ANNUAL REPORT 2011

#### Board of Directors

Sri T Rajkumar Chairman & Managing Director Sri K Dhanakumar Sri S Venkatachalam Sri S Sanjai

Company Secretary Sri N Prabhu Ram

# **Registered Office**

No.1, Sundaram Brothers' Layout Opp. All India Radio Trichy Road, Coimbatore – 641 045

#### **Statutory Auditors**

M/s S Lakshminarayanan Associates Chartered Accountants "Lakshya", 1056, Avinashi Road Coimbatore – 641 018

#### Bankers

Canara Bank State Bank of Travancore

#### Registrar and Share Transfer Agents

Purva Sharegistry (India) Pvt. Ltd. 9, Shiv Shakti Industrial Estate J .R. Boricha Marg Opp. Kasturba Hospital Lane Lower Parel (E) Mumbai - 400 011 E-Mail : mail@purvashare.com

# ContentsPageNotice2Directors' Report7Management Discussion &1Analysis Report11Corporate Governance Report13Auditors' Report27Balance Sheet32Profit & Loss Account33Cash Flow Statement34Schedules35Consolidated Accounts40Details of Subsidiary Companies55

# NOTICE TO MEMBERS

NOTICE is hereby given that the Annual General Meeting of the members of the Company will be held on Thursday, 29th September 2011 at 04.30 p.m at the Registered Office at No.1, Sundaram Brothers' Layout, Opp. All India Radio, Trichy Road, Coimbatore – 641045 to transact the following business.

# ORDINARY BUSINESS

- 1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2011, the Profit and Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
- 2. To appoint a director in place of Sri K Dhanakumar who retires by rotation and is eligible for reappointment.
- 3. To appoint M/s S Lakshminarayanan Associates (Firm Regn. No:006609S) Chartered Accountants, Coimbatore as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on the remuneration and out-of-pocket expenses as recommended by the Audit Committee and approved by the Board of Directors.

M/s S Lakshminarayanan Associates, Chartered Accountants, Coimbatore retire and are eligible for reappointment.

# SPECIAL BUSINESS

4. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 316 and 317 read with Schedule XIII to the Companies Act 1956 and other applicable provisions, if any, of the Companies Act 1956, consent of the Company be and is hereby accorded to the appointment of Sri T Rajkumar, as Chairman & Managing Director of the Company for a period of five years with effect from 1st April 2011.

RESOLVED FURTHER THAT in consideration of his qualification and experience and subject to the overall limits for payment of managerial remuneration laid down under Section 198 read with Schedule XIII to the Companies Act 1956, Sri T Rajkumar be paid a remuneration by way of Salary of Rs.10,000/-per month.

RESOLVED FURTHER THAT where in any financial year, during the tenure of the Managing Director, the Company has no profits or its profits are inadequate, the Company shall pay to Sri T Rajkumar, the remuneration by way of salary of Rs.10,000/- mentioned above under the Companies Act, 1956.

# NOTES

- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORM SHOULD BE DEPOSITED WITH THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- 2. As required under Clause 49 (IV) (G) of the Listing Agreement, the relevant details of the Director seeking appointment under Item No. 2 is annexed.
- 3. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 setting out the material facts of Special Business is annexed.
- The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 24th September 2011 to Thursday, 29th September 2011, both days inclusive.
- 5. Members/Proxies are requested to bring their attendance slip along with the Annual Report to the meeting.
- 6. Members holding shares in physical form are requested to intimate, indicating their folio number, the changes, if any, in their registered addresses either to the Company or to the Registrar and Share Transfer Agents, Purva Sharegistry (India) Private Limited, Mumbai 400 001 or to their respective Depository Participant (DP) in case the shares are held in dematerialized form.
- 7. Members holding shares in physical form are requested to consider converting their holding to dematerialized form to eliminate all risks associated with physical shares and for ease in portfolio management.

8. The Ministry of Corporate Affairs, Government of India ('MCA'), vide its Circular No.18/2011 dated 29th April 2011, has introduced 'Green Initiative in Corporate Governance' by allowing paperless compliance by Companies, i.e. service of any document can be made through electronic mode. Those members, who desire to receive notice/documents including Annual Report through e-mail, are requested to communicate their e-mail ID and changes thereto from time to time to the Depository Participant/Company's Registrar and Share Transfer Agent, Purva Shareregistry Private Limited.

29th August 2011 Coimbatore By Order of the Board **N Prabhu Ram** Company Secretary

# EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT 1956

# ITEM NO.4

Sri T Rajkumar, was appointed, subject to the approval of the members in general meeting, as Chairman & Managing Director of the Company for a period of 5 years with effect from 1st April 2011 to 31st March 2016 on the terms and conditions set out in the resolutions which are placed before the members for their approval. Sri T Rajkumar will not be liable to retire by rotation so long as he continues to hold the office of Managing Director.

Sri T Rajkumar, 44 years, is a Master of Business Administration from the PSG College of Technology, Coimbatore. He is the Charter President of the Coimbatore Chapter of Indian Institute of Industrial Engineers, a member of the Academic Council of the PSG College of Technology (Institute of Management Studies) & PSG College of Arts and Science, a member of the Governing Council of the NGM College of Arts and Science, Pollachi. He is also the Vice Chairman of the South Indian Mills Association (SIMA). He is one of the promoters of the Company looking after the overall management of the Company, particularly financial management and strategies for future growth. He is also Managing Director of Imperial Spirits Limited.

Details of his Directorships and Committee Memberships held in other public companies are given in the Annexure to the notice. The terms and conditions of appointment of Sri T Rajkumar, as set out in the Notice together with the annexed Explanatory Statement may be treated as an abstract under Section 302 of the Companies Act 1956.

Sri T Rajkumar is deemed to be concerned or interested as it relates to his reappointment and remuneration. Sri K Dhanakumar, Director is interested in the appointment of Sri T Rajkumar as relative. None of the other directors have any concern or interest in the resolution.

The Board of Directors recommend the resolutions for the approval of members.

29th August 2011 Coimbatore By Order of the Board N Prabhu Ram Company Secretary

# Item No.2

DETAILS OF DIRECTORS SEEKING REAPPOINTMENT AT THE ANNUAL GENERAL MEETING AS REQUIRED UNDER CLAUSE 49(IV)(G) OF THE LISTING AGREEMENT

| Name of the Director  | K Dhanakumar   | T Rajkumar  |
|---|--|---|
| Director Identification No.   | 00048730   | 00048665  |
| Date of Birth and Age   | 11th November 1969,<br>41 years  | 25th October 1966<br>44 years   |
| Qualifications  | B.Sc., M.B.A.,   | B.Sc., M.B.A.,  |
| Expertise in specific functional areas                                    | Has got rich experience<br>in Production processes                         | Has got rich experience<br>in Financial Management  |
| Directorships held in<br>other public companies                           | Imperial Spirits Ltd<br>Sri Arumuga Sugars Ltd<br>Sri Mahasakthi Mills Ltd | Imperial Spirits Ltd<br>Sri Mahasakthi Mills Ltd<br>Sri Arumuga Sugars Ltd<br>Sri Bhagavathi Textiles Ltd<br>Sakthi Logistic Services Ltd<br>Sakthi Refinery and Protein Ltd<br>Sakthi Beverages Ltd<br>Sakthi Auto Motors Ltd<br>ABT Values Ltd<br>Sakthi Management Services<br>Coimbatore Ltd<br>Sakthi Realty and<br>Infrastructure Ltd<br>Sakthi Finance Commercial<br>Vehicle and Infrastructure Ltd. |
| Memberships /<br>Chairmanships of<br>committee across<br>public Companies | Sri Arumuga Enterprise Ltd   | Nil   |
| No of equity shares held  | 204500   | 205500  |
| Relationship with other directors   | Brother of<br>Sri T Rajkumar   | Brother of<br>Sri K Dhanakumar  |

# DIRECTORS' REPORT

To the Members

Your directors are pleased to present their Annual Report together with the audited accounts of the Company for the financial year ended 31st March 2011.

# FINANCIAL PERFORMANCE

The highlights of the Standalone Financial Results are as under: (₹ in lakhs)

| Particulars                                     | 2010-11 | 2009-10 |
|---|---------|---------|
| Gross Income                                    | 81.57   | 46.36   |
| Gross Profit                                    | 23.80   | 23.26   |
| Net Profit                                      | 23.80   | 23.26   |
| Provision for taxation and IT for prior years   | 2.04    | 8.00    |
| Provision for Deferred Tax                      | -0.35   | 0.00    |
| Prior Period Expenses                           | 0.00    | 0.22    |
| Profit after adjustments                        | 22.11   | 15.03   |
| Add: Opening balance in Profit and Loss account | 23.90   | 8.86    |
| APPROPRIATIONS :                                |         |         |
| Profit carried to Balance Sheet                 | 46.01   | 23.90   |

# **OPERATIONS**

During the year under review, the Company made a gross income of Rs.81.57 lakhs from its operations as against Rs. 46.36 lakhs in the previous year, an increase of 75%. The net profit for the year was Rs.23.80 as against Rs.23.26 lakhs in the previous year.

# **DI VI DEND**

With a view to conserve resources for future requirements, the Board of Directors have not recommended dividend on equity shares for the year ended 31st March 2011.

#### TEXTILE BUSINESS/CHANGE OF NAME

During the year, the Company has altered its main objects of the Memorandum of Association incorporating the business activities relating to textiles and has changed its name from New Horizon Leasing & Finance Limited to Sri Arumuga Enterprise Limited, which was approved by the Shareholders through Postal Ballot. The Registrar of Companies, Coimbatore has issued a fresh Certificate of Incorporation consequent upon change of name with a new Corporate Identification Number L17111TZ1984PLC015887.

# DIRECTORS

During the year, Sri Pradip R Shroff and Sri S S Vijayakar resigned from the Board and ceased to be Directors of the Company with effect from 28th January 2011. The Board wishes to place on record its appreciation for their valuable contribution during their long association with the Company.

Sri K Dhanakumar, Director retires from the Board by rotation and is eligible for re-appointment.

The profile of the director, as required under Clause 49(IV)(G) of the Listing Agreement entered into with stock exchanges are given in the Annexure to the Notice of the Annual General Meeting.

#### **SUBSIDIARIES**

As of 31st March 2010, the following are the subsidiaries of the Company:

- 1. Sri Mahasakthi Mills Limited
- 2. Sri Arumuga Cottspin Private Limited

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. The summary of the key financials of the Company's Subsidiaries is included in this Annual Report.

The annual accounts of the subsidiary companies and the related detailed information shall be made available to shareholders seeking such information at any point of time. The annual accounts of the subsidiary companies shall be kept for inspection by any shareholders at Registered Office of the holding Company.

#### CONSOLIDATED FINANCIAL STATEMENTS

The Directors also present the audited consolidated financial statements incorporating the audited financial statements of the subsidiaries prepared in accordance with the Accounting Standards and Listing Agreement as prescribed by SEBI.

# CORPORATE GOVERNANCE REPORT

As required under Clause 49 of the Listing Agreement, a report on Corporate Governance (including Management Discussion and Analysis Report) and a certificate from the Auditors of the Company regarding compliance of the conditions of corporate governance as stipulated under the Listing Agreement forms part of the Annual Report.

