM. Somasundaram	ID	4	✓	2	-	-
Thiru L.N.V. Subramanian	ID	4		-	-	-
Thiru A. Mariappan		4	✓	7	-	-
Thiru M. Ananthakrishnan (Ceased as Director due to Death)		3		2	-	-
Thiru K. Subramanian (Ceased as Director due to Retirement)		1		1	-	-

ID: Independent Director; VTM - VTM Limited.

\* includes Directorship in 3 Section 25 Companies.

Thiru T. Kannan, Chairman and Director, Thiru RM. Somasundaram and Thiru A. Mariappan, Directors have attended the Annual General Meeting held on 1<sup>st</sup> June, 2011.

**Details of Directors retiring by rotation and seeking reappointment:**

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 L.N.V.Subramanian, Director retires by rotation at the ensuing Annual General Meeting.

A brief resume of the Director is as follows:

Name of the Director	Thiru L.N.V.Subramanian
Age	81 Years
Expertise in functional area	Equipped with long professional experience in legal field, with specialization in Labour laws.
List of other Directorship held	NIL.
Chairman/Member of the Committees of the Board of the Companies on which he is a Director	NIL.

The retiring Director is not related to other Directors.

**2. Audit Committee:**

The Company constituted Audit Committee during the financial year 2001-02, and reconstituted during the year 2010-11. The constitution of Audit Committee is 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 comprises 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 Audit Committee satisfies the conditions as provided in the Revised Clause 49 of the Listing Agreement.