

## ANNUAL REPORT 2011 - 12

### Board of Directors

Sri T Rajkumar  
Chairman & Managing Director  
Sri K Dhanakumar  
Sri S Sanjai  
Sri S Venkatachalam (upto 14.08.2012)  
Sri Vaibhav Duvvur (w.e.f 14.08.2012)

### Company Secretary

Sri N Prabhu Ram

### Registered Office

No.1, Sundaram Brothers' Layout  
Opp. All India Radio  
Trichy Road, Coimbatore – 641 045  
Phone : 0422-2322340 / 4227300  
Fax : 0422-4365828  
Email : investors@arumugaenterprise.com

### Statutory Auditors

M/s S Lakshminarayanan Associates  
Chartered Accountants  
Coimbatore – 641 018

### Bankers

Axis Bank, Coimbatore

### 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  
Phone : 022-2301 6761 / 8261  
Fax : 022-2301 2517  
Email : busicomp@vsnl.com

Contents	Page
Notice .....	2
Directors' Report .....	6
Corporate Governance Report ....	10
Management Discussion & Analysis Report .....	21
Auditors' Report .....	24
Balance Sheet .....	30
Profit & Loss Account .....	31
Cash Flow Statement .....	32
Notes to Financial Statements....	33
Consolidated Accounts .....	42
Details of Subsidiary Companies	54

## **SRI ARUMUGA ENTERPRISE LIMITED**

### **NOTICE TO MEMBERS**

NOTICE is hereby given that the Annual General Meeting of the members of the Company will be held on Monday, 31st December 2012 at 04.00 p.m. at the Registered Office at No.1, Sundaram Brothers' Layout, Opp. All India Radio, Trichy Road, Coimbatore – 641 045 to transact the following business :

#### **ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2012, 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 S Sanjai who retires by rotation and is eligible for reappointment.
3. To appoint Auditors and to fix their remuneration. 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 Sri Vaibhav Duvvur, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 14th August 2012 and who holds office upto the date of this Annual General Meeting of the Company under Section 260 of the Companies Act, 1956 and in respect of whom a notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Sri S Vaibhav Duvvur as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation.

#### **NOTES**

1. 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 Directors seeking appointment/reappointment are 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.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, 26th December 2012 to Monday, 31st December 2012, 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 Sharegistry Private Limited.

5th December 2012  
Coimbatore

By Order of the Board  
**N Prabhu Ram**  
Company Secretary

**SRI ARUMUGA ENTERPRISE LIMITED**

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

**ITEM NO.4**

Sri Vaibhav Duvvur, aged 28 years, was appointed as an Additional Director of the Company as per Article 112 of the Articles of Association of the Company by the Board of Directors at their meeting held on 14th August 2012. He holds office till the ensuing Annual General Meeting under Section 260 of the Companies Act, 1956 and a resolution to appoint him as a Director of the Company is proposed under Item No.4 of the Notice.

Sri Vaibhav Duvvur has read for and successfully completed a postgraduate in International Business Management from the prestigious University of St.Andrews, Scotland. His professional interests cover manufacturing (Leather, textiles, sugar and potable alcohol manufacturing) and the IT service sector (Animation and architectural services). He has experience in the field of Textiles, Leather and Alcohol Manufacturing, spanning the entire value chain from manufacturing to exports and branding and marketing.

The Board is of the view that Sri Vaibhav Duvvur's knowledge and experience will be of immense benefit and value to the Company and therefore, recommends his appointment to the members. A notice together with the required deposit has been received from a member under the provisions of Section 257 of the Companies Act 1956 proposing his candidature for the office of director of the company. Sri Sri Vaibhav Duvvur has given his consent to act as a director, if appointed.

Except Sri Vaibhav Duvvur, none of the other directors is in any way concerned or interested in the resolution.

Sri Vaibhav Duvvur holds Nil equity shares of the Company.

5th December 2012  
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	S Sanjai	Vaibhav Duvvur
Director Identification No.	03414023	03477028
Date of Birth and Age	12th December 1969 43 years	5th December 1984 28 years
Qualifications	B.Sc., M.B.A.,	B.Sc., M.B.A.,
Expertise in specific functional areas	Has got rich experience in Financial Management	Has got rich experience in manufacturing industry
Directorships held in other public companies	Sri Mahasakthi Mills Limited Sri Arumuga Cottspin Private Limited	Nil
Memberships / Chairmanships of committee across public companies	Sri Arumuga Enterprise Limited	Sri Arumuga Enterprise Limited
No of equity shares held	Nil	Nil
Relationship with other directors	Nil	Nil

## SRI ARUMUGA ENTERPRISE LIMITED

### 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 2012.

#### FINANCIAL PERFORMANCE

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

Particulars	2011-12	2010-11
Total Income	102.33	81.57
Profit before Tax	27.83	23.80
Provision for Current Tax	10.00	2.04
Provision for Deferred Tax	-0.77	-0.35
Profit after Tax	18.60	22.11
Add: Opening balance in Profit and Loss account	46.01	23.90
Profit carried to Balance Sheet	64.61	46.01

#### OPERATIONS

During the year, the Company reported a Profit after Tax (PAT) of Rs.18.60 lakhs as against Rs.22.11 lakhs for the previous year. During the year under review, the sales and other income were at Rs.102.33 as against Rs.81.57 lakhs for the previous year.

#### DIVIDEND

The Board of Directors have not recommended dividend on equity shares for the year ended 31st March 2012.

#### DEPOSITORY SYSTEM

As the members are aware, the Company's shares are compulsorily tradable in electronic form. As on 31st March 2012, 81.49% of the Company's total paid-up Capital representing 8,41,390 Shares is in dematerialised form. In view of the numerous advantages offered by the Depository system, members holding shares in physical mode are advised to avail of the facility of dematerialization from either of the Depositories.

#### 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 2012.

**SUBSIDIARY COMPANIES**

As of 31st March 2012, 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.

**DISCLOSURE OF PARTICULARS**

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.