# PARTICULARS REQUIRED UNDER SECTION 217 OF THE COMPANIES ACT 1956

As required under Section 217(1)(e) of the Companies Act 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988:

- a. The Company has no activity involving conservation of energy or technology absorption;
- b. The Company does not have any Foreign Exchange Earnings; and
- c. There is no Foreign Exchange Outgo

The Company has no employee drawing remuneration more than the limits prescribed under Section 217(2A) of the Companies Act 1956.

# PUBLIC DEPOSITS

The Company has not accepted any deposit from the public within the meaning of Section 58A of the Companies Act, 1956 for the year ended 31st March 2011.

#### DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act 1956, your directors confirm, to the best of their knowledge and belief, that:

- a. in the preparation of the annual accounts, the applicable accounting standards had been followed and that no material departure had been made from it;
- b. 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 and of the profit of the Company for the financial year;
- c. the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d. the Directors had prepared the annual accounts on a going concern basis.

# **AUDITORS**

M/s S Lakshminarayanan Associates, Chartered Accountants, who are the Statutory Auditors of the Company, hold office till the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. It is proposed to re-appoint them as Statutory Auditors of the Company. The auditors have, under Section 224(1B) and Section 226 Company of the Companies Act 1956, furnished certificate of their eligibility for the appointment.

# ACKNOWLEDGEMENTS

Your Directors wish to place on record the valuable assistance and co-operation extended by the members and other stakeholders.

29th August 2011 Coimbatore For and on behalf of the Board **T Rajkumar** Chairman and Managing Director

# MANAGEMENT DISCUSSION AND ANALYSIS REPORT

#### Industry Structure and Overview

The Textile industry faces a particularly acute challenge as the price of its raw material, viz. cotton, has increased by more than 100 per cent in just the last one year. The average prices of cotton during October 2010 - March 2011 reached historic high with escalation of around 85 per cent over the corresponding period last year. This is the primary reason for an increase in the cost of production of cotton yarn. Although from mid-April 2011 cotton prices have shown a softening trend, cotton prices in the period ahead will generally remain at higher level than what was prevailing prior to 2010-11 cotton season. Allowing export of cotton has also created an acute shortage of this commodity. This factor coupled with increased cost to an unprecedented level and partial restrictions on the export of yarn up to March, 2011 have all added to the problems of the industry. Unless export policies get stabilized on a sound footing, it will be difficult for the industry to improve substantially in the near future.

#### **Opportunities and Threats**

In view of rising income levels and resultant higher demand, the industry has an opportunity for growth which has to be fully exploited in both domestic and export markets. As the Textile Upgradation Fund Scheme (TUFS) has been restarted by the Government, it would definitely provide support to the industry to gain fully from the opportunity for expansion and sustained and profitable growth.

#### Segmental Review and Analysis :

The Company is engaged in trading of textile goods. The subsidiaries of the Company viz. Sri Mahasakthi Mills Ltd and Sri Arumuga Cottspin Private Ltd manufacturers fine quality of hosiery and warp yarn. Due to the severe increase in the prices of cotton, wages, oil and gas, the cost of manufacturing has been steadily rising. But, it has not been possible to increase the selling prices commensurate with the increase in the input costs and therefore, the margins have been under severe pressure. There are indications that the markets may improve in the near future which should enable the Company to perform better.

#### **Risks and Concerns :**

The global demand for cotton continues to be high but the prevailing high prices may prove an obstacle in continuing uninterrupted manufacturing operations. Coupled with this, the availability of skilled labour has also become difficult in states where the textile industry is located. Availability of workers from neighbouring States has reduced resulting in this acute shortage, which is a matter of concern.

#### Outlook :

Inspite of the current stressful situation outlined above, the demand for cotton textiles in the long run should remain strong in India and abroad. Our continued efforts to maintain quality and scouting for new and better markets should promote growth and we hope to achieve a better performance in the near future.

#### Performance and financial review

During the year under review the Company recorded a gross income of Rs.81.57 lakhs as against Rs.43.36 lakhs during previous year and net profit of Rs.23.80 as against Rs.23.26 lakhs during previous year.

# **Risks and Concerns**

Our Company does not face any risk other than those prevalent in the Industry. The Company is taking measures to mitigate such risks through prudent risk management system.

# Internal Control System and its Adequacy

Our Company has a sound and adequate system of internal controls to monitor and regulate all the activities. The Company complies with internal control policies and procedures and other regulatory requirements.

#### Human Resources Development

During the year, our Company maintained very harmonious and cordial relations with its employees. Our Company's human resources philosophy is to establish and build a strong performance and competency driven culture with higher sense of accountability and responsibility among its employees.

Coimbatore 29th August 2011 For and on behalf of the Board **T. Rajkumar** Chairman & Managing Director

# **Cautionary Statement**

Certain statements made in Management Discussion and Analysis Report describing the Company's objectives, projections, estimates and expectation may be "forward-looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those expressed or implied.

# CORPORATE GOVERNANCE REPORT

#### 1. Company's Philosophy on Corporate Governance

Sri Arumuga Enterprise Limited ("the Company") adopts best corporate practices and is committed to conduct its business in accordance with applicable laws, rules and regulations and the highest standards of business ethics and ethical conduct.

The Company's philosophy on corporate governance continues to aim at high levels of transparency, accountability and equity in all areas of its operations and its dealing with members, employees, customers, regulatory and government agencies in all possible way.

#### 2. Board of Directors

# Composition and size of the Board

The Board of Directors presently consists of four members, out of which one is a Chairman and Managing Director and three are Non-Executive Directors who bring in a wide range of skills and experience to the Board. The Board has an Executive Chairman and the number of independent directors is 50% of the number of Directors.

The Board of Directors and its Committees meet at periodic intervals. Policy formulation, setting up of goals and evaluation of performance and control function vest with the Board. The Board has constituted three Committees, namely, Audit Committee, Nomination and Remuneration Committee, Shareholders' / Investors' Grievance Committee.

None of the Directors on the Company's Board is a member of more than ten Committees and Chairman of more than five Committees across all Companies in which he is a Director. The necessary disclosures regarding committee positions have been made by the Directors.

#### Number of Board Meetings held during the year

During the financial year, 11 Board Meetings were held on 6th May 2010, 15th May 2010, 13th August 2010, 3rd September 2010, 13th November 2010, 19th November 2010, 30th December 2010, 28th January 2011, 14th February 2011, 18th February 2011 and 28th February 2011. The gap between two meetings did not exceed four months. The information as required under Annexure – IA to Clause 49 of the Listing Agreement is being made available to the Board for discussion and consideration at Board Meetings. The Board has also taken on record the certificates given by the senior management personnel regarding compliance with the applicable laws on quarterly basis.

#### Code of Conduct

The Board of Directors have adopted a Code of Conduct and Ethics ("the Code") to ensure compliance with the legal requirements and standards of business conduct. The purpose of the Code is to deter wrong doing and promote ethical conduct.

The Code applies to all Directors and members of Senior Management of the Company. All Board Members and Senior Management personnel of the Company have affirmed compliance with the Code. A declaration to this effect, signed by Chairman and Managing Director is annexed.

#### Attendance and other Directorships

The composition of the Board of Directors, category, relationship with other Board Members, attendance at board meetings held during the financial year and at the last Annual General Meeting, number of other directorships and committee Chairmanship / Membership held are given below. Other directorships do not include alternate directorships, directorships of private limited companies, Section 25 companies and of companies incorporated outside India. Chairmanships/Memberships of Board Committees include only Audit and Shareholders/Investors Grievance Committees.

# ANNUAL REPORT 2011

|  |  | F                                      | Financia         | l Year      | As on 29                  | th August                       | 2011               |  |
|--|--|--|------------------|-------------|---------------------------|---------------------------------|--------------------|--|
| Name of the<br>Director  | Category                                     | Relationship attendance                |                  | 2011        | No.of other               |                                 | Committee Position |  |
|  | of   | with other<br>Directors                | at               |             | Directorship <sup>1</sup> | Chairman                        | Member             |  |
|  |  | Directors                              | Board<br>Meeting | Last<br>AGM | (exclu<br>Ente            | ding Sri Arur<br>Prprise Limite | <br>nuga<br>ed)    |  |
| Sri T Rajkumar<br>Chairman and<br>Managing Director)<br>DIN:00048665 | Non-<br>Independent<br>and<br>Executive      | Brother of<br>Sri<br>K Dhana-<br>Kumar | 11               | Yes         | 12                        | _                               | _                  |  |
| Sri K Dhanakumar<br>DIN:00048730                                     | Non-<br>Independent<br>and Non-<br>executive | Brother of<br>Sri T Raj-<br>Kumar      | 7                | No          | 3                         | _                               | _                  |  |
| Sri Pradip Shroff**<br>DIN: 00286509                                 | Independent<br>and<br>Non-executive          | None                                   | 5                | Yes         | 11                        | 1                               | 1                  |  |
| Sri Hemendra<br>Shroff<br>DIN: 00286509                              | Independent<br>and<br>Non- executive         | None                                   | 4                | No          | 4                         | —                               | _                  |  |
| Sri S S Vijayakar*<br>DIN: 00286533                                  | Independent<br>and<br>Non-executive          | None                                   | 6                | Yes         | 4                         | _                               | _                  |  |
| Sri S Venkatachalam <sup>*</sup><br>DIN:03503169                     | Independent<br>and<br>Non-executive          | None                                   | 3                | NA          | -                         | _                               | _                  |  |
| Sri S Sanjai*<br>DIN:03414023  | Independent<br>and<br>Non-executive          | None                                   | 3                | NA          | 1                         | _                               | _                  |  |

- \* Appointed as Additional Directors of the Company with effect from 28th January 2011.
- \*\* Resigned from the Directorship with effect from 28th January 2011.
- <sup>+</sup> Held Directorship till 30th September 2010.

# 3. Committees of the Board Audit Committee

The brief terms of reference of the Audit Committee are:

- Reviewing the financial statements before they are submitted to the Board of Directors
- Reviewing the internal control systems
- Any other matters that are relevant

# The committee consists of 3 non-executive directors, of which 2 are independent directors.

The composition of the Audit Committee and the attendance of its members are given below:

| Name                          | No. of meetings<br>held | No. of meetings attended |
|-------------------------------|-------------------------|--------------------------|
| Sri S Sanjai, Chairman*       | 5                       | 1#                       |
| Sri S Venkatachalam, Member** | 5                       | 1#                       |
| Sri K Dhanakumar, Member**    | 5                       | 2#                       |
| Sri Pradip R Shroff           | 5                       | <b>4</b> <sup>@</sup>    |
| Sri S S Vijayakar             | 5                       | 4 <sup>@</sup>           |
| Sri T Rajkumar                | 5                       | 4 <sup>@</sup>           |

\* Appointed as Chairman of the Committee w.e.f. 28th January 2011

- \*\* Appointed as Member of the Committee w.e.f. 28th January 2011
- # Details provided from the date of appointment
- <sup>@</sup> Details provided till the date of Resignation

The committee held five meetings during the financial year on 15th May 2010, 13th August 2010, 3rd September 2010, 13th November 2010 and 14th February 2011.

All members of Audit Committee are financially literate. The minutes of the Audit Committee are placed before the Board of Directors at their meetings. The Chairman of Audit Committee was present at the last Annual General Meeting.

