

DIRECTORS' REPORT

FOR THE YEAR ENDED ON 31ST MARCH, 2018.

To the Members of VTM Limited

Your Directors have pleasure in presenting their 71st Annual Report along with the Audited statement of accounts for the year ended 31st March, 2018.

Adoption of Financial Statements under Ind AS:

Pursuant to the notification issued by the Ministry of Corporate Affairs dated 16th February, 2015 relating to the Companies (Indian Accounting Standards) Rules, 2015 the Company has adopted "Ind AS" with effect from 1st April, 2017. Accordingly, the Financial Statements for the year 2017-18 have been prepared in compliance with the Companies (Indian Accounting Standards) Rules, 2015.

Operating & Financial Performance Profits, Dividends & Retention

	2017-18	2016-17
Turnover :-	16463	15043
Profit before Depreciation (after interest)	1888	2654
Less: Depreciation	683	729
Profit after Depreciation	1205	1925
Less: Exceptional item	0	680
Profit after exceptional item	1205	1245
Less: Provision for Taxation:		
Current Year	432	146
Deferred Tax	(5)	278
	427	424
Profit after Tax	778	821
Add: Amount brought forward	4567	3747
Available for appropriation	5345	4568
Appropriation:-		
Transfer to General Reserve	4500	
Income Tax Refund of earlier years	(59)	
Dividend @ Re.0.75 per share	302	
Income Tax on Dividend	61	
	363	
Transfer from Other Comprehensive Income	11	1
Retained profit carried forward to the following year	530	4567

During the year under review, the Company's performance improved at the operational level and the Company recorded a higher profit from the manufacturing activities of Rs.773.92 lakhs (against Rs.397.52 lakhs last year). The turnover has also increased by about 10%. During the year, exports were at Rs.3,824.51 lakhs representing 23.41% of the total turnover. Trading conditions were volatile throughout the year. Textile exports out of India registered a negative trend, however the domestic consumption is showing some positive trends.

Appropriation to General Reserve

Considering the profitability and the available surplus, the Board of Directors desires to appropriate a sum of Rs.4500 lakhs to General Reserve.

Dividend

Considering the profits for the year and as recommended by the Audit Committee, the Board of Directors are pleased to recommend a dividend of Re.0.75 per share i.e.75% on Equity Shares of Re.1/- each. The dividend together with dividend tax entails a cash outflow of Rs.363.71 lakhs in the current year (previous year Rs.363.42 lakhs). If this is approved at the forthcoming Annual General Meeting, dividend will be deposited with the bank within the time prescribed and dividend will be paid to those who are Members of the Company as on record date specified in this regard. The Book Closure period being 13th June, 2018 to 22nd June, 2018 (Both days inclusive) in respect of shares held electronically, dividend will be paid on the basis of beneficial ownership as per details furnished by the depositories.

Extract of Annual Return:

The Extract of Annual Return is furnished in Form MGT-9 as per Annexure III.

Associate Company:

The company does not have any body corporate as its Associate.

Change in the Nature of Business

There is no change in the nature of the business of the Company.

Orders by Regulators or Courts

There were no significant and material orders passed by regulators or courts or tribunals impacting the going concern status and Company's operations in future.

Material Changes Affecting the Financials

There were no material changes and commitments affecting the financial position of the Company occurring between March 31, 2018 and the date of this Report of the Directors.

Internal Control System

The Company has in place an established internal control system designed to ensure proper recording of financial and operational information and compliance of various internal controls and other regulatory and statutory compliances. Code on Internal Control which require that the Directors to review the effectiveness of internal controls and compliance controls, financial and operational risks, risk assessment and management systems and related party transactions, have been complied with. Self certification exercises are also conducted by which senior management certifies effectiveness of the internal control system, their adherence to Code of Conduct and Company's policies for which they are responsible, financial or commercial transactions, if any, where they have personal interest or potential conflict of interest. Internal Audit has been conducted on periodical basis.

Company's Policies

Company's Policies on Corporate Social Responsibility, Remuneration, Employee Concern (Whistle Blowing), the Code of Conduct applicable to Directors and Employees of the Company and policies such as Insider Trading Code, Insider Trading Fair Disclosure Code and Policy on Materiality of and dealing with Related Party Transactions required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI (Prohibition of Insider Trading) Regulations, 2015 have been complied with.