**PERSONNEL**

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

**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.

## **SRI ARUMUGA ENTERPRISE LIMITED**

### **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.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirm:

- i. that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the Directors 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 as at 31st March 2012 and of the profit of the Company for the year ended on that date;
- iii. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that the annual accounts have been prepared on a going concern basis.

### **DIRECTORS**

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

Sri Vaibhav Duvvur was appointed as an Additional Director of the Company with effect from 14th August 2012. Sri Vaibhav Duvvur holds office up to the ensuing Annual General Meeting. The Company has received a notice in writing from a member signifying his intention to propose him as a candidate for the office of Director. A resolution proposing him as a Director of the Company is placed before the members for their approval at the ensuing Annual General Meeting.

Sri S Venkatachalam has resigned from the Board with effect from 14th August 2012. The Board wishes to place on record its appreciation for his valuable contribution.



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.

**AUDIT COMMITTEE**

The Audit Committee consists of three Non-Executive Directors out of which two are Independent Directors. The present members of the Committee are Sri S Sanjai, Sri K Dhanakumar and Sri Vaibhav Duvvur. Sri S Sanjai is the Chairman of Audit Committee.

The role, terms of reference, the authority and power of Chairman are in conformity with the requirements of the Companies Act, 1956.

**AUDITORS**

The Auditors, M/s S Lakshminarayanan Associates, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. Certificate from the auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

**ACKNOWLEDGEMENTS**

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

5th December 2012  
Coimbatore

For and on behalf of the Board  
**T Rajkumar**  
Chairman and Managing Director

## CORPORATE GOVERNANCE REPORT

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

Sri Arumuga Enterprise Limited ("the Company") adopts good practices that enable an organization to perform efficiently and ethically generate long term wealth and create value for all its stakeholders. The Company is committed to conduct its business in accordance with applicable laws, rules and regulations and the highest standards of business ethics and ethical conduct. At the highest level, the Company continuously endeavours to improve upon these aspects on an ongoing basis and adopts innovative approaches for leveraging resources, converting opportunities into achievements through proper empowerment and motivation.

### 2. Board of Directors

#### Composition and size of the Board

The Company's policy is to have an appropriate mix of Executive and Non-Executive Directors. As on date, the Board comprises Chairman & Managing Director and 3 Non-Executive Directors who bring in a wide range of skills and experience to the Board. The composition of the Board is in conformity with Clause 49 of the Listing Agreement.

The Board of Directors and its Committees meet at periodic intervals. Policy formulation, setting up of goals, 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

The Meetings of the Board are generally held at the Registered Office of the Company. During the year under review, 6 Board Meetings were held on 14th May 2011, 25th July 2011, 13th August 2011, 29th August 2011, 14th November 2011 and 14th February 2012. The Board meets at least

once every quarter *inter alia* to review the quarterly results. Additional meetings are held, when necessary. 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.

#### Attendance and other Directorships

The composition of the Board of Directors, category and 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.

Name of the Director	Category of Directors	Relationship with other Directors	Financial Year 2011 - 2012 attendance at		As on 5th August 2012		
			Board Meeting	Last AGM	No. of other Directorship	Committee Position	
						Chairman	Member
					(excluding Sri Arumuga Enterprise Limited)		
Sri T Rajkumar Chairman and Managing Director) DIN: 00048665	Non-Independent and Executive	Brother of Sri K Dhana-Kumar	6	Yes	12	—	—
Sri K Dhanakumar DIN: 00048730	Non-Independent and Non-executive	Brother of Sri T Raj-Kumar	6	Yes	3	—	—
Sri S Venkatachalam* DIN: 03503169	Independent and Non-executive	None	4	No	—	—	—
Sri S Sanjai DIN: 03414023	Independent and Non-executive	None	5	Yes	2	—	—

\* Resigned from the Directorship with effect from 14th August 2012

## SRI ARUMUGA ENTERPRISE LIMITED

### Code of Conduct

As per requirement of Clause 49 of the Listing Agreement with the Bombay Stock Exchange, the Board has laid down a Code of Conduct ("the Code") to ensure compliance with the legal requirements and standards of business 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 & Managing Director is attached to this report.

### 3. Committees of the Board

#### Audit Committee

Terms of reference :

**The role of the Audit Committee includes the following:**

- Reviewing the Quarterly and the Annual financial statements before they are submitted to the Board of Directors
- Reviewing the compliance with Listing Agreement and various other legal requirements concerning financial statements and related party transactions
- Any other matters that are relevant

The Committee consists of 3 non-executive directors, of which 1 director is a independent director. Hence the Composition of Independent Directors in the Audit Committee has not been met during the year. However, the Company has reconstituted the Audit Committee with effect from 14th August 2012 by appointing an Independent Director.

The composition of the Audit Committee and the attendance of its members as on 31st March 2012 are given below :

Name	No. of meetings held	No. of meetings attended
Sri S Sanjai, Chairman	5	5
Sri S Venkatachalam, Member	5	4
Sri K Dhanakumar, Member	5	5

The Committee met five times during the financial year on 14th May 2011, 13th August 2011, 29th August 2011, 14th November 2011 and 14th February 2012.

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 & Managing Director. The Company has complied with the non-mandatory requirement of Clause 49 of the Listing Agreement regarding Nomination and Remuneration committee.

The composition of the Nomination and Remuneration Committee as on 31st March 2012 is given below:

Sri S Venkatachalam, Chairman  
Sri S Sanjai, Member

The Committee did not meet during the year.

**Remuneration policy of the Company is given below:**

**For Chairman & Managing Director**

The total remuneration, subject to members' approval, consists of a fixed component of 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:**

1. The appointment of Chairman & Managing Director is governed by the Articles of Association of the Company and the resolutions passed by

## SRI ARUMUGA ENTERPRISE LIMITED

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 & 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 have 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 composition of the Shareholders' and Investors' Grievance Committee as on 31st March 2012 is given below:

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. During the year the Committee met on 15th May 2011, 30th June 2011 and 25th December 2011.

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.