#### Nomination and Remuneration Committee

The Company has set up a Nomination and Remuneration Committee with Independent Directors as its members. The Nomination and Remuneration Committee determines and recommends to the Board the appointment of Independent directors to the Board. It also recommends remuneration including commission, perquisites and allowances payable to Chairman and Managing Director. The Company has complied with the non-mandatory requirement of Clause 49 regarding Nomination and Remuneration committee.

The committee consists of two non-executive, independent directors.

The composition of the Nomination and Remuneration Committee is given below:

Sri S Venkatachalam, Chairman

Sri S Sanjai, Member

The Company met once during the year on 18th February 2011 for the appointment of Sri T Rajkumar as Managing Director of the Company with effect from 1st April 2011.

# Remuneration policy of the Company is given below: For Chairman and Managing Director

The total remuneration, subject to members' approval, consists of a fixed component viz. salary, as per Company's Rules.

#### For Non-Executive Directors

At present, no Non-Executive Director is paid any sitting fees for attending the Board and Audit Committee meetings. Non-executive directors are not being paid any commission.

#### Notes :

 The appointment of Chairman and Managing Director is governed by the Articles of Association of the Company and the resolutions passed by the Board of Directors. Necessary Resolution for his appointment is being placed for the members of the Company at the ensuing Annual General Meeting. Sri T Rajkumar was appointed as Managing Director of the Company for a period of 5 years with effect from 1st April 2011 by the Board of Directors. He will hold office up to 31st March 2016. The Company does not have any service contract with Chairman and Managing Director.

- 2. No severance fee is payable to the Directors on termination of employment.
- 3. The company has no stock option scheme either to its directors or to employees.
- 4. None of the non-executive directors has any pecuniary relationship or transactions with the Company.

#### Shareholders' / Investors' Grievance Committee

The function of the Committee is to redress the grievances of Shareholders' / investors' and to create and review the systems for improving the services.

#### Composition

The present composition of the Shareholders' and Investors' Grievance Committee reconstituted on 28th January 2011 is given below as:

Sri K Dhanakumar, Chairman Sri S Sanjai, Member Sri S Venkatachalam, Member Sri N Prabhu Ram, Company Secretary, is the Compliance Officer.

The Committee meets periodically to attend to transfer / transmission of shares, issue of duplicate share certificates and other grievances of shareholders. The Committee has not met during the year.

During the year, the Company has not received any grievances from shareholders in addition to the requests for transfer / transmission of shares and issue of duplicate share certificates. They were expeditiously attended to the satisfaction of the shareholders. No complaint was pending as at the close of the financial year.

# 4. Subsidiary Company

The Company has two Indian subsidiary companies. The details of the Subsidiary Companies are as follows :

- 1. Sri Mahasakthi Mills Limited
- 2. Sri Arumuga Cottspin Private Limited

The Company has appointed Sri S Sanjai, Independent Director of the Company as Director as per requirement of Listing Agreement. The Audit Committee reviews the financials of the subsidiary companies. The minutes of subsidiaries are being placed before the Board of Directors of the Company.

# 5. General Body Meetings

Details of date, time and venue where the last three Annual General Meetings held are given below:

| Year | Date                | Time      | Venue  |
|------|---------------------|-----------|--|
| 2010 | 30th September 2010 | 10.30 a.m | #1, Sundaram Bros Layout<br>Opp. All India Radio<br>Trichy Road<br>Coimbatore - 641045 |
| 2009 | 30th September 2009 | 10.00 a.m | Cama Building, 1st Floor   |
| 2008 | 2nd September 2008  | 10.00 a.m | 24/26, Dalal Street Fort,<br>Mumbai – 400001   |

Details of Special Resolutions passed in the previous three Annual General Meetings are as follows:

- 1. At the AGM held on 30th September 2010 Alteration of Articles with regard to increase in Authorised capital
- 2. Details of Special Resolutions passed through Postal Ballot during the year

| Date of Postal Ballot | Particulars of Special Resolution passed   |
|-----------------------|--|
| 28th February 2011    | <ol> <li>Approving the Alteration of Memorandum<br/>of Association to insert Clauses 95 and<br/>96 under (C) Other Object Clause</li> <li>Approving the Commencement of<br/>Business with regard to the above<br/>objects</li> </ol> |

| 19th November 2010 |
|--------------------|

Mr.R. Dhanasekaran, Company Secretary in practice was appointed as a Scrutinizer for conducting both the postal ballots. Calendar of events mentioning therein the receipt of consent from the Scrutiniser, date of appointment of Scrutinizer, date of completion of dispatch of Notice, last date of receipt of Postal Ballot forms, last date of submission of report by Scrutinizer, date of declaration of results etc. were filed with the Registrar of Companies. The resolutions were passed unanimously in both the cases.

# 6. Disclosures

# **Related Party Transactions**

During the financial year 2010-11, there were no materially significant transactions entered into between the Company and its promoters, directors or the management or relatives etc., that may have potential conflict with the interest of the Company at large. Declarations have been received from the senior management personnel to this effect.

# Statutory Compliance, Penalties and Strictures

The Company has complied with the requirements of the Bombay Stock Exchange/SEBI and Statutory Authority on all matters related to capital markets during the last three years except during the period of suspension for procedural reasons. Since then the Company has complied with all the matters relating to capital markets and the suspension of trading was revoked by the Bombay Stock Exchange.

#### Accounting policy

The Company follows Accounting Standards notified by the Central Government under the Companies (Accounting Standards) Rules, 2006 and in the preparation of financial statements, the company has not adopted a treatment different from that prescribed in an Accounting Standard.

#### 7. Means of communication

The quarterly results are published in national / regional daily ("Business Standard" in English and "Malaimalar"/"Makkal Kural" in Tamil). The half-yearly results are not individually sent to the shareholders. The financial results are displayed on www.arumugaenterprise.com.

#### 8. Management

A detailed Management Discussion and Analysis Report forms part of the Annual Report.

#### 9. Directors' reappointment

Details of disclosure regarding re-appointment of directors liable to retire by rotation are given in the Annexure to the Notice.

#### 10. General Shareholder Information

**Annual General Meeting** 

| Annual General Mee |   |                                   |
|--------------------|---|-----------------------------------|
| Date and Time      | : | 29th September 2011 at 4.30 p.m   |
| Venue              | : | #1, Sundaram Brothers Layout,     |
|                    |   | Opp. All India Radio, Trichy Road |
|                    |   | Coimbatore – 641 045              |
|                    |   |                                   |
| Einancial year     |   | April to March                    |
| Financial year     | : |                                   |
|                    |   |                                   |
| Book Closure Date  | : |                                   |
|                    |   | (both days inclusive)             |
|                    |   |                                   |
| Listing            | : | Bombay Stock Exchange, Mumbai     |
|                    |   |                                   |
| Scrip Code & ID    | : | 507918 & ARUMUGA                  |
|                    |   |                                   |
| Demat ISIN         | : | INE240L01011                      |
|                    |   |                                   |
|                    |   |                                   |

|                | BSE Pric | ce ( <b>₹</b> ) | BSE Sensex |           |
|----------------|----------|-----------------|------------|-----------|
| Month          | High     | Low             | High       | Low       |
| April 2010     | N.A      | N.A             | 18,047.86  | 17,276.80 |
| May 2010       | N.A      | N.A             | 17,536.86  | 15,960.15 |
| June 2010      | N.A      | N.A             | 17,919.62  | 16,318.39 |
| July 2010      | N.A      | N.A             | 18,237.56  | 17,395.58 |
| August 2010    | N.A      | N.A             | 18,475.27  | 17,819.99 |
| September 2010 | N.A      | N.A             | 20,267.98  | 18,027.12 |
| October 2010   | 52.50    | 52.50           | 20,854.55  | 19,768.96 |
| November 2010  | 114.00   | 55.10           | 21,108.64  | 18,954.82 |
| December 2010  | 119.70   | 100.30          | 20,552.03  | 19,074.57 |
| January 2011   | 106.05   | 101.00          | 20,664.80  | 18,038.48 |
| February 2011  | 105.05   | 99.80           | 18,690.97  | 17,295.62 |
| March 2011     | 94.85    | 71.00           | 19,575.16  | 17,792.17 |

#### **Registrars and Share Transfer Agents**

Members are requested to correspond with the Company's Registrar & Transfer Agents- Purva Sharegistry (India) Private Limited quoting their folio no. at the following addresses: -

#### Purva Sharegistry (India) Private Limited

Unit : Sri Arumuga Enterprise Limited No.9, Shiv Shakti Industrial Estate Ground Floor, J. R. Boricha Marg Opp. Kasturba Hospital, Lower Parel Mumbai - 400 011 Fax : 022-2301 2517 Email : busicomp@vsnl.com

#### Share Transfer System

All transfers received are processed by the Registrars and Share transfer agents and are approved by the Share Transfer Committee. Share transfers are registered and returned to the shareholders within the stipulated time, if the documents are in order. Pursuant to Clause 47(c) of the Listing Agreement with the Stock Exchanges, certificates, on half yearly basis, have been issued by a Company Secretary in practice for due compliance of share transfer formalities by the Company. Pursuant to SEBI (Depositories and Participant's) Regulations 1996, certificates have also been received from a Company Secretary in Practice for timely dematerialisation of shares of the Company and for conducting a secretarial audit on a quarterly basis for reconciliation of the share capital of the Company.

| Shareholdings  | No of<br>share<br>holders | % to<br>share<br>holders | No of<br>Shares | % to<br>capital |
|----------------|---------------------------|--------------------------|-----------------|-----------------|
| 1 - 5000       | 701                       | 95.50                    | 105510          | 10.55           |
| 5001 - 10000   | 14                        | 1.91                     | 12000           | 1.20            |
| 10001 - 20000  | 4                         | 0.54                     | 6100            | 0.61            |
| 20001 - 30000  | 1                         | 0.14                     | 3000            | 0.30            |
| 30001 - 40000  | 1                         | 0.14                     | 4000            | 0.40            |
| 40001 - 50000  | 0                         | 0.00                     | 0               | 0.00            |
| 50001 - 10000  | 4                         | 0.54                     | 35400           | 3.54            |
| 100001 & above | 9                         | 1.23                     | 833990          | 83.40           |
| Total          | 734                       | 100.00                   | 1000000         | 100.00          |

#### Distribution of shareholding as on 31st March 2011

#### Category of shareholding as on 31st March 2011

| Category               | Percentage |
|------------------------|------------|
| Promoters              | 61.45      |
| Resident Individuals   | 33.97      |
| Bodies corporate       | 3.11       |
| Clearing Members       | 1.01       |
| Hindu Undivided Family | 0.46       |
| Total                  | 100.00     |

#### Dematerialisation of shares and liquidity

The Company's shares are compulsorily traded in dematerialized form and are admitted for trading under both the depositories of India viz. National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd (CDSL). 2,02,890 Equity Shares of the Company constituting 20.29% of the paid-up capital were dematerialised as on 31st March 2011.

#### **Nomination Facility**

The company is accepting nomination forms from shareholders in the prescribed Form No.2B. Any member, who is desirous of making a nomination, is requested to contact the share department at the Registered Office of the company or the Registrar and Share Transfer Agents. Members holding shares in dematerialised form are requested to forward their nomination instructions to the depository participant concerned. Nomination is only optional and can be cancelled or varied by the member at any time.

#### Address for correspondence

Sri Arumuga Enterprise Limited #1, Sundaram Brothers Layout Opp. All India Radio, Trichy Road Coimbatore – 641 045 Tel: 0422 – 2322340 / 4227300 Fax: 0422 - 4365828

#### Investor Correspondence

All shareholders' correspondence should be addressed to the Company's registrars and share transfer agents at the address mentioned above.