These Policies, the Code of Conduct and other policies/codes as referred above are available on the Company's website www.vtmill.com

ISO and 5S Certification

The Company's factory at Sulakarai, Virudhunagar, Tamil Nadu has been certified ISO for Quality Management System Standard and also holds a 5S Certification from AOTS Alumni 5S Forum of India and GOTS Certification for the manufacture of organic cotton fabrics.

Segmentwise performance

The Company is primarily a manufacturer of textile products and is managed organizationally as a single unit. Accordingly, the Company is a single business segment company. Geographical (secondary) segment has been identified as domestic sales and exports as detailed below:

Particulars	Amount (Rs. lacs)	% of Turnover
Export Sales	3,824.51	23.41%
Domestic Sales	12,509.78	76.59%

Industry Structure & Developments, Opportunities & Threats, Outlook, Risks & Concerns

The introduction of GST was a major reform. But the markets took a longer time than expected to adjust to this change. The small traders and manufacturers have just come on line. The advent of GST has enabled the Company to take Input Tax Credit [ITC] a feature which was hitherto not available to your Company. Tax evasion is expected to vanish and as a result bring in more compliance across the chain.

During the year under review, export of clothing and textile from India showed a dismal growth. Indian manufacturers are faced with higher cost as compared to the neighbouring countries and other competing countries.

While Government is taking a number of steps to address these concerns, your Company is also concentrating on eliminating inefficiencies and saving cost.

The power situation continues to be comfortable on a Pan India basis and we are able to source competitively priced power.

The Company is taking steps for development and implementation of risk management policies. The element of risk that may threaten the company is the uncertainty in the overseas market on which the company depends for its exports.

Further, in the domestic market there is a risk of competition from a large number of textile units and the uncertainty of monsoon and its consequential impact on the demand scenario.

Your Directors look forward to the current year with hope and optimism as there are good indications for a normal monsoon. This will boost the rural economy and help in increasing demand. It will also help to boost the Indian cotton crop. These factors may improve your company's business prospects and the profitability.

Board of Directors:

The Board consists of 8 Directors with one Chairman and Managing Director, four Non-Executive Independent Directors, two Non-Executive Directors and one Woman Non-Executive Director.

Section 203 of the Companies Act, 2013 requires a listed company to have a Managing Director/CEO/Whole Time Director as one of the Key Managerial Personnel. In terms of the provisions, Sri T. Kannan, the Chairman of the Company has been appointed as Chairman and Managing Director duly recommended by the Nomination and Remuneration Committee

and approved by the Board of Directors. He is already the Chairman and Managing Director of M/s. Thiagarajar Mills Private Limited and accordingly his remuneration is fixed in such a way that the total remuneration from both companies put together does not exceed the limits as prescribed u/s.197 of the Companies Act, 2013.

The details of number and dates of meetings held by the Board and its Committees, attendance of Directors and remuneration paid to them is given separately in the attached Corporate Governance Report.

The sitting fees paid to the Non-Executive Directors are within the limits prescribed under the Companies Act, 2013 and Rules thereon.

Retirement of Directors by Rotation

Sri. K. Vethachalam, Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible has offered himself for reappointment as a Director of the Company. Being eligible, he is proposed to be re-appointed as Director of the Company.

Non-Executive Independent Directors

The Non-Executive Independent Directors have confirmed and declared that they are not disqualified to act as a Non-Executive Independent Director in compliance with the provisions of Section 149 of the Companies Act, 2013 and the Board is also of the opinion that the Non-Executive Independent Directors fulfill all the conditions specified in the Companies Act, 2013 making them eligible to act as Non-Executive Independent Directors. The Non Executive Independent Directors have convened a meeting on 28th February, 2018.

Code of Conduct

All Directors, Key Managerial Personnel and Senior Management of the Company have confirmed compliance with the Code of Conduct applicable to the Directors and employees of the Company. The Code of Conduct is available on the Company's website www.vtmill.com. All Directors have confirmed compliance with provisions of Section 164 of the Companies Act, 2013.