### **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 in its subsidiaries 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
2011	29.09.2011	10.30 a.m	#1, Sundaram Brothers' Layout Opp. All India Radio Trichy Road Coimbatore - 641045
2010	30.09.2010	10.00 a.m	Cama Building, 1st Floor
2009	02.09.2009	10.00 a.m	24/26, Dalal Street Fort Mumbai – 400001

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

At the AGM held on 30th September 2010 – Alteration of Articles with regard to increase in Authorised capital

#### 6. Disclosures

##### Related Party Transactions

During the financial year 2011-12, 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. During the year, the Composition of Independent Directors in the Board was not in conformity with the Listing Agreement.

## SRI ARUMUGA ENTERPRISE LIMITED

But the condition was complied with effect from 14th August 2012 by appointment of an Independent Director.

### **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 newspapers. ("Trinity Mirror" in English and "Makkal Kural" in Tamil). The half-yearly results are not individually sent to the shareholders. The financial results are displayed on [www.arumugaenterprise.com](http://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**

<b>Date and Time</b>	:	31st December 2012 at 4.00 p.m
<b>Venue</b>	:	#1, Sundaram Brothers Layout, Opp. All India Radio, Trichy Road Coimbatore – 641 045
<b>Financial year</b>	:	April to March
<b>Book Closure Date</b>	:	26th December 2012 to 31st December 2012 (both days inclusive)
<b>Listing</b>	:	Bombay Stock Exchange, Mumbai
<b>Scrip Code &amp; ID</b>	:	507918 & ARUMUGA
<b>Demat ISIN</b>	:	INE240L01011



**Market Price Data**

Month	BSE Price (₹)		BSE Sensex	
	High	Low	High	Low
April 2011	89.85	67.50	19,811.14	18,976.19
May 2011	85.40	81.15	19,253.87	17,786.13
June 2011	77.10	77.10	18,873.39	17,314.38
July 2011	102.80	73.25	19,131.70	18,131.86
August 2011	112.50	92.85	18,440.07	15,765.53
September 2011	106.90	106.90	17,211.80	15,801.01
October 2011	101.60	101.60	17,908.13	15,745.43
November 2011	101.60	101.60	17,702.26	15,478.69
December 2011	101.60	101.60	17,003.71	15,135.86
January 2012	96.55	96.55	17,258.97	15,358.02
February 2012	100.90	91.70	18,523.78	17,061.55
March 2012	122.00	87.20	18,040.69	16,920.61

**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

**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.

## SRI ARUMUGA ENTERPRISE LIMITED

Pursuant to Clause 47(c) of the Listing Agreement with Bombay Stock Exchange, 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.

### Distribution of shareholding as on 31st March 2012

Shareholdings	No of share holders	% to share holders	No of Shares	% to capital
1 - 5000	687	94.89	103220	10.32
5001 - 10000	14	1.93	11600	1.16
10001 - 20000	5	0.69	7975	0.80
20001 - 30000	2	0.28	5515	0.55
30001 - 40000	1	0.14	4000	0.40
40001 - 50000	0	0.00	0	0.00
50001 - 100000	4	0.55	35400	3.54
100001 & above	11	1.52	832290	83.23
<b>Total</b>	<b>724</b>	<b>100.00</b>	<b>1000000</b>	<b>100.00</b>

### Category of shareholding as on 31st March 2012

Category	Percentage
Promoters	61.45
Resident Individuals	33.86
Bodies corporate	1.40
FII's	2.80
Hindu Undivided Family	0.49
<b>Total</b>	<b>100.00</b>

**Dematerialisation of shares**

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). The Company has sent letters to shareholders holding shares in physical form emphasizing the benefits of dematerialization.

The number of shares held in dematerialized and physical mode is as under:

	<b>No. of Shares</b>	<b>% of total capital issued</b>
Held in dematerialized form in NSDL	34410	3.44
Held in dematerialized form in CSDL	806980	80.70
Physical	158610	15.86
<b>Total</b>	<b>1000000</b>	<b>100.00</b>

**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 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 at the number and mail id given below :

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

## SRI ARUMUGA ENTERPRISE LIMITED

Pursuant to Clause 47(f) of the Listing Agreement, the Company has designated the following exclusive e-mail id viz. investors@arumugaenterprise.com to enable the investors to register their complaints.

### **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 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.

5th December 2012  
Coimbatore

For and on behalf of the Board  
**T Rajkumar**  
Chairman and 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(l)(D)(ii) of the Listing Agreement entered into with Stock Exchange for the year ended 31st March 2012.

5th December 2012  
Coimbatore

For Sri Arumuga Enterprise Limited  
**T Rajkumar**  
Chairman & Managing Director

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### **Industry Structure and Overview**

Indian textile industry plays major role in the economy of the country. The Indian textile industry secures about 17% of total foreign exchange of India and directly employs more than 35 million people.

The Indian textile industry has been facing challenges including sluggish demand both in domestic and international markets. Cotton prices reached an all time high followed by a phase of correction. Textile mills faced with high priced cotton inventories could not pass through the prices into yarn and fabrics as the selling prices of fabrics did not improve.

### **Opportunities and Threats**

The Indian textile market's share is likely to increase with modernization of machinery and implementation of latest technology coupled with other domestic factors. The demand for Indian textile products will be high with increase in purchasing power.

Cotton prices which have been highly volatile are of major concern for textile manufacturers along with increasing power cost and shortage.

### **Risks and Concerns:**

The price of cotton plays a crucial role in the coming season as it depends on monsoon and availability of cotton. High prices may prove an obstacle which may lead to slowdown in production and reduced utilization of capacity. Non-availability of manpower and power shortages will adversely affect the growth of the Industry.

### **Outlook:**

The Company is engaged in trading of textile goods. The subsidiaries of the Company viz. Sri Mahasakthi Mills Limited and Sri Arumuga Cottspin Private Limited manufacturers fine quality of hosiery and warp yarn. Margins have been under pressure because of rising interest cost and cost of raw materials. The prices are likely to ease which will enable the Company to perform better.