Shareholders may also contact Sri. N.Prabhu Ram, Company Secretary and Compliance Officer at the Registered Office of the Company for any investor grievance related matters.

Tel : 0422 – 2322340 / 4227300 E- mail : prabhuram@arumugaenterprise.com

Pursuant to Clause 47(f) of the Listing Agreement, the Company has designated the following exclusive E-mail Id for the convenience of investors.

investors@arumugaenterprise.com

# Compliance with Non-mandatory Requirements

The Company has adopted all mandatory requirements of Clause 49 of the Listing Agreement and the status of compliance in respect of non-mandatory requirements stipulated by the said clause is as under:

- The Company has set up a Nomination & Remuneration committee pursuant to clause 49 of the Listing agreement.
- The half-yearly financial results are published in leading newspapers as mentioned above. Therefore, the results are not being separately circulated to the shareholders.
- The Company takes concrete and conscious steps in ensuring that the Auditors do not have any qualifications on the financial statements. Queries and suggestions on financial statements, if any, are addressed by the Company officials to the satisfaction of auditors.

29th August 2011 Coimbatore For and on behalf of the Board **T. Rajkumar** Chairman & Managing Director

# DECLARATION

I, T Rajkumar, Chairman & Managing Director of Sri Arumuga Enterprise Limited, hereby declare that all the members of the Board of Directors and Senior Management Personnel of the Company have affirmed compliance with the Company's Code of Conduct, applicable to them as laid down by the Board of Directors in terms of Clause 49(I)(D)(ii) of the Listing Agreement entered into with Stock Exchange for the year ended 31st March 2011.

29th August 2011 Coimbatore For Sri Arumuga Enterprise Limited **T Rajkumar** Chairman & Managing Director

# AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE TO THE MEMBERS OF SRI ARUMUGA ENTERPRISE LIMITED

We have examined the compliance of the conditions of Corporate Governance by SRI ARUMUGA ENTERPRISE LIMITED for the year ended 31st March 2011 as stipulated in Clause 49 of the Listing Agreement of the said company, with the stock exchanges.

The Compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring compliance with the conditions of 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, and the representations made by the directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the company as per the records maintained by the Shareholders / Investor Grievance 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 M/s S LAKSHMI NARAYANAN ASSOCIATES

CHARTERED ACCOUNTANTS FIRM REG. NO.6609S

Coimbatore 29th August 2011 L.KAMESH (M.No. 209388) PARTNER

# Auditor's Report to the Members of SRI ARUMUGA ENTERPRISE LIMITED

We report that we have audited the Balance Sheet of Sri Arumuga Enterprise Limited as at 31st March 2011 and also the Profit & Loss Account for the year ended on that date annexed thereto and 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 conducted the audit in accordance with 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, disclosures in the financial statements, assessing the accounting principles used, 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.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956 we enclose in Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to in Paragraph 3 above, we state that:

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for our Audit.
- b) In our opinion, proper books of account as required by law have been kept so far as appears from our examination of those books.
- c) The Balance Sheet and Profit & Loss Account referred to in this Report are in agreement with the Books of Account.
- d) In our opinion the Profit & Loss Account and Balance Sheet read together with the notes thereon comply with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956.

- e) On the basis of written representation received from all the Directors as of 31st March 2011 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as of 31st March 2011 from being appointed as Director in terms of Section 274 (1)(g) of the Companies Act, 1956.
- f) In our opinion and according to the information and explanations given to us and on the basis of such checks as we considered appropriate, the said Balance Sheet and Profit & Loss Account read 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 :
  - (i) in the case of the Balance Sheet, of the STATE OF AFFAIRS as at 31st March 2011

and

(ii) in the case of the Profit & Loss Account of the PROFIT for the year ended that date

#### For M/s S LAKSHMI NARAYANAN ASSOCI ATES

CHARTERED ACCOUNTANTS FIRM REG. NO.6609S

Coimbatore 29th August 2011 L.KAMESH (M.No. 209388) PARTNER

# ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE REPORT OF EVEN DATE OF THE AUDITORS TO THE MEMBERS OF SRI ARUMUGA ENTERPRISE LIMITED

- The Company does not have any fixed assets; hence Clauses pertaining to Fixed Assets are not applicable to the Company.
- (ii) The Company does not have any inventory; hence Clauses pertaining to Stock in trade are not applicable to the Company.
- (iii) (a) The Company has taken Unsecured Loans from parties listed in the register maintained under Section 301 of the Companies Act, 1956.
   Loan for Rs.900.00 lakhs has been taken under report from parties and balance as of 31st March 2011 is Rs.1900.00 lakhs. The Company has not paid any interest on the loans taken.
  - (b) The Company has not granted any advance to parties listed in the registered maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion, the internal control procedures of the Company relating to purchases of stores, raw materials including components, plant & machinery, equipments and other similar assets and for sale of goods & services are commensurate with its size and nature of its business. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control systems.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
  - (b) In our opinion and according to the information and explanations given to us, the transactions in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to prevalent market prices at the relevant time.
- (vi) The Company has not accepted deposits from public and the provisions of Sections 58A and 58 AA of the Companies Act, 1956 or any other relevant provisions of the Companies Act,1956 and the Companies (Acceptance of Deposits) Rules, 1975 are not applicable to the Company.

- (vii) In our opinion, the Company's internal audit system is commensurate with its size and nature of its business.
- (viii) The provisions of the Companies Act for maintenance of Cost Records Under Section 209 (1)(d) are not applicable to the Company.
- (ix) (a) The Company is regular in depositing with the appropriate authorities the undisputed statutory dues relating to income tax, sales tax, excise duty, cess and other material statutory dues applicable to it.
  - (b) According to the information and explanations given to us and the records of the Company examined by us, there were no dues of income tax, excise duty, cess and service tax which have not been deposited on account of any dispute.
- (x) The Company has no accumulated losses at the end of the financial year under report. The Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) The Company has not obtained any loans from financial institutions or banks nor issued any debentures.
- (xii) The Company has not granted loans and advances on the basis of security of pledge of shares, debentures and other securities.
- (xiii) The provisions of any special statute applicable to a chit fund / nidhi / mutual benefit fund / society are not applicable to the Company.
- (xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments.
- (xv) The Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company has not taken any term loan during the year.
- (xvii) According to the cash flow statement and other records examined by us and the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term investment.

- (xviii) According to the information and explanations given to us, the Company has not made preferential allotment of shares to parties covered in the register maintained under Section 301 of the Companies Act.
- (xix) According to the information and explanations given to us, during the year covered by our audit report, the Company has not issued any debentures.
- (xx) According to the information and explanations given to us, the Company has not raised funds by public issues during the year covered by our audit report.
- (xxi) According to the information and explanations given to us and on the basis of our examination of books & records of the Company in accordance with the generally accepted auditing practices, no fraud on or by the Company has been noticed or reported during the year.

# For M/s S LAKSHMINARAYANAN ASSOCIATES

CHARTERED ACCOUNTANTS FIRM REG. NO.6609S

> L.KAMESH (M.No. 209388) PARTNER

Coimbatore 29th August 2011

| BALANCE SHEET AS AT 31ST MARCH 2011                               |           |                        |   |
|---|-----------|------------------------|---|
| PARTICULARS   | SCHEDULE  | AS<br>31.03.2011<br>Rs | AT<br>31.03.2010<br>Rs                              |
| SOURCES OF FUNDS:   |           |                        |   |
| Share Capital   | 1         | 1000000                | 9795500   |
| Reserves & Surplus  | 2         | 4601062                | 2390065   |
| Unsecured Loans   | 3         | 190000000              | 100000000   |
|   |           | 204601062              | 112185565   |
| APPLICATION OF FUNDS:   |           |                        |   |
| Investments   | 4         | 19000000               | 10000000  |
| Current Assets, Loans & Advances :<br>A. Current Assets           |           |                        |   |
| A. Current Assets<br>Cash & Bank Balances                         | 5         | 5955679                | 200166  |
| Sundry Debtors  | 6         | 9405550                | 13924476  |
| B. Deposits & Advances  | 7         | 876959                 | 926171  |
|   |           | 16238188               | 15050813  |
| Less: Current Liabilities & Provisions                            | 8         | 1672196                | 2865248   |
|   |           | 14565992               | 12185565  |
| Deferred Tax  |           | 35070                  | C   |
|   |           | 204601062              | 112185565   |
| <b>T Rajkumar</b><br>Chairman & Director<br>Managing Director     | For M/s S |                        | Accountants   |
| Coimbatore <b>N Prabhu Ram</b><br>29th August 2011 Company Secret | tary      |                        | eg No. 066095<br>L Kamesh<br>Partnei<br>M.No.209388 |

# ANNUAL REPORT 2011

|   |  |           | AS A  | λТ                        |  |
|---|--|-----------|---|---------------------------|--|
| PARTICULA   | RS                                     | SCHEDULE  | 31.03.2011<br>Rs  | 31.03.2010<br>Rs          |  |
| Income :  |  |           |   |                           |  |
| Sales   |  |           | 5331740   | 2290130                   |  |
| Other Income  |  |           | 2825000   | 2345572                   |  |
|   |  |           | 8156740   | 4635702                   |  |
| Expenditure :   |  |           |   |                           |  |
| Purchases   |  |           | 5079228   | 2118515                   |  |
| Administrative & Ot   | ther Expenses                          | 9         | 697296  | 191174                    |  |
|   |  |           | 5776524   | 2309689                   |  |
| Net Profit for the ye   | ear                                    |           | 2380216   | 2326013                   |  |
| Brought Forward S   | urplus                                 |           | 2390066   | 886157                    |  |
|   |  |           | 4770282   | 3212170                   |  |
| Appropriations :  | <b>-</b>                               |           | 774000  |                           |  |
| Provision for Incom   |  |           | 771000  | 800000                    |  |
| Provision for Deferred Tax<br>IT for Prior Years/(Excess Provision of Income Tax) |  |           | (35070)<br>(566710)   | C                         |  |
|   |  |           | (300710)  | 22105                     |  |
| Prior Year Expenses<br>Surplus Carried Forward                                    |  |           | 4601062   | 2390065                   |  |
|   |  |           | 4770282   | 3212170                   |  |
| Earnings  |  |           | 1609216   | 1503908                   |  |
| Wt. Average No. of  | Shares                                 |           | 979550  | 979550                    |  |
| Earnings Per Share  |  |           | 1.64  | 1.54                      |  |
| <b>T Rajkumar</b><br>Chairman &<br>Managing Director                              | <b>K Dhanakumar</b><br>Director        | For M/s S | Lakshminarayanan Associates<br>Chartered Accountants<br>Firm Reg No. 06609S |                           |  |
| Coimbatore<br>29th August 2011  | <b>N Prabhu Ram</b><br>Company Secreta | rv        |   | <b>L Kamesł</b><br>Partne |  |