Directors' Responsibility Statement

The Board of Directors acknowledges the responsibility for ensuring compliance with the provisions of Section 134(3)(c) read with Section 134(5) of the Companies Act, 2013 and the provisions as referred in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in the preparation of the annual accounts for the year ended on 31st March, 2018 and state that :

- i in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ii. the Directors have 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 and of the profit of the Company for that period;
- iii. the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. the Directors have prepared the annual accounts on a going concern basis;
- v. the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively and the Company has adopted proper policies and procedures for ensuring orderly and efficient conducting of the business:
 - a) The management designed and implemented policies with respect to adherence to accounting standards as a general requirement applied by a Company in preparing and presenting financial statements.
 - b) The management evolved a sound system for regular evaluation of the nature and extent of the risks to which the Company is exposed and to control risk appropriately.
 - c) The board ensured the effective financial controls, including the maintenance of proper accounting records and the Company is not unnecessarily exposed to avoidable financial risks. They also contribute to the safeguarding of assets, including the prevention and detection of fraud. The financial information used within the business and for publication is reliable.
- vi. the Directors had devised proper system to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

Key Managerial Personnel

The following persons have been appointed as Key Managerial Personnel of the Company in compliance with the provisions of Section 203 of the Companies Act, 2013:

- a) Sri T. Kannan, Chairman and Managing Director
- b) Sri V. Sundaramoorthy, Chief Financial Officer (upto 03.06.2017) and
- c) Sri R. Krishnan, Chief Financial Officer (from 01.04.2018)
- d) Sri S. Paramasivam, Company Secretary

Corporate Governance

The Company has in place the SEBI guidelines pertaining to Corporate Governance. During the year under consideration the Company had an Eight member Board of Directors consisting of one Chairman and Managing Director, four Non-Executive Independent Directors, three Non-Executive Directors of which one is a Woman Director.

The Corporate Governance Report giving the details as required under Regulation 34(3) read with Schedule V to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is given separately as Annexure I and forms part of this Report of the Directors. The Corporate Governance Certificate for the year ended on March 31, 2018 issued by M/s.CNGSN & Associates LLP, Auditors of the Company, is also attached as part of Annexure I and forms a part of this Report of the Directors.

The Company has formulated Insider Trading Code and Insider Trading Fair Disclosure Code in terms of Regulation 9 read with Schedule B and Regulation 8 read with Schedule A of SEBI (Prohibition of Insider Trading) Regulations, 2015 respectively and provided in the company's website at www.vtmill.com. Mr S. Paramasivam, Company Secretary, is the Compliance Officer responsible for compliance with the Insider Trading procedures. As there was no insider trading in the securities of the company, the company has not reported any Insider Trading details to the Stock Exchange.

Sri T. Kannan, Chairman and Managing Director of the Company has given his certificate under Regulation 17(8) read with part D of Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 regarding the annual financial statements for the year ended on 31st March, 2018 to the Board of Directors. The Chairman has given his certificate under Regulation 34(3) read with Part D of Schedule V of the above said Regulations in compliance with the Code of Conduct of the Company for the year ended March 31, 2018, which is attached as Annexure VIII and forms a part of this Report of the Directors.

Audit Committee

The Audit Committee consists of three Independent Directors and satisfies the provisions of Section 177(2) of the Companies Act, 2013. The Committee now comprises Mr.RM. Somasundaram as Chairman and Mr.A. Mariappan and Mr.L.N.V. Subramanian who are all Independent Directors. The Company Secretary is the Secretary of the Committee. The details of all related party transactions are placed periodically before the Audit Committee. During the year there were no instances where the Board had not accepted the recommendations of the Audit Committee. The Company has in place a vigil mechanism, details of which are available on the Company's website www.vtmill.com

The Audit Committee has also been delegated the responsibility for monitoring and reviewing risk management assessment and minimization procedures, implementing and monitoring the risk management plan and identifying, reviewing and mitigating all elements of risks which the Company may be exposed to.

The Audit Committee is empowered with monitoring the appointment of Key Managerial Personnel.

The details of terms of reference of the Audit Committee, number and dates of meetings held, attendance of the Directors and remuneration paid to them are given separately in the attached Corporate Governance Report.

Evaluation of the Board of its own performance, Committees of the Board and Individual Directors:

The Board reviewed and evaluated its own performance from the following angles:

- Company Performance
- Strategy and Implementation
- Risk Management
- Corporate ethics
- Performance of the Individual Directors
- Performance of the Committees viz., Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee and Corporate Social Responsibility Committee

The Board also evaluated the performance of the above referred Committees and concluded that the Committees continued to operate effectively, with full participation from all members and executive management of the Company.

The Board upon evaluation considered that the Board is well balanced in terms of diversity of experience. The Board noted that all Directors have understood the opportunities and risks to the Company's strategy, and are supportive of the direction articulated by the management team towards improvement. Corporate responsibility, ethics and compliance are taken seriously, and there is a good balance between the core values of the Company and the interests of shareholders.