## **SRI ARUMUGA ENTERPRISE LIMITED**

### **Performance and financial review**

During the year, the Company reported a Profit after Tax (PAT) of Rs.18.60 lakhs as against Rs.22.11 lakhs for the previous year. During the year under review, the sales and other income were at Rs.102.33 as against Rs.81.57 lakhs for the 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  
5th December 2012

For and on behalf of the Board  
**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 2012 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.

Subject to the following

- 1. The Company has not complied with the provisions regarding composition of the number of independent directors in the board.*
- 2. The Company has not complied with the provisions regarding composition of the number of independent directors in the audit committee.*

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 LAKSHMINARAYANAN ASSOCIATES**

CHARTERED ACCOUNTANTS

FIRM REG. NO.6609S

**L.KAMESH**

(M.No. 209388)

PARTNER

Coimbatore

5th December 2012

## SRI ARUMUGA ENTERPRISE LIMITED

### **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 2012 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, Profit & Loss Account, Cash Flow Statement referred to in this Report are in agreement with the Books of Account.
- d) In our opinion the Profit & Loss Account, Balance Sheet and the Cash Flow Statement 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 2012 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as of 31st March 2012 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 2012
- (ii) in the case of the Profit & Loss Account of the PROFIT for the year ended that date
- and
- (iii) In the case of the Cash Flow Statement, of the CASH FLOWS for the year ended that date.

**For M/s S LAKSHMINARAYANAN ASSOCIATES**  
CHARTERED ACCOUNTANTS  
FIRM REG. NO.6609S

Coimbatore  
5th December 2012

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

**SRI ARUMUGA ENTERPRISE LIMITED**

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

- (i) 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. 63.37 lakhs has been taken during the year under report from two parties and balance as of 31st March 2012 is Rs.1896.16 lakhs. The company has not paid any interest on the loans taken.  
  
(b) The Company has not granted interest free advances to parties listed in the register 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) of the Companies Act, 1956 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.

## SRI ARUMUGA ENTERPRISE LIMITED

- (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

5th December 2012

**SRI ARUMUGA ENTERPRISE LIMITED**

**BALANCE SHEET AS AT 31ST MARCH 2012**

PARTICULARS	NOTES	AS AT	
		31.03.2012 Rs	31.03.2011 Rs
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	2	10000000	10000000
Reserves and surplus	3	6461455	4601062
<b>Non - current liabilities</b>			
Long-term borrowings	4	<u>189616130</u>	<u>190641130</u>
<b>Current liabilities</b>			
Other current liabilities	5	684636	260066
Short-term provisions	6	1173500	488500
<b>Total</b>		<u>207935721</u>	<u>205990758</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Long-term loans and advances	7	594459	10000009
Deffered tax asset	8	112070	35070
<b>Current assets</b>			
Current investments	9	190000000	190000000
Trade receivables	10	1032390	0
Cash and cash equivalents	11	6324948	5955679
Short-term loans and advances	12	9871854	0
Other current assets		0	0
<b>TOTAL</b>		<u>207935721</u>	<u>205990758</u>
<b>T Rajkumar</b> Chairman & Managing Director	<b>K Dhanakumar</b> Director	<b>For M/s S Lakshminarayanan Associates</b> Chartered Accountants Firm Reg No. 06609S	
Coimbatore 5th December 2012	<b>N Prabhu Ram</b> Company Secretary	<b>L Kamesh</b> Partner (M.No.209388)	

**ANNUAL REPORT 2012**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2012**

PARTICULARS	NOTES	AS AT	
		31.03.2012 Rs	31.03.2011 Rs
<b>INCOME</b>			
Revenue from operations (Gross)		<b>10232942</b>	8156740
Less: Excise duty		<u>0</u>	<u>0</u>
Revenue from operations (Net)	12	<b>10232942</b>	8156740
Other income		<u>0</u>	<u>0</u>
<b>Total Revenue</b>		<b><u>10232942</u></b>	<b><u>8156740</u></b>
<b>EXPENSES</b>			
Purchase	13	<b>6494795</b>	5079228
Other expenses	14	<b>954754</b>	697296
<b>Total expenses</b>		<b><u>7449549</u></b>	<b><u>5776524</u></b>
<b>Profit before tax</b>		<b>2783393</b>	2380216
<b>Less: Tax expenses</b>			
Provision for current taxation		<b>1000000</b>	771000
Income tax paid for earlier years		<b>0</b>	-566710
Deferred tax		<b>-77000</b>	-35070
<b>Profit for the year</b>		<b><u>1860393</u></b>	<b><u>2210996</u></b>
<b>Earnings per share (of Rs.10/- each)</b>			
Basic		<b>1.78</b>	1.61
Diluted		<b>1.78</b>	1.61
Significant accounting policies	1		

**T Rajkumar**  
Chairman &  
Managing Director

**K Dhanakumar**  
Director

**For M/s S Lakshminarayanan Associates**  
Chartered Accountants  
Firm Reg No. 06609S

Coimbatore  
5th December 2012

**N Prabhu Ram**  
Company Secretary

**L Kamesh**  
Partner  
(M.No.209388)

**SRI ARUMUGA ENTERPRISE LIMITED**

<b>CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012</b>		
PARTICULARS	31.03.2012 Rs.	31.03.2011 Rs.
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
NET PROFIT BEFORE TAX AND EXTRA ORDINARY ITEMS:	<b>2783393</b>	2380216
Adjust:		
Depreciation	0	0
Provisions for taxation - income tax & deferred tax	<b>(923000)</b>	(169220)
Prior period expenses	0	0
	<u>1860393</u>	<u>2210996</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES :		
(Increase)/Decrease in sundry debtors	<b>(1032390)</b>	4518926
(Increase)/Decrease in advances & deposits	<b>(466304)</b>	49212
Increase/(Decrease) in current liabilities & provisions	<b>1032571</b>	(1228122)
NET CASH FLOW FROM OPERATING ACTIVITIES	<b>1394269</b>	<u>5551012</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	0	(90000000)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Increase/(Decrease) in shareholders funds	0	204500
Increase/(Decrease) in unsecured loan	<b>(1025000)</b>	90000000
NET INCREASE IN CASH & CASH EQUIVALENTS (A+B+C)	<b>369270</b>	<u>5755512</u>
Opening Balance of cash & cash equivalents	<b>5955678</b>	<u>200166</u>
Closing Balance of cash & cash equivalents	<b>6324948</b>	<u>5955678</u>
<b>T Rajkumar</b> Chairman & Managing Director	<b>K Dhanakumar</b> Director	<b>For M/s S Lakshminarayanan Associates</b> Chartered Accountants Firm Reg No. 06609S
Coimbatore 5th December 2012	<b>N Prabhu Ram</b> Company Secretary	<b>L Kamesh</b> Partner (M.No.209388)



**NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS  
FOR THE YEAR ENDED 31ST MARCH 2012**

**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 (AS) 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.

**T Rajkumar**  
Chairman &  
Managing Director

**K Dhanakumar**  
Director

**For M/s S Lakshminarayanan Associates**  
Chartered Accountants  
Firm Reg No. 06609S

Coimbatore  
5th December 2012

**N Prabhu Ram**  
Company Secretary

**L Kamesh**  
Partner  
(M.No.209388)

**SRI ARUMUGA ENTERPRISE LIMITED**

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

PARTICULARS	AS AT	
	31.03.2012 Rs	31.03.2011 Rs
<b>2. Share capital</b>		
<b>Authorised</b>	<u>100000000</u>	<u>100000000</u>
10000000 Equity shares of Rs.10 each	<u>100000000</u>	<u>100000000</u>
<b>Issued, subscribed and fully paid-up</b>		
1000000 Equity shares of Rs.10 each	10000000	10000000
	<u>10000000</u>	<u>10000000</u>
<b>(a) Reconciliation of number of shares</b>		
Equity shares outstanding as at 1st April 2011 / 1st April 2010	10000000	10000000
Equity shares outstanding as at 31st March 2012 / 31st March 2011	10000000	10000000
<b>(b) List of shareholders holding more than 5% of the total number of shares issued by the Company:</b>		

Equity Shares	No. of Shares	
	31st March 2012	31st March 2011
Name of the share holder		
T Rajkumar	205500	614500
K Dhanakumar	204500	0
T K Dhanashekar	204500	0

The Company has issued only one class of equity shares having a par value of Rs.10/- per share. Each holder of Equity Share is entitled to one vote per share. The Company declares dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders at the Annual General Meeting.

## NOTES FORMING PART OF FINANCIAL STATEMENTS

PARTICULARS	AS AT	
	31.03.2012 Rs	31.03.2011 Rs
<b>3. Reserves &amp; surplus</b>		
<b>Surplus in statement of Profit and Loss</b>		
Opening Balance	4601062	2390066
Add: Profit for the year	1860393	2210996
<b>Less: Appropriations</b>	0	0
Closing Balance	6461455	4601062
	<u>6461455</u>	<u>4601062</u>
<b>4. Long-term borrowings</b>		
Loans & advances - related parties	189616130	190641130
	<u>189616130</u>	<u>190641130</u>
<b>5. Other current liabilities</b>		
<b>Unsecured</b>		
Loans and advances - related parties		
Other loans and advances	684636	260066
	<u>684636</u>	<u>260066</u>
Other payables pertains to		
(i) Creditors for purchases	0	0
(ii) Creditors for other finance	185066	185066
(iii) Creditors for expenses	499570	75000
	<u>684636</u>	<u>260066</u>
<b>6. Short-term provisions</b>		
Provision for taxation (Net of TDS of Rs.3,15,000/-)	1173500	488500
	<u>1173500</u>	<u>488500</u>

**SRI ARUMUGA ENTERPRISE LIMITED**

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

PARTICULARS	AS AT	
	31.03.2012 Rs	31.03.2011 Rs
<b>7. Long-term loans and advances</b>		
(Unsecured, considered good)		
(a) Loans & advances to related parties	0	0
(b) Others	<u>594459</u>	<u>10000009</u>
	<u>594459</u>	<u>10000009</u>
* Represents cash and cash equivalents that are restricted from being exchanged or used to settle a liability for more than 12 months from the Balance Sheet date		
<b>8. Deferred tax asset</b>		
a) Deferred tax liability		
- Depreciation on fixed assets	0	0
b) Deferred tax asset		
- Section 43B liabilities/disallowance	<u>112070</u>	<u>35070</u>
	<u>112070</u>	<u>35070</u>
<b>9. Current investments</b>		
(Valued at lower of cost and fair value)		
Investment in equity shares-unquoted, fully paidup)		
a. 9000000 equity shares of Rs.10 each fully paid in Sri Mahasakthi Mills Ltd.	90000000	90000000
b. 10000000 equity shares of Rs.10 each fully paid in Sri Arumuga Cottspin Pvt. Ltd.	<u>100000000</u>	<u>100000000</u>
	<u>190000000</u>	<u>190000000</u>
Cost	190000000	190000000
Face Value	190000000	190000000
<b>10. Trade receivables</b>		
Unsecured, considered good*	<u>1032390</u>	<u>0</u>
	<u>1032390</u>	<u>0</u>

\*includes an amount of Rs.1032390 (previous year Rs.0) outstanding for a period exceeding six months from the date they are due for payment.