|     |   | PARTICULARS   | 31.03.2011<br>Rs.   | 31.03.2010<br>Rs.                               |
|-----|---|---|---------------------|---|
| A.  | Net Profit befo   | <b>ROM OPERATING ACTIVITIES:</b><br>re Tax and Extra Ordinary Items:                    | 2380216             | 2326013   |
|     | Adjust:<br>Depreciation   | T   | 0                   | 0   |
|     | Provisions for<br>- Income Tax<br>Prior Period E:   | x & Deferred Tax  | (169220)<br>0       | (800000)<br>(22105)                             |
|     |   |   | 2210996             | 1503908   |
|     | Operating Profit before Working Capital Changes:<br>(Increase) / Decrease in Sundry Debtors<br>(Increase) / Decrease in Advances & Deposits<br>(Increase) / (Decrease) in Current Liabilities & |   | 4518926<br>49212    | (3828102)<br>31910                              |
|     | Provisions  | decrease) in current Liabilities &  | (1228122)           | 1516630   |
|     | NET CASH FLO  | W FROM OPERATING ACTIVITIES   | 5551012             | (775654)  |
| B.  | CASH FLOW F<br>Purchase of Ir   | ROM INVESTING ACTIVITIES:<br>avestments   | (9000000)           | (99056536)                                      |
| C.  | Increase / (De  | ROM FINANCING ACTIVITIES:<br>crease) in Shareholders Funds<br>crease) in Unsecured Loan | 204500<br>900000000 | 0<br>10 <u>000000</u>                           |
|     |   | n Cash & Cash Equivalents (A+B+C)<br>ce of Cash & Cash Equivalents                      | 5755512<br>200166   | 167810<br>32356                                 |
|     | Closing Balance of Cash & Cash Equivalents  |   | 5955678             | 200166  |
| Cha | a <b>jkumar</b><br>airman &<br>naging Director  | K Dhanakumar For M/s S L<br>Director  |                     | an Associates<br>d Accountants<br>eg No. 066095 |
|     | mbatore<br>h August 2011  | <b>N Prabhu Ram</b><br>Company Secretary  |                     | L Kamesh<br>Partne<br>M.No.209388               |

**ANNUAL REPORT 2011** 

|     |  | AS AT            |                  |
|-----|--|------------------|------------------|
|     | PARTICULARS                                    | 31.03.2011<br>Rs | 31.03.2010<br>Rs |
| SCH | HEDULES TO ACCOUNTS :                          |                  |                  |
| 1   | SHARE CAPITAL :                                |                  |                  |
|     | Authorised :                                   |                  |                  |
|     | 10000000 (2000000) Equity Shares of Rs.10 each | 10000000         | 2000000          |
|     | Issued, Subscribed & Paid-up:                  |                  |                  |
|     | 1000000 Equity Shares of Rs.10 each            | 10000000         | 9795500          |
| 2   | RESERVES & SURPLUS:                            |                  |                  |
|     | Reserves & Surplus                             | 4601062          | 2390065          |
| 3   | UNSECURED LOAN:                                |                  |                  |
|     | Unsecured loan from Directors                  | 19000000         | 10000000         |
| 4   | INVESTMENTS - UNQUOTED:                        |                  |                  |
|     | Cost:  |                  |                  |
|     | 9000000 (6000000) Equity shares of             |                  |                  |
|     | Rs.10 each fully paid in                       |                  |                  |
|     | Sri.Mahasakthi Mills Ltd.                      | 9000000          | 6000000          |
|     | 10000000 (4000000) Equity shares of            |                  |                  |
|     | Rs.10 each fully paid in                       | 400000000        | 1000000          |
|     | Sri Arumuga Cottspin Pvt. Ltd.                 | 10000000         | 4000000          |
|     |  | 19000000         | 10000000         |
|     | Face Value                                     | 19000000         | 10000000         |
| 5   | CASH & BANK BALANCES:                          |                  |                  |
|     | Cash at Bank                                   | 5955679          | 200166           |
|     |  | 5955679          | 200166           |
| 6   | SUNDRY DEBTORS:                                |                  |                  |
|     | Sundry Debtors - More than Six Months          | 9405550          | 3378405          |
|     | Sundry Debtors - Others                        | 0                | 10546071         |
|     |  |                  |                  |

| SRI ARUN | /IUGA ENT | <b>ERPRISE</b> | LIMITED |
|----------|-----------|----------------|---------|
|----------|-----------|----------------|---------|

| SCHEDULES FORMING PART OF BALANCE SHEET AS ON 31ST MARCH 2011 |  |                     |                          |                                      |
|---|--|---------------------|--------------------------|--------------------------------------|
|   |  | PARTICULARS         | AS A<br>31.03.2011<br>Rs | AT<br>31.03.2010<br>Rs               |
| 7   | DEPOSITS & /   | ADVANCES:           |                          |                                      |
|   | Deposits   |                     | 282500                   | 331712                               |
|   | Advances   |                     | 594459                   | 594459                               |
|   |  |                     | 876959                   | 926171                               |
| 8   | CURRENT LIA  | BILITIES & PROVISIO | NS:                      |                                      |
|   | A. Current Lia   | abilities:          |                          |                                      |
|   | Liability for  | Purchases           | 0                        | 1745951                              |
|   | Liability for  | Expenses            | 75000                    | 35809                                |
|   | Liability for  | Other Finance       | 826196                   | 185066                               |
|   | B. Provisions  | :                   |                          |                                      |
|   | Provision fo   | or Income Tax       | 771000                   | 898422                               |
|   |  |                     | 1672196                  | 2865248                              |
| 9   | ADMINISTRA   | TIVE & OTHER EXPENS | SES:                     |                                      |
|   | Audit Fees   |                     | 25000                    | 20000                                |
|   | Filing Fees  |                     | 196241                   | 6500                                 |
|   | Printing & Stationery  |                     | 37600                    | 10474                                |
|   | Postage & Tele   | egram               | 18700                    | 10000                                |
|   | Professional F   | ees                 | 35500                    | 84943                                |
|   | Bank Charges   |                     | 260                      | 166                                  |
|   | Listing Fee & A  | Annual Charges      | 371130                   | 11030                                |
|   | Advertisement  | Expenses            | 12865                    | 7731                                 |
|   | General & Mis  | cellaneous Expenses | 0                        | 40330                                |
|   |  |                     | 697296                   | 191174                               |
| Cha   | T RajkumarK DhanakumarFor M/s S Lakshminarayanan AssociaChairman &DirectorChartered AccountaManaging DirectorFirm Reg No. 0660 |                     | d Accountants            |                                      |
|   | CoimbatoreN Prabhu Ram29th August 2011Company Secretary  |                     | (                        | L Kamesh<br>Partner<br>(M.No.209388) |

# Notes Annexed to and Forming Part of Accounts for the Year Ended 31st March 2011

#### I Significant Accounting Policies:

#### a) General:

The Financial Statements are prepared under the historical cost convention, on the accrual basis of accounting. The statements comply with the Accounting Standards prescribed by the ICAI and also comply with Section 211(3) (c) of the Companies Act 1956. The accounts are prepared as a going concern.

#### b) Revenue Recognition :

All Income and Expenditure are accounted on accrual basis.

## c) Current Assets :

- (i) Employee Benefits: Gratuity and Retirement Benefits are accounted on cash basis.
- (ii) Debtors: Sundry debtors are stated at Net Realizable Values.

#### d) Foreign Currency Transactions :

There were no transactions involving foreign currency during the year.

#### e) Sales :

Sales of goods are recognized based on the invoices raised.

#### f) Deferred Tax :

Deferred Tax calculated in respect of all timing differences on a liability method as per AS-22.

#### g) Investments:

Investments are valued at cost.

#### II Notes on Accounts:

- 1. Number of employees who have been drawing remuneration in excess of Rs.60 lacs per annum or Rs.5 lacs or more for part of the year None.
- 2. Earnings in Foreign Currency Rs. Nil Expenditure in Foreign Currency Rs. Nil
- As per the records and information available with the Company, there are no dues outstanding for more than 45 days as on 31.03.2011 to Small & Micro Enterprises as defined under Micro, Small and Medium Enterprises Development (MSMED) Act, 2006.

| 4. | Company has not comp<br>AS 15 regarding Emplo |                 | g requirements a | as required under |
|----|---|-----------------|------------------|-------------------|
| 5. | Details of Auditors Ren                       | nuneration :    |                  |                   |
|    | Particulars                                   | 3               | 1.03.2011        | 31.03.2010        |
|    | Audit Fees                                    |                 | Rs.25000         | Rs.20000          |
| 6. | Earnings per Share :                          |                 |                  |                   |
|    | Particulars                                   | 3               | 1.03.2011        | 31.03.2010        |
|    | Profit After Tax                              |                 | 1609216          | 1503908           |
|    | Number of Equity Shar                         | es              | 979550           | 979550            |
|    | Earnings per Share - B                        | asic            | 1.64             | 1.54              |
| 7. | Deferred Tax:                                 |                 |                  |                   |
|    | Particulars                                   | 3               | 1.03.2011        | 31.03.2010        |
|    | Opening Liability                             |                 | -                | -                 |
|    | Add/Deduct :<br>Assets/Liabilities/Differ     | ence in         |                  |                   |
|    | I.T & Book                                    |                 | 35070            | -                 |
|    | Closing Balance                               |                 | 35070            | -                 |
| 8. | Disclosure in respec<br>Standard 18 :         | t of Related Pa | rties pursuant   | to Accounting     |
|    |   | Key Managerial  | Associated       | Total             |
|    | Particulars                                   | Person          | Enterprises      |                   |
|    |   | Rs.             | Rs.              | Rs.               |
|    | 1. Remuneration                               | Nil             | Nil              | Nil               |
|    | 2. Loans Received                             | 9000000         | 7442050          | 97442050          |
|    | 3. Loans Repaid                               | Nil             | 8546871          | 8546871           |
|    | 4. Advances Repaid                            | Nil             | 4128796          | 4128796           |
|    | 5. Commission                                 |                 |                  |                   |
|    | Received                                      | Nil             | 2825000          | 2825000           |
|    | 6. Purchases                                  | Nil             | 5079228          | 5079228           |
|    | 7. Sales                                      | Nil             | Nil              | Nil               |
|    | 8. Balance as of                              |                 |                  |                   |
|    | 31.03.2011                                    | 19000000 (Cr)   | 641130 (Cr)      | 190641130 (Cr)    |

| List of Related Parties :   |  |  |  |  |  |
|---|--|--|--|--|--|
| * Key Managerial Persons :  |  |  |  |  |  |
| 🗸 Sri T Rajkumar  |  |  |  |  |  |
| ✓ Sri K Dhanakumar  |  |  |  |  |  |
| Associated Enterprises :  |  |  |  |  |  |
| ✓ Sri Mahasakthi Mills Ltd.   |  |  |  |  |  |
| ✓ Sri Arumuga Sugars Ltd.   |  |  |  |  |  |
| ✓ Sri Arumuga Cottspin Pvt. Ltd.  |  |  |  |  |  |
| ✓ Imperial Spirits Ltd.   |  |  |  |  |  |
| 9. Estimated amount of contracts remaining to be executed in Capital Accounts – Nil   |  |  |  |  |  |
| 10. The Company's main business segment is in the textile industry.<br>Hence there are no separate reportable segments as per Accounting<br>Standard 17.  |  |  |  |  |  |
| <ul> <li>11. Taxation : <ul> <li>Provision for current tax is made with reference to taxable income computed for the accounting year by applying the tax rates as applicable.</li> <li>Deferred Tax is calculated in respect of all timing differences on a liability method as per AS-22.</li> </ul> </li> </ul> |  |  |  |  |  |
| 12. Previous year figures have been regrouped and reclassified wherever found necessary.  |  |  |  |  |  |
|   |  |  |  |  |  |
| T RajkumarK DhanakumarFor M/s S Lakshminarayanan AssociatesChairman &DirectorChartered AccountantsManaging DirectorFirm Reg No. 06609S  |  |  |  |  |  |
| CoimbatoreN Prabhu RamL Kamesh29th August 2011Company SecretaryPartner<br>(M.No.209388)   |  |  |  |  |  |

# Auditors' Report to the Board of Directors of **SRI ARUMUGA ENTERPRISE LIMITED**

- 1. We have audited the attached Consolidated Balance Sheet of SRI ARUMUGA ENTERPRISE LIMITED (the Parent) and its subsidiaries (together the Group) as at 31st March 2011, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of SRI ARUMUGA ENTERPRISE LIMITED. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2. We conducted our audit in accordance with 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.
- 3. We did not audit the financial statement of subsidiaries Sri Mahasakthi Mills Ltd and Sri Arumuga Cottspin Private Ltd, whose financial statements reflect total assets of ₹5,173.14 lakhs as at 31st March, 2011 and total revenue of ₹9,453.86 lakhs for the year ended on that date. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.
- 4. We report that the consolidated financial statements have been prepared by Sri Arumuga Enterprise Limited Group's Management in accordance with the requirements of the Accounting Standard (AS) 21, "Consolidated Financial Statements" as prescribed under the Companies (Accounting Standards) Rules, 2006.
- 5. Based on our audit and on consideration of reports of other auditors on separate financial statements and the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.