The Directors also expressed their satisfaction in all the above areas considering the Company's performance in all fronts viz., New Product Development, Sales and Marketing, International business, Employee relations and compliance with statutory requirements.

Related Party Transactions:

During the year 2014-15 and in 2015-16, the company has entered into contracts or arrangements with such number of related parties with the approval by the Board of Directors in respect of the following:

1. Sale, purchase or supply of any goods or materials
2. Selling or otherwise disposing of, or buying, property of any kind
3. Leasing of property of any kind
4. Availing or rendering of any services
5. Obligations

The details in respect of the material contracts or arrangements or transactions on arm's length basis carried on with the related parties have been furnished in ANNEXURE V.

As the contracts or agreements entered into with the related parties are expiring on 31.03.2019, the Board proposes to consider renewal of the contracts to be entered into with related parties for the consent of the Board of Directors and the approval of the Members of the Company at the ensuing Annual General Meeting wherever necessary.

Corporate Social Responsibility Committee

A Corporate Social Responsibility Committee was constituted on April 24, 2014 with Sri T.Kannan as Chairman and M/s. K. Thiagarajan and RM. Somasundaram, Directors of the Company as Members.

The Committee met once during the year on 28th February, 2018, to review the CSR policies, recommend for contributions for CSR Activities carried out during the year and recommend for balance amounts to be spent for the Financial Year 2017-18.

The Committee considered the social activities as referred in Schedule VII to the Companies Act and recognizes that its operations impact a wide community of the public for promoting health care including preventive health care and imparting education for uplifting the social status of the public. In structuring its approach to various aspects of Corporate Social Responsibility, the Company takes account of guidelines and statements issued by various regulatory bodies. Social, environment and ethical matters are reviewed by the Committee including the impact of such matters that may have on the Company's management of risk.

The Company finalized the manner of implementation of the CSR Policy and spent a sum of Rs.0.66 lakh towards conducting eye camp for the public nearby the mills as a preventive

health care activity and contributed a sum of Rs.27.86 lakhs to a leading educational institution for development of infrastructure facilities in the Institution. The details of the project, amount of estimates and the contribution to the implementing agency has been shown in Annexure VII.

The CSR policy is available on the Company's website www.vtmill.com

The terms of reference of the Corporate Social Responsibility Committee, number and dates of meetings held, attendance of the Directors and remuneration paid to them are given separately in the attached Corporate Governance Report.

Prevention of Sexual Harassment:

In compliance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, the Company has constituted an Internal Complaints Committee with three employees and a NGO representative and Smt. Uma Kannan, Director of the Company is the Adviser to the Committee. The Board also has approved the prevention of Sexual Harassment Policy and all employees especially women employees were made aware of the Policy and the manner in which complaints could be lodged. The Committee has submitted its Annual Report and the same has been approved by the Board.

The following is reported pursuant to Section 22 of the Sexual Harassment of Women at Workplace (prevention, Prohibition and Redressal) Act, 2013:

1.	No. of Complaints of sexual harassment received	NIL
2.	No. of Complaints disposed off during the year	NIL
3.	No. of cases pending for more than ninety days	NIL
4.	No. of awareness programme conducted	1
5.	Nature of action taken by the employer	Not Applicable

Nomination and Remuneration Committee

A Nomination and Remuneration Committee was constituted on April 24, 2014 and as on 31st March, 2018 Sri RM. Somasundaram is the Chairman and M/s. T. Kannan, K. Thiagarajan and A. Mariappan are Members of the Committee. The constitution satisfies the provisions of Section 178 of the Companies Act, 2013. The Company Secretary is the Secretary of this Committee.

During the year, the Committee met twice on 30.04.2017 and 02.08.2017, the first one for reviewing the Nomination and Remuneration Policy and the second one for considering and accepting the resignation of Mr.V. Sundaramoorthy as Chief Financial Officer.

The Company's Remuneration Policy is available on the Company's website www.vtmill.com and annexed as forming part of this report as ANNEXURE X.

The details of terms of reference of the Nomination and Remuneration Committee, number and dates of meetings held, attendance of the Directors and remuneration paid to them are given separately in the attached Corporate Governance Report.