## NOTES FORMING PART OF FINANCIAL STATEMENTS

PARTICULARS	AS AT	
	31.03.2012	31.03.2011
	Rs	Rs
<b>11. Cash and cash equivalents</b>		
Cash on hand	0	0
Balance with banks		
- Current accounts	<u>6324948</u>	<u>5955679</u>
	<u>6324948</u>	<u>5955679</u>
<b>12. Short-term loans and advances</b>		
(Unsecured, considered good)		
<b>Others</b>		
(a) Advances recoverable in cash or kind or for value to be received	<u>9871854</u>	0
(b) Loans & advances to related parties	0	0
(c) Prepaid expenses	<u>0</u>	<u>0</u>
	<u>9871854</u>	<u>0</u>
<b>13. Gross revenue from operations</b>		
Sale of products	7082942	5331740
Other operating revenues	<u>3150000</u>	<u>2825000</u>
<b>Total</b>	<u>10232942</u>	<u>8156740</u>
<b>Net revenue from operations consists of</b>		
<b>(a) Sale of product</b>		
Hank yam sales	4723977	5331740
Pollution control equipment	2311560	0
UV Chamber and STT Treated water pump line	<u>47405</u>	<u>0</u>
	<u>7082942</u>	<u>5331740</u>
<b>(b) Other operating revenues</b>		
Sales commission	<u>3150000</u>	<u>2825000</u>
	<u>3150000</u>	<u>2825000</u>
<b>14. Purchase of traded goods</b>		
ETP pump and header fittings	47405	
Hank yam purchase	4547390	5079228
Pollution control equipment	<u>1900000</u>	<u></u>
	<u>6494795</u>	<u>5079228</u>

**SRI ARUMUGA ENTERPRISE LIMITED**

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

PARTICULARS	AS AT	
	31.03.2012	31.03.2011
	Rs	Rs
<b>15. Other expenses:</b>		
Advertisement expenses	13666	12865
Audit fees	35665	25000
Bank charges	936	260
Taxes and licenses	312777	567371
Managing director remuneration	120000	0
Postage, telegram and telephone charges	3230	18700
Printing and stationery	15975	37600
Professional charges	427652	35500
Freight charges	7000	0
Travelling expenses	17853	0
	<u>954754</u>	<u>697296</u>
16. Earnings in foreign currency	Rs. Nil	
Expenditure in foreign currency	Rs. Nil	
17. Requirement under Accounting Standard 15 is not applicable as there are no employees.		
18. As per the information available with the company there are no dues outstanding for more than 45 days as on 31st March 2012 to Small & Micro Enterprises as defined under Micro, Small and Medium Enterprise Development (MSMED) Act, 2006.		
19. Basic and diluted Earning Per Share (EPS) of Face Value of Rs.10/- each is calculated as under :		
	<b>31.03.2012</b>	<b>31.03.2011</b>
	<b>Rs.</b>	<b>Rs.</b>
Total no. of equity shares outstanding		
at the end of the year	<b>1000000</b>	1000000
Net Profit after tax	<b>1783393</b>	1609216
Earnings per share (basic)	<b>1.78</b>	1.61
Earnings per share (diluted)	<b>1.78</b>	1.61

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

20. Disclosure in respect of Related parties pursuant to Accounting Standard 18

Particulars	Key Managerial Persons	Associated Enterprises	Total
1. Purchases	0	4547390	4547390
2. Sales	0	2358965	2358965
3. Sales Commission	0	3150000	3150000
4. Remuneration	120000	0	120000
5. Loans (net)	3115000	0	3115000
6. Advance (net)	0	0	0
Balance as of 31st March 2012	186885000	2731130	189616130

**List of Related Parties**

## ★ Key Managerial Persons:

Sri T Rajkumar, Chairman & Managing Director

Sri K Dhanakumar, Director

## ★ Associated Enterprises

Imperial Spirits Limited

Nethravathi Distilleries Private Limited

Imperial Spirits and Wine Private Limited

Sri Arumuga Cottspin Private Limited

Sri Arumuga Sugars Limited

Sri Mahasakthi Mills Limited

21. The Revised Schedule VI is effective from 1st April 2011 for the preparation of financial statements. This has seriously impacted the disclosure and presentation of financial statements. Previous year figures have been regrouped / reclassified wherever necessary to correspond with the current year's disclosure / presentation.

**T Rajkumar**  
Chairman &  
Managing Director

**K Dhanakumar**  
Director

**For M/s S Lakshminarayanan Associates**  
Chartered Accountants  
Firm Reg No. 06609S

Coimbatore  
5th December 2012

**N Prabhu Ram**  
Company Secretary

**L Kamesh**  
Partner  
(M.No.209388)

## SRI ARUMUGA ENTERPRISE LIMITED

### **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 2012, 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 Rs. 8886.68 lakhs as at 31st March, 2012 and total revenue of Rs. 10391.93 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 2012;
- 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 LAKSHMINARAYANAN ASSOCIATES**

CHARTERED ACCOUNTANTS

FIRM REG. NO.6609S

**L. KAMESH**

(M.No. 209388)

PARTNER

Coimbatore

5th December 2012

**SRI ARUMUGA ENTERPRISE LIMITED**

<b>CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2012</b>			
PARTICULARS	NOTES	AS AT	
		31.03.2012 Rs	31.03.2011 Rs
<b>EQUITY AND LIABILITIES</b>			
<b>(1) Shareholder's funds</b>			
(a) Share Capital	2	10000000	10000000
(b) Reserves and Surplus	3	142312445	126333813
(c) Minority Interest		7492200	7492200
<b>(2) Non-current liabilities</b>			
(a) Long term borrowings	4	386582964	190938302
(b) Other long term liabilities	5	8000	0
(c) Deffered Tax Liability	6	16906342	20340774
<b>(3) Current liabilities</b>			
(a) Short Term Borrowings	7	159433291	176774808
(b) Other current liabilities	8	152030404	144970526
(c) Short-term provisions	9	30151500	21728658
<b>TOTAL</b>		<b>904917146</b>	<b>698579081</b>
<b>II. ASSETS</b>			
<b>(1) Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets	10(a)	242321000	274748106
(ii) Capital Work in progress	10(b)	0	15000000
(b) Long-term loans and advances	11	45448973	1635608
<b>(2) Current Assets</b>			
(a) Inventories	12	156208000	195181339
(b) Trade Receivables	13	334393390	170498788
(c) Cash and cash equivalents	14	7381948	31557509
(d) Short-term loans and advances	15	119163835	24807731
<b>TOTAL</b>		<b>904917146</b>	<b>698579081</b>
<b>T Rajkumar</b> Chairman & Managing Director	<b>K Dhanakumar</b> Director	<b>For M/s S Lakshminarayanan Associates</b> Chartered Accountants Firm Reg No. 06609S	
Coimbatore 5th December 2012	<b>N Prabhu Ram</b> Company Secretary	<b>L Kamesh</b> Partner (M.No.209388)	