- a) In the case of the Consolidated Balance Sheet, of the state of affairs of Sri Arumuga Enterprise Limited, the Group as at 31st March 2011;
- b) In the case of the Consolidated Profit & Loss Account, of the profit of the Sri Arumuga Enterprise Limited, the Group for the year ended on that date and
- c) In the case of the Consolidated Cash Flow Statement, of the cash flows of Sri Arumuga Enterprise Limited, the Group for the year ended on that date.

For M/s S LAKSHMI NARAYANAN ASSOCIATES

CHARTERED ACCOUNTANTS FIRM REGN. NO:006609S

Coimbatore 29th August 2011 L.KAMESH M.NO.209388 PARTNER

| CONSOLIDATED BALANCE S  | SHEET AS | ON 31ST MAR | RCH 2011  |
|---|----------|-------------|---|
| PARTICULARS   | SCHEDULE |             | AT<br>31.03.2010<br>Rs                          |
| SOURCES OF FUNDS  |          |             |   |
| Share Capital   | 1        | 1000000     | 9795500   |
| Share Application Money   |          | 0           | 3000000   |
| Reserves & Surplus  | 2        | 126333813   | 63168633  |
| Minority Interest   |          | 7492200     | 82381998  |
| Secured Loans   | 3        | 176774808   | 169374439                                       |
| Unsecured Loans   | 4        | 190938302   | 11438302  |
| Deferred Tax  |          | 20340774    | 14600824  |
|   |          | 531879897   | 380759696                                       |
| APPLICATION OF FUNDS<br>Fixed Assets                                | 5        | 274898106   | 25654159  |
| Current Assets, Loans & Advances<br>A. Current Assets:              |          |             |   |
| Closing Stock in Trade  | 6        | 195181339   | 19890884  |
| Sundry Debtors  | 7        | 170498788   | 10289687  |
| Cash & Bank Balances  | 8        | 31557509    | 27721250  |
| B. Loans, Advances & Deposits:                                      | 9        | 26443339    | 2569494   |
|   |          | 423680975   | 355221913                                       |
| Less : Current Liabilities & Provision                              | ons 10   | 166699184   | 231003808                                       |
| Net Current Assets  |          | 256981791   | 12421810  |
|   |          | 531879897   | 380759690                                       |
| <b>T Rajkumar</b><br>Chairman & Director<br>Managing Director       | For M/s  |             | nan Associate<br>ed Accountant<br>Reg No. 06609 |
| Coimbatore <b>N Prabhu Ram</b><br>29th August 2011 Company Secretar | ГУ       |             | <b>L Kames</b> l<br>Partne<br>(M.No.209388      |

| PARTICULARS  | SCHEDULE |                     | AT 31.03.2010       |
|--|----------|---------------------|---------------------|
|  | CONEDULE | Rs                  | Rs                  |
| INCOME:  |          |                     |                     |
| Sales  | 11       | 945638406           | 608536570           |
| Sale of Ready Goods  |          | 0                   | 2290130             |
| Increase / Decrease in Stock   | 12       | 55576126            | -27198251           |
| Other Income   |          | 2688690             | 2256603             |
|  |          | 1003903222          | 585885052           |
| EXPENDITURE:   | 13       | 721076604           | 207440250           |
| Raw Material Consumption   | 13       | 731976604           | 387648359           |
| Purchase of Ready Goods  | 1 /      | 0                   | 2118515             |
| Personnel Expenses<br>Repairs & Maintenance                          | 14<br>15 | 41282201<br>5558437 | 29802167<br>4531456 |
| Other Manufacturing Expenses   | 16       | 87163167            | 70116538            |
| Interest & Financial Charges   | 17       | 37302597            | 34096825            |
| Administrative Expenses  | 18       | 7465281             | 6194355             |
| Marketing Expenses   | 18       | 2962263             | 2916394             |
| Directors Remuneration   | 17       | 180000              | 360000              |
| Depreciation   |          | 33816311            | 14913866            |
|  |          | 947706861           | 552698475           |
| Net Profit Before Adjustments & Tax                                  |          | 56196361            | 33186577            |
| Less :<br>Provision For Incometax                                    |          | 12570620            | EE46047             |
| Deferred Tax   |          | 12579620<br>5739950 | 5546047<br>6617270  |
| Prior Year Tax Adjustment  |          | -566710             | 22105               |
| Prior Year Expenditure   | 20       | 168120              | 141814              |
|  | 20       | 17920980            | 12327236            |
| Net Profit After Adjustment And Tax                                  |          | 38275381            | 20859341            |
| Brought Forward From Previous Year                                   |          | 5605934             | 67199090            |
| (including Capital Subsidy Rs.1500000)                               |          | 0000704             | 0/1//0/0            |
| Capital Reserves on Consolidation Profit Available For Appropriation |          | 42001215            | 00050421            |
|  |          | 43881315            | 88058431            |
| Appropriations:  |          | 74000700            | 24000700            |
| Minority Interest  |          | -74889798           | 24889798            |
| Capital Reserves   |          | 74889798            | 57562699            |
| Carried Forward To Balance Sheet                                     |          | 43881315            | 5605934             |
|  |          | 43881315            | 88058431            |
| T Rajkumar K Dhanakumar  | For M/s  | s S Lakshminaraya   |                     |
| Chairman & Director<br>Managing Director                             |          |                     | ed Accountants      |
|  |          | Firm                | Reg No. 066095      |
| Coimbatore N Prabhu Ram  |          |                     | L Kamesh            |
| 29th August 2011 Company Secreta                                     | ry       |                     | Partne              |
|  | 5        |                     | (M.No.209388        |

| CONSOLIDATED CASH FLOW STATEMENT FOR THE   | YEAR ENDED 31ST               | MARCH 2011   |
|--|-------------------------------|--|
| PARTICULARS  | Rs. in Lacs                   | <b>31.03.2011</b><br>Rs. in Lacs   |
| CASH FLOW FROM OPERATING ACTIVITIES<br>Net profit before tax<br>Adjust: Prior year expenses  | 561.96<br>3.99                | 565.95   |
| Adjustments for Depreciation<br>Provision for Income Tax<br>Interest and Finance Charges   | 338.16<br>(125.79)<br>373.03  | 585.40   |
| Operating Profit Before Working Capital Changes  |                               | 1151.35  |
| Adjustments for Inventories<br>Trade & Other receivables and<br>Other Current assets<br>Current liabilities & Provisions   | 37.28<br>(683.50)<br>(643.05) | (1289.27)  |
| Cash Flow From Operating Activities  | <u> </u>                      | (137.93)   |
| CASH FLOW FROM INVESTING ACTIVITIES<br>Purchase of Fixed Assets<br>Goodwill on consolidation<br>Cash Flow From Investing Activities<br>CASH FLOW FROM FINANCING ACTIVITIES<br>Increase/(Decrease) in Shareholders Funds<br>Increase/(Decrease) in Share application money<br>Increase/(Decrease) in Share application money<br>Increase/(Decrease) in Secured Loan<br>Increase/(Decrease) in Unsecured Loan<br>Interest and Financial Charges<br>Cash Flow From Financing Activities |                               | (521.73)<br>(500.00)<br>(1021.73)<br>2.05<br>(300.00)<br>74.00<br>1795.00<br>(373.03)<br>1198.02 |
| NET INCREASE IN CASH & CASH EQUIVALENTS  |                               | 38.37  |
| Opening Balance of Cash & Cash Equivalents<br>Closing Balance of Cash & Cash Equivalents   |                               | 277.21 315.58  |
| <b>T Rajkumar K Dhanakumar For M/s</b><br>Chairman & Director<br>Managing Director   |                               | anan Associates<br>red Accountants<br>Reg No. 06609S   |
| Coimbatore N Prabhu Ram<br>29th August 2011 Company Secretary  |                               | <b>L Kamesh</b><br>Partner<br>(M.No.209388)  |

|     |                             |                        | AS AT                   |                                  |  |
|-----|-----------------------------|------------------------|-------------------------|----------------------------------|--|
|     | PA                          | ARTICULARS             | 31.03.2011<br>Rs        | 31.03.2010<br>Rs                 |  |
|     |                             |                        |                         |                                  |  |
| 1   | SHARE CAPIT<br>Authorised:  | AL                     |                         |                                  |  |
|     |                             | 00000) Equity Shares   |                         |                                  |  |
|     | of Rs.10 each               | equity shares          | 10000000                | 2000000                          |  |
|     |                             |                        |                         |                                  |  |
|     | Issued, Subsci              | ribed & Paid-up:       |                         |                                  |  |
|     | 1000000 (979                | 550) Equity Shares     |                         |                                  |  |
|     | of Rs.10 each               |                        | 1000000                 | 9795500                          |  |
|     |                             |                        | 1000000                 | 9795500                          |  |
| 2   | RESERVES &                  | SURPLUS                |                         |                                  |  |
|     | Profit & Loss A             | Account - Surplus      | 43881315                | 5605934                          |  |
| (   | Capital Reserv              | es (on Consolidation)  | 82452498                | 57562699                         |  |
|     |                             |                        | 126333813               | 63168633                         |  |
| 3   | SECURED LO                  | ANS                    |                         |                                  |  |
|     | Term Loans fro              | om banks               | 72891812                | 83968290                         |  |
|     | Cash Credit fr              | om banks               | 103882996               | 85406149                         |  |
|     |                             |                        | 176774808               | 169374439                        |  |
| 4   | UNSECURED                   | LOANS                  |                         |                                  |  |
|     | Unsecured loa               | n from Directors &     |                         |                                  |  |
|     | Relatives of D              | irectors/ Shareholders | 190938302               | 11438302                         |  |
|     |                             |                        | 190938302               | 11438302                         |  |
|     |                             |                        |                         |                                  |  |
|     | Rajkumar                    | K Dhanakumar           | For M/s S Lakshminaraya |                                  |  |
|     | airman &<br>naging Director | Director               |                         | ed Accountants<br>Reg No. 066095 |  |
|     | imbatore                    | N Prabhu Ram           |                         | L Kamesh                         |  |
| 29t | th August 2011              | Company Secretary      |                         | Partner<br>(M.No.209388)         |  |