Stakeholders Relationship Committee

The Shareholders and Investors Grievance Committee was constituted earlier on 26.06.2004. To comply with the requirements of the Companies Act, 2013 and the listing agreements with Stock Exchanges, the name of the Committee was changed to Stakeholders Relationship Committee effective from April 25, 2014. As on 31st March, 2017, the Members of the Committee are Sri L.N.V. Subramanian as Chairman and Sri T. Kannan as Member. The Company Secretary is the Secretary of the Committee. The Committee has delegated the responsibility for share transfers and other routine share maintenance work to the Company Secretary and to M/s.Karvy Computer Share Private Limited, the Registrars and Share Transfer Agents of the Company. All requests for dematerialisation and rematerialisation of shares, transfer or transmission of shares and other share maintenance matters are completed within 30 days of receipt of valid and complete documents. The Committee approved all activities through Circular Resolutions and all those Circular Resolutions were placed and discussed at the Board meetings. The Committee also reports to the Board on matters relating to the shareholding pattern, shareholding of major shareholders, insider trading compliances, movement of share prices, redressal of complaints, Reports on SCORES of SEBI and all compliances under the Companies Act, 2013 and the listing agreement with Stock Exchanges.

The shares of the Company are listed on the Bombay Stock Exchange. The Company's shares are compulsorily traded in the dematerialized form. The ISIN number allotted is INE222F01029. The details of shareholding pattern, distribution of shareholding and share prices are mentioned separately in the attached Corporate Governance Report.

Auditors

In terms of Section 139 of the Companies Act and the rules made thereon, M/s CNGSN & Associates LLP, Chartered Accountants, Chennai (Firm Regn. No. 004915S/S200036) have been appointed as Auditors of the Company by the members at their meeting held on 23rd June, 2017 and the Auditors have been appointed for a period of five years from the conclusion of 70th Annual General Meeting till the conclusion of the 75th Annual General Meeting. The Auditors have already submitted certification u/s. 141 of the Companies Act and Peer Review Certificate in respect of their appointment as Auditors of the Company.

Secretarial Audit

A Secretarial Audit was conducted during the year by the Secretarial Auditor, Mr.M.K.Bashyam, Practicing Company Secretary, in accordance with the provisions of Section 204 of the Companies Act, 2013. The Secretarial Auditor's Report is attached as Annexure II and forms a part of this Report of the Directors. There are no qualifications or observations or remarks made by the Secretarial Auditor in his Report.

Fixed Deposits

The Company has not accepted any deposits from the public and as such, there are no outstanding deposits in terms of the Companies (Acceptance of Deposits) Rules, 2014.

The company does not have any deposit which is not in compliance with the Companies Act, 2013.

Loans, guarantees and investments

The Company has not granted any inter-corporate loan, given guarantee or provided security for availing loan by any other company. However the company has invested its funds in such number of companies and in such number of shares in other bodies corporate as referred to in Notes No. 11 and 13 of the Balance Sheet.

In compliance with Section 186 of the Companies Act, 2013, loans to employees bear interest at applicable rates.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The prescribed particulars of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo required under section 134(3)(m) read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is attached as Annexure IV and forms a part of this Report of the Directors.

Particulars of Employees

The prescribed particulars of Employees required under Section 134(3)(q) read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is attached as Annexure VI and forms a part of this Report of the Directors. There are no employees drawing remuneration more than Rs.102 Lakhs per annum or Rs.8,50,000/- per month.

Annexures forming a part of this Report of the Directors

The Annexures referred to in this Report and other information which are required to be disclosed are annexed herewith and form a part of this Report of the Directors :

- I. Corporate Governance Report along with Certificate on Corporate Governance by the Auditor of the Company.
- II. Secretarial Audit Report.
- III. Extract of the Annual Return in Form MGT-9.
- IV. Particulars on Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo.
- V. Form AOC-2 for material contracts with Related Parties.
- VI. Ratio of remuneration and Particulars of Employees.
- VII. Annual Report on CSR spending.
- VIII. Chairman & Managing Director's Certificate under Regulation 34(3) read with Part D of Schedule V to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 on compliance of Code of Conduct.
- IX. Certificate by Chairman and Managing Director and Chief Financial Officer under Regulation 17(8), of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 on Financial Statements.
- X. Remuneration Policy.

Appreciation

Your Directors record their sincere appreciation of the dedication and commitment of all employees in achieving and sustaining excellence in all areas of the business. Your Directors thank the Shareholders, customers, suppliers and bankers and other stakeholders for their continuous support to the Company.

Kappalur, Madurai.
April 27, 2018

For and on behalf of the Board of Directors,
T. KANNAN
CHAIRMAN AND MANAGING DIRECTOR