**CONSOLIDATED PROFIT & LOSS ACCOUNT AS AT 31ST MARCH 2012**

PARTICULARS	NOTES	AS AT	
		31.03.2012 Rs	31.03.2011 Rs
<b>INCOME</b>			
<b>I</b> Revenue from operations (Gross)		<b>1042081861</b>	945638406
Less :		<b>0</b>	0
Revenue from operations (Net)	<b>16</b>	<b>1042081861</b>	945638406
<b>II</b> Other Income	<b>17</b>	<b>2797294</b>	2688690
<b>III Total Revenue ( I + II )</b>		<b>1044879155</b>	948327096
<b>IV EXPENSES</b>			
Purchases	<b>18</b>	<b>1947405</b>	0
Cost of Materials Consumed	<b>19</b>	<b>700356630</b>	746329971
Change in inventories of finished goods and WIP	<b>20</b>	<b>106429427</b>	-55576126
Other Direct Expenses	<b>21</b>	<b>67444920</b>	72809800
Employee benefits expenses	<b>22</b>	<b>38948267</b>	41282201
Finance cost	<b>23</b>	<b>51872011</b>	37302597
Directors Remuneration		<b>120000</b>	180000
Depreciation and amortisation expenses		<b>36284000</b>	33816311
Other expenses	<b>24</b>	<b>18487470</b>	15985981
<b>Total expenses</b>		<b>1021890130</b>	892130735
<b>V Profit before tax (III - IV)</b>		<b>22989025</b>	56196361
<b>VI Less : Tax expenses</b>			
1) Provision for Current taxation		<b>11394000</b>	12579620
2) Incometax paid for earlier years		<b>0</b>	-398590
3) Deferred tax		<b>3434000</b>	5739950
<b>VII Profit for the year (V - VI)</b>		<b>15029025</b>	38275381
<b>VIII Earnings per share (of Rs.10/- each)</b>			
(a) Basic		<b>15.98</b>	38.28
(b) Diluted		<b>15.98</b>	38.28
<b>T Rajkumar</b> Chairman & Managing Director	<b>K Dhanakumar</b> Director	<b>For M/s S Lakshminarayanan Associates</b> Chartered Accountants Firm Reg No. 06609S	
Coimbatore 5th December 2012	<b>N Prabhu Ram</b> Company Secretary	<b>L Kamesh</b> Partner (M.No.209388)	

**SRI ARUMUGA ENTERPRISE LIMITED**

<b>CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012</b>				
	31.03.12		31.03.11	
	Rs.		Rs.	
<b>I CASH FLOW FROM OPERATING ACTIVITIES :</b>				
Net profit before tax	239.39		561.96	
Adjust: Prior year expenses	0.00	239.39	3.99	565.95
Adjustments for				
Depreciation	362.84		338.16	
Provision for Income Tax	(113.94)		(125.79)	
Interest and Finance Charges	518.72	767.62	373.03	585.40
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>		<b>1007.01</b>		<b>1151.35</b>
Adjustments for				
Inventories	389.70		37.28	
Trade & Other receivables and Other Current assets	(2582.50)		(683.50)	
Current liabilities & Provisions	154.83	(2037.97)	(643.05)	(1289.27)
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		<b>(1030.96)</b>		<b>(137.92)</b>
<b>II CASH FLOW FROM INVESTING ACTIVITIES:</b>				
Purchase of Fixed Assets		(37.07)		(521.73)
Long Term Advance		(438.13)		
<b>Goodwill on consolidation</b>		<b>0.00</b>		<b>(500.00)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		<b>(475.20)</b>		<b>(1021.73)</b>
<b>III CASH FLOW FROM FINANCING ACTIVITIES:</b>				
Increase/(Decrease) in Shareholders Funds		0.00		2.05
Increase/(Decrease) in Shareapplication money		0.00		(300.00)
Increase/(Decrease) in Secured Loan		1956.54		74.00
Increase/(Decrease) in Unsecured Loan		(173.42)		1795.00
Interest and Financial Charges		(518.72)		(373.03)
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		<b>1264.40</b>		<b>1198.02</b>
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS (I+II+III)</b>		<b>(241.76)</b>		<b>38.37</b>
<b>Opening Balance of Cash &amp; Cash Equivalents</b>		<b>315.58</b>		<b>277.21</b>
<b>Closing Balance of Cash &amp; Cash Equivalents</b>		<b>73.82</b>		<b>315.58</b>
Breakup of Closing cash and cash equivalents:				
- Cash in hand		10.54		10.15
- Cash with banks		63.28		305.43
		<b>73.82</b>		<b>315.58</b>

**NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS  
FOR THE YEAR ENDED 31ST MARCH 2012**

**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 intra-group 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 Subsidiary	Country of Incorporation	Proportion of ownership interest (%)
Sri Mahasakthi Mills Ltd	India	100%
Sri Arumuga Cottspin 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.

## SRI ARUMUGA ENTERPRISE LIMITED

**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. Cash Flow Statements:**

Cash Flows are reported using the Indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expense associated with investing or financing cash flows. Cash and cash equivalents include cash on hand and balances with banks in current and deposit accounts with necessary disclosure of cash and cash equivalent balances that are not available for use by the company.

**i. 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.

**j. 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.

**T Rajkumar**  
Chairman &  
Managing Director

**K Dhanakumar**  
Director

**For M/s S Lakshminarayanan Associates**  
Chartered Accountants  
Firm Reg No. 06609S

Coimbatore  
5th December 2012

**N Prabhu Ram**  
Company Secretary

**L Kamesh**  
Partner  
(M.No.209388)

## NOTES FORMING PART OF FINANCIAL STATEMENTS

PARTICULARS	AS AT	
	31.03.2012 Rs	31.03.2011 Rs
<b>2) Share Capital</b>		
<b>AUTHORISED</b>		
10000000 Equity shares of Rs.10 each	<u>100000000</u>	<u>100000000</u>
	<u>100000000</u>	<u>100000000</u>
<b>ISSUED SUBSCRIBED &amp; PAIDUP CAPITAL</b>		
1000000 Equity shares of Rs. 10 each	<u>10000000</u>	<u>10000000</u>
	<u>10000000</u>	<u>10000000</u>
<b>3) Reserves &amp; Surplus</b>		
<b>a. Capital reserve</b>	82452498	82452498
<b>b. Surplus in statement of profit and loss</b>		
Opening Balance	43881315	5605934
Add : Profit for the year	15979025	38275381
Closing Balance	<u>59860340</u>	<u>43881315</u>
	<u>142312838</u>	<u>126333813</u>
<b>4) Long-term borrowings</b>		
a) Term loans from bank - secured	65214389	0
b) Loans & advances - related parties	254215174	190938302
c) Loans & advances - others	<u>67153401</u>	<u>0</u>
	<u>386582964</u>	<u>190938302</u>
<b>5) Other Long term liabilities</b>		
Advances from customers	<u>8000</u>	<u>0</u>
	<u>8000</u>	<u>0</u>
<b>6) Deffered Tax Liability</b>		
a) Deferred tax liability	20375412	23721844
b) Deferred tax asset		
- 43B liabilities/disallowance	<u>3469070</u>	<u>3381070</u>
	<u>16906342</u>	<u>20340774</u>
<b>7) Short Term Borrowings</b>		
Loans repayable on demand - secured		
(a) Term loan from bank	85832776	72891812
(b) Cash credit from bank	56764328	103882996
(c) Other loans from bank	<u>16836187</u>	<u>0</u>
	<u>159433291</u>	<u>176774808</u>

**SRI ARUMUGA ENTERPRISE LIMITED**

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

PARTICULARS	AS AT	
	31.03.2012 Rs	31.03.2011 Rs
<b>8) Other current liabilities - unsecured</b>		
Other loans and advances -	<u>152030404</u>	<u>144970526</u>
	<u>152030404</u>	<u>144970526</u>
Other payables pertains to		
(i) Creditors for purchases	144964768	136643374
(i) Creditors for other finance	1008066	1526492
(ii) Creditors for expenses	<u>6057570</u>	<u>6800660</u>
	<u>152030404</u>	<u>144970526</u>
<b>9) Short-term provisions</b>	<u>30151500</u>	<u>21728658</u>
	<u>30151500</u>	<u>21728658</u>
<b>11) Long-term loans and advances</b>		
(Unsecured, considered good)		
(a) Security deposits	10418179	1635608
(b) Loans & advances to related parties	34436335	0
(c) Others	<u>594459</u>	<u>0</u>
	<u>45448973</u>	<u>1635608</u>
<b>12) Inventories (at lower of cost or net realisable value)</b>		
Finished goods	31148000	162945528
Waste	1494000	1333320
Semi finished goods	13669000	29178201
Raw materials and consumables	<u>109897000</u>	<u>1724290</u>
	<u>156208000</u>	<u>195181339</u>
<b>13) Trade Receivables</b>		
a) More than 6 months	1032390	9405550
b) Others	<u>333361000</u>	<u>161093238</u>
	<u>334393390</u>	<u>170498788</u>
<b>14) Cash and Cash Equivalents</b>		
Cash on hand	1054000	1014660
Balance with banks		
- Current accounts	<u>6327948</u>	<u>30542849</u>
	<u>7381948</u>	<u>31557509</u>



**SCHEDULE : 10(a) TANGIBLE ASSETS**

Particulars	%	As on 01.04.2011	Additions	Sales Transfer	As on 31.03.2012	Depreciation			W.D.V. as on 31.03.2012	W.D.V. as on 31.03.2011
						For the year	Withdrawn	31.03.2012		
Land	0.00%	4700743	0	0	4700743	0	0	0	4700743	4700743
Furniture & Fittings	6.33%	276076	0	0	276076	17600	0	103361	172715	190315
Office Equipments	4.75%	203473			203473	10000		102794	100679	110678
Electrical Equipments		25244150			25244150	2610000		12845548	12398602	15008602
Plant & Machinery	10.34%	294960867	18607094	0	313567961	32160000	0	118023391	195544570	209097477
Computers	16.21%	113000		0	113000	18000	0	94082	18918	36918
Vehicles	9.50%	1630817	100000	0	1730817	160600	0	569751	1161066	1221666
Building	3.34%	39161902	0	0	39161902	1308000	0	10938195	28223707	29531707
<b>TOTAL</b>		<b>366291028</b>	<b>18707094</b>	<b>0</b>	<b>384998122</b>	<b>36284200</b>	<b>0</b>	<b>142677122</b>	<b>242321000</b>	<b>259898106</b>

**SCHEDULE : 10(b) CAPITAL WORK IN PROGRESS**

Particulars	%	As on 01.04.2011	Additions	Sales Transfer	As on 31.03.2012	Depreciation			W.D.V. as on 31.03.2012	W.D.V. as on 31.03.2011
						For the year	Withdrawn	31.03.2012		
Work in Progress		15000000		15000000	0			0	0	15000000
<b>TOTAL</b>		<b>15000000</b>	<b>0</b>	<b>15000000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15000000</b>

**SRI ARUMUGA ENTERPRISE LIMITED**

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

PARTICULARS	AS AT	
	31.03.2012	31.03.2011
	Rs	Rs
<b>15) Short-term loans and advances</b>		
<b>Others</b>		
(a) Advances recoverable in cash or kind or for value to be received	118048758	23759159
(b) Security deposits	705702	705702
(c) Prepaid expenses	409375	342870
	<u>119163835</u>	<u>24807731</u>
<b>16) Gross revenue from operations</b>		
Sale of products	1038931861	945638406
Other operating revenues	