| _  |                               |         |                         |                   |                          |                   |           |          |                  |             |           |  |
|--|-------------------------------|---------|-------------------------|-------------------|--------------------------|-------------------|-----------|----------|------------------|-------------|-----------|--|
|  | W.U.V. as on<br>31.03.2010    | 4700743 | 207791                  | 120852            | 16272024                 | 177428071         | 55224     | 1376594  | 28894826         | 27485468    | 256541592 |  |
| WDV 201  | W.D.V. as on<br>31.03.2011    | 4700743 | 190315                  | 110678            | 15008602                 | 209097477         | 36918     | 1221666  | 29531707         | 150000      | 274898106 |  |
| FIXED ASSETS SCHEDULE FOR THE YEAR ENDED 31st MARCH 2011 | 31.03.2011                    | 0       | 85761                   | 92794             | 10235548                 | 858863391         | 76082     | 409151   | 9630195          | 0           | 106392921 |  |
| R ENDED  | Deprectation<br>ear Withdrawn | 0       | 0                       | 0                 | 0                        | 1346400           | 0         | 0        | 0                | 0           | 1346400   |  |
| HE YEAR  | For the year                  | 0       | 17476                   | 10173             | 2554472                  | 29809026          | 18306     | 154928   | 1251931          | 0           | 33816311  |  |
| E FOR T  | 01.04.2010                    | 0       | 68285                   | 82621             | 7681076                  | 57400765          | 57776     | 254223   | 8378264          | 0           | 73923010  |  |
| SCHEDUL  | As on<br>31.03.2011           | 4700743 | 276076                  | 203473            | 25244150                 | 294960867         | 113000    | 1630817  | 39161902         | 1500000     | 381291027 |  |
| ASSETS :   | Sales<br>Transfer             | 0       | 0                       | 0                 | 0                        | 5100000           | 0         | 0        | 0                | 27485468    | 32585468  |  |
| FIXED /  | Additions                     | 0       | 0                       | 0                 | 1291050                  | 65232031          | 0         | 0        | 1888812          | 1500000     | 83411893  |  |
| ы<br>С   | As on<br>01.04.2010           | 4700743 | 276076                  | 203073            | 23953100                 | 234828836         | 113000    | 1630817  | 37273090         | 27485468    | 330464602 |  |
|  | Particulars                   | Land    | Furniture &<br>Fittings | Office Equipments | Electrical<br>Equipments | Plant & Machinery | Computers | Vehicles | Factory Building | Capital WIP |           |  |

| 5 | SCHEDULES FORMING PART OF BALANCE    | SHEET AS ON 31ST N     | MARCH 2011             |  |  |  |  |
|---|--------------------------------------|------------------------|------------------------|--|--|--|--|
|   | PARTICULARS                          | AS<br>31.03.2011<br>Rs | AT<br>31.03.2010<br>Rs |  |  |  |  |
| 6 | CLOSING STOCK IN TRADE               |                        |                        |  |  |  |  |
|   | Cotton                               | 40716123               | 100092133              |  |  |  |  |
|   | Yarn                                 | 122229405              | 75973507               |  |  |  |  |
|   | Waste                                | 1333320                | 1232460                |  |  |  |  |
|   | Work-in-process                      | 29178201               | 19958833               |  |  |  |  |
|   | Stores                               | 1724290                | 1651912                |  |  |  |  |
|   |                                      | 195181339              | 198908845              |  |  |  |  |
| 7 | SUNDRY DEBTORS                       |                        |                        |  |  |  |  |
|   | Outstanding for more than six months | 9405550                | 44906045               |  |  |  |  |
|   | Others                               | 161093238              | 57990826               |  |  |  |  |
|   |                                      | 170498788              | 102896871              |  |  |  |  |
| 8 | CASH & BANK BALANCES:                |                        |                        |  |  |  |  |
|   | Cash in hand                         | 1014660                | 1298578                |  |  |  |  |
|   | Cash with banks                      | 30542849               | 26422678               |  |  |  |  |
|   |                                      | 31557509               | 27721256               |  |  |  |  |
| 9 | LOANS, ADVANCES & DEPOSITS:          |                        |                        |  |  |  |  |
|   | Staff and Labour Advances            | 999940                 | 875840                 |  |  |  |  |
|   | Advance For Purchases,               |                        |                        |  |  |  |  |
|   | Expenses & Capital Items             | 21985090               | 21613368               |  |  |  |  |
|   | Rent Advances                        | 31000                  | 31000                  |  |  |  |  |
|   | Other Advances                       | 743129                 | 788283                 |  |  |  |  |
|   | Pre-paid Expenses                    | 342870                 | 327640                 |  |  |  |  |
|   | Deposits                             | 2341310                | 2058810                |  |  |  |  |
|   |                                      | 26443339               | 25694941               |  |  |  |  |

| S  | SCHEDULES FORMING PART OF BALANCE SHEET AS ON 31ST MARCH 2011 |                        |                        |  |  |
|----|---|------------------------|------------------------|--|--|
|    | PARTICULARS   | AS<br>31.03.2011<br>Rs | AT<br>31.03.2010<br>Rs |  |  |
| 10 | CURRENT LIABILITIES & PROVISIONS:                             |                        |                        |  |  |
|    | A. Current Liabilities  |                        |                        |  |  |
|    | Liability for Purchases                                       | 136643374              | 213011332              |  |  |
|    | Liability for Expenses  | 6800660                | 7327343                |  |  |
|    | Liability for Other Finance                                   | 1526492                | 372833                 |  |  |
|    | Current A/c with Directors                                    | 0                      | 576552                 |  |  |
|    | B. Provisions   |                        |                        |  |  |
|    | Provision for Income tax                                      | 21728658               | 9715748                |  |  |
|    |   | 166699184              | 231003808              |  |  |
| 11 | SALES   |                        |                        |  |  |
|    | Yarn Sales  | 938205192              | 602559180              |  |  |
|    | Waste Sales   | 7433214                | 5977390                |  |  |
|    |   | 945638406              | 608536570              |  |  |
| 12 | INCREASE / DECREASE IN STOCK                                  |                        |                        |  |  |
|    | Closing Stock   | 152740926              | 97164800               |  |  |
|    | Less : Opening Stock  | 97164800               | 12436305               |  |  |
|    |   | 55576126               | -27198251              |  |  |
| 13 | RAW MATERIAL CONSUMPTION                                      |                        |                        |  |  |
|    | Opening Stock   | 100092133              | 39942710               |  |  |
|    | Add : Purchases   | 672600594              | 447797782              |  |  |
|    | Less : Closing Stock  | -40716123              | -100092133             |  |  |
|    |   | 731976604              | 387648359              |  |  |
| 14 | PERSONNEL EXPENSES  |                        |                        |  |  |
|    | Salaries, Wages, Exgratia & Other allowances                  | 37434985               | 26538789               |  |  |
|    | Training Expenses   | 1513866                | 1214332                |  |  |
|    | Staff & Labour Welfare  | 2333350                | 2049046                |  |  |
|    |   | 41282201               | 2980216                |  |  |

| S  | SCHEDULES FORMING PART OF BALANCE SHEET AS ON 31ST MARCH 2011 |            |            |  |  |  |  |
|----|---|------------|------------|--|--|--|--|
|    | AS AT   |            |            |  |  |  |  |
|    | PARTICULARS   | 31.03.2011 | 31.03.2010 |  |  |  |  |
|    |   | Rs         | Rs         |  |  |  |  |
| 15 | REPAIRS & MAINTENANCE   |            |            |  |  |  |  |
|    | Building Maintenance  | 1111634    | 897607     |  |  |  |  |
|    | Machinery Maintenance   | 2213257    | 1817886    |  |  |  |  |
|    | Electricals Maintenance                                       | 1030743    | 775096     |  |  |  |  |
|    | Office & Factory Maintenance                                  | 842803     | 119466     |  |  |  |  |
|    | Vehicle Maintenance   | 360000     | 921401     |  |  |  |  |
|    |   | 5558437    | 4531456    |  |  |  |  |
| 16 | OTHER MANUFACTURING EXPENSES                                  |            |            |  |  |  |  |
|    | Power and Fuel  | 72809800   | 59401906   |  |  |  |  |
|    | Stores and Consumables;                                       |            |            |  |  |  |  |
|    | Opening Stock   | 1651912    | 1508420    |  |  |  |  |
|    | Add : Purchases   | 13967845   | 10514644   |  |  |  |  |
|    | Add : Freight Inwards   | 457900     | 343480     |  |  |  |  |
|    | Less: Closing Stock   | -1724290   | -1651912   |  |  |  |  |
|    |   | 87163167   | 70116538   |  |  |  |  |
| 17 | INTEREST & FINANCIAL CHARGES                                  |            |            |  |  |  |  |
|    | Interest and Bank Charges                                     | 35956899   | 32974915   |  |  |  |  |
|    | Other Financial Charges                                       | 1345698    | 1121910    |  |  |  |  |
|    |   | 37302597   | 34096825   |  |  |  |  |
| 18 | ADMINISTRATIVE EXPENSES                                       |            |            |  |  |  |  |
|    | Auditor Fees  | 135000     | 107000     |  |  |  |  |
|    | Rent & Rates  | 63826      | 118945     |  |  |  |  |
|    | Subscription & Insurance Charges                              | 947912     | 743008     |  |  |  |  |
|    | Licenses & Taxes  | 521888     | 986969     |  |  |  |  |
|    | Security charges  | 963874     | 778846     |  |  |  |  |
|    | Legal & Professional Charges                                  | 171836     | 175123     |  |  |  |  |
|    | Postage, Telegrams & Telephones                               | 609202     | 475938     |  |  |  |  |
|    | Electricity Charges - Office                                  | 38640      | 36415      |  |  |  |  |
|    | Donation  | 118650     | 122426     |  |  |  |  |
|    | Printing & Stationery   | 302313     | 325269     |  |  |  |  |
|    | Travelling Expenses   | 2162065    | 1701695    |  |  |  |  |
|    | General Expenses  | 774394     | 283631     |  |  |  |  |
|    | Hank Yarn Premium   | 88310      | 311230     |  |  |  |  |
|    | Filing Fees   | 196241     | 6500       |  |  |  |  |
|    | Listing Fee & Annual Charges                                  | 371130     | 11030      |  |  |  |  |
|    | Miscellaneous Expenditure written off                         | 0          | 10330      |  |  |  |  |
|    |   | 7465281    | 6194355    |  |  |  |  |

| PA  | RTICULARS                         | A<br>31.03.2011 | S AT<br>31.03.2010                          |
|---|-----------------------------------|-----------------|---|
|   |                                   | Rs              | R   |
| 9 MARKETING E                                 | XPENSES                           |                 |   |
| Freight Outwa                                 | rds                               | 154890          | 192070                                      |
| Commission                                    |                                   | 1083708         | 625253                                      |
| Advertisement                                 | & Sales Promotion Exp             | enses 12865     | 209907                                      |
| Quality claim E                               | Expenses                          | 1710800         | (   |
|   |                                   | 2962263         | 2916394                                     |
| 20 PRIOR YEAR E                               | EXPENDITURE                       |                 |   |
| Prior Year Exp                                | enditure                          | 168120.00       | 141814.00                                   |
|   |                                   | 168120.00       | 141814.00                                   |
| Chairman &<br>Managing Director<br>Coimbatore | Director<br>N Prabhu Ram          |                 | red Accountant<br>Reg No. 06609<br>L Kamesl |
| 201mbatore<br>29th August 2011                | N Prabhu Ram<br>Company Secretary |                 | L Kamesi<br>Partne<br>(M.No.209388          |
|   |                                   |                 |   |
|   |                                   |                 |   |
|   |                                   |                 |   |
|   |                                   |                 |   |
|   |                                   |                 |   |
|   |                                   |                 |   |
|   |                                   |                 |   |
|   |                                   |                 |   |

# Schedules annexed to and forming part of the Consolidated Financial Statements of Sri Arumuga Enterprise Limited for the year ended 31st March, 2011

## SCHEDULE 21: Notes on Consolidated Accounts

#### 1. Significant Accounting Policies:

a. The accounts have been prepared on the accrual basis of accounting, under historical cost convention and in accordance with the generally accepted accounting principles, Companies Accounting Standards notified by the Central Government of India under the Companies (Accounting Standards) Rules, 2006 and the provisions of Companies Act, 1956, except where otherwise stated.

## b. Principles of consolidation :

The Consolidated Financial Statements include the Financial Statements of Sri Arumuga Enterprise Limited and its subsidiaries, namely Sri Mahasakthi Mills Limited and Sri Arumuga Cottspin Private Limited.

The Consolidated Financial Statements have been prepared on the following basis:

- i. The Financial Statements of the Parent Company and its Subsidiary Companies have been consolidated on a line-by-line basis, by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intragroup transactions resulting in unrealized profit or losses.
- ii. The Consolidated Financial Statements are prepared by adopting Uniform Accounting policies.
- iii. The Financial statements of the following subsidiaries have been incorporated for consolidation.

| Name of the<br>Subsidiary               | Country of<br>Incorporation | Proportion of<br>ownership interest (%) |
|---|-----------------------------|---|
| Sri Mahasakthi Mills Ltd                | India                       | 100%                                    |
| Sri Arumuga Cottspin<br>Private Limited | India                       | 100%                                    |

#### c. Income :

- i. Refunds from Government department are accounted for on receipt basis.
- ii. Sales/Purchase of shares is accounted based on Brokers Contract Note/Company's Debit Note.
- iii. Commission income is accounted on the basis of Bill/ Debit Note raised.
- iv. Sale of goods is recognized based on the invoice raised.
- d. Expenditure:

Revenue expenses are accounted on accrual basis.

e. Fixed Assets:

Fixed Assets are stated at historical cost of acquisition, installation and commissioning less accumulated depreciation and modvat benefits on capital goods. Depreciation is charged on straight-line method at the rates prescribed under Schedule XIV of the Companies Act, 1956.

f. Inventories :

Raw materials are valued at cost. Work in progress and finished goods are valued at selling price or net realizable value whichever is lower. Stores and spares are valued at cost.

- g. Retirement Benefits:Retirement benefits are accounted on actual payment basis.
- h. Provision for Taxation:
  - i. Provision for current tax has been made in accordance with the Income Tax Act, 1961.
  - ii. Deferred Tax is recognized on timing differences being the differences between the taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent period, at the current rate of tax.
- i. Provisions and Contingent liabilities:

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

# 2. Earnings per share

| Particulars                           | 2010-11  | 2009-10  |
|---------------------------------------|----------|----------|
| Net Profit/(Loss) for the year        | 38275381 | 20859341 |
| Number of equity shares               | 1000000  | 1000000  |
| Basic Earnings per share (F.V. Rs.10) | 38.27    | 30.48    |

- 3. In the opinion of the Board of Directors Current Assets, Loans and Advances have been stated at values likely to be realized in the ordinary course of business.
- 4. The Company do not possess information about the micro, small and medium enterprises, as defined in the Micro, Small and Medium Enterprises Development Act, 2006 to whom the Company owes and accordingly no additional disclosure have been made.
- 5. Debit/Credit balances are subject to confirmation.

# 6. RELATED PARTY DISCLOSURE

Related party disclosure as required by Accounting Standard No.18 is given below:

List of related parties and the transactions taken place during the year:

| Particulars                   | Key Managerial<br>Person | Associated<br>Enterprises | Total    |
|-------------------------------|--------------------------|---------------------------|----------|
|                               | Rs.                      | Rs.                       | Rs.      |
| Loan                          |                          |                           |          |
| Received                      | 9000000                  | 371130                    | 90371130 |
| Purchase of<br>Fixed Assets - |                          |                           |          |
| Windmill                      | _                        | 28500000                  | 28500000 |
| Director's                    |                          |                           |          |
| Remuneration                  | 180000                   | _                         | 180000   |

| * 1  | of Related Parties :<br>Key Managerial Persor<br>/ Sri T Rajkumar<br>/ Sri K Dhanakumar |   |
|--|---|---|
|  | Associated Enterprises <ul> <li>Imperial Spirits Lir</li> </ul>                         |   |
| Act, 1956, to<br>Earnings in Fo                      | the extent applicable reign Exchange: NIL   | o Schedule VI, Part II to the Companies<br>urred during the year: NIL                 |
| <b>T Rajkumar</b><br>Chairman &<br>Managing Director | <b>K Dhanakumar</b><br>Director   | For M/s S Lakshminarayanan Associates<br>Chartered Accountants<br>Firm Reg No. 06609S |
| Coimbatore<br>29th August 2011                       | N Prabhu Ram<br>Company Secretary   | <b>L Kamesh</b><br>Partner<br>(M.No.209388)   |
|  |   |   |
|  |   |   |
|  |   |   |
|  |   |   |

|    | ement pursuant to Section 212 of the<br>panies   | Companies Act, 1956             | relating to Subsidiary                          |
|----|--|---------------------------------|---|
| 1  | Name of the Subsidiary   | Sri Mahasakthi Mills<br>Limited | Rs. in Lakhs<br>Sri Arumuga<br>Cottspin Pvt Ltd |
| 2  | Financial year of the subsidiary ended on  | 31st March<br>2011              | 31st March<br>2011                              |
| 3  | Holding Company's interest:  | 100% of Equity<br>Share Capital | 100% of Equity<br>Share Capital                 |
| 4  | Capital  | 974.92                          | 1000.00   |
| 5  | Reserves   | 829.83                          | 387.49  |
| 6  | Total Assets   | 2794.88                         | 2378.26   |
| 7  | Total Liabilities  | 2794.88                         | 2378.26   |
| 8  | Turn over  | 4917.99                         | 4535.87   |
| 9  | Net aggregate profit for the current year before tax   | 247.37                          | 290.79  |
| 10 | Provison for taxation<br>(including deferred tax)  | 79.23                           | 96.61   |
| 11 | Profit after tax   | 167.59                          | 193.05  |
| 12 | Net aggregate amount of profits / (losses)<br>of the subsidiary for the above financial year<br>of the subsidiary, so far as they concern<br>members of the Company :            |                                 |   |
|    | a) dealt with in the accounts of the Company for the year ended 31st March, 2011   | Nil                             | Nil   |
|    | <ul> <li>b) not dealt with in the accounts of the<br/>Company for the year ended</li> <li>31st March, 2011</li> </ul>  | 247.37                          | 290.78  |
| 13 | Net aggregate amount of profits / (losses)<br>for previous financial years of the subsidiary,<br>since it became a subsidiary so far as they<br>concern members of the Company : |                                 |   |
|    | a) dealt with in the accounts of the Company for the year ended 31st March, 2011   | Nil                             | Nil   |
|    | <ul> <li>b) not dealt with in the accounts of the<br/>Company for the year ended<br/>31st March, 2011</li> </ul>   | 401.37                          | 445.40  |

|     | •   |                                | rt IV Of Schedule VI<br>eneral Business Prof | ïle         |  |  |
|-----|---|--------------------------------|--|-------------|--|--|
| I   | Registration Details  |                                |  |             |  |  |
|     | Registration Number   | L17111TZ1984                   | State Code 18                                |             |  |  |
|     |   | PLC015887                      |  |             |  |  |
|     | Balance Sheet Date  | 31.03.2011                     |  |             |  |  |
| 11  | Capital Raised During th  | Capital Raised During the Year |  | in thousand |  |  |
|     | Public Issue  | Nil                            | Rights Issue                                 | Ν           |  |  |
|     | Bonus Issue   | Nil                            | Private Placement                            | Ν           |  |  |
| 111 | Position of Mobilisation and Deployment of Funds Amount in Thousand |                                |  |             |  |  |
|     | Total Liabilities   | 206273                         | Total Assets                                 | 206273      |  |  |
|     | Sources of Funds  |                                |  |             |  |  |
|     | Paid up Capital   | 10000                          | Reserves & Surplus                           | 460         |  |  |
|     | Secured Loans   | Nil                            | Unsecured Loans                              | 19000       |  |  |
|     | Application of Funds  |                                |  |             |  |  |
|     | Fixed Assets  | Nil                            | Investments                                  | 19000       |  |  |
|     | Net Current Assets  | 14566                          | Misc. Expenditure                            | Ν           |  |  |
|     | Accumulated Losses  | Nil                            | Deferred Tax                                 | 3           |  |  |
| ıv  | Performance of the Company  |                                |  |             |  |  |
|     | Total Income  | 8157                           | Total Expenditure                            | 577         |  |  |
|     | Profit Before Tax   | 2380                           | Profit After Tax                             | 160         |  |  |
|     | Earnings per Share  | 1.64                           | Dividend Rate                                | Ν           |  |  |
| v   | Generic Names of Three Principal Products                           |                                |  |             |  |  |
|     | Item Code No. (ITC Code<br>Product Description                      | e) Not applica                 | able   |             |  |  |

Regd. Office: No.1, Sundaram Brothers Layout, Opp. All India Radio Trichy Road, Coimbatore - 641 045

#### ATTENDANCE SLIP

I hereby record my presence at the Annual General Meeting of the members of the Company held on Thursday, 29th September 2011 at 4.30 p.m. at No.1, Sundaram Brothers Layout, Opp. All India Radio, Trichy Road, Coimbatore-641 045

Folio No. / DP ID. No. / Client ID No. :

Name and Address :

Signature of Member / Proxy

#### NOTE:

- Admission restricted to Members / Proxies only. 1.
- A member / proxy attending the meeting must complete this attendance slip 2. and hand it over at the entrance.

## -Cut here---SRI ARUMUGA ENTERPRISE LIMITED Regd. Office: No.1, Sundaram Brothers Layout, Opp. All India Radio Trichy Road, Coimbatore - 641 045 I / We ..... of ..... in the district of ...... being a member / members of the above named Company, hereby appoint..... ..... of ..... in the district of ..... or failing him .....of ..... in the district of ..... as my / our proxy to attend and vote for me /us and on my / our behalf at the ANNUAL GENERAL MEETING of the Company to be held on Thursday, 29th September 2011 at 04.30 p.m. and at any adjournment thereof. Signed this ..... day of ..... 2011 Affix 1 Rupee Revenue Folio No. / DP ID. No. / Client ID No. : Stamp No. of Shares: SIGNATURE

NOTE: The proxy form duly completed and signed should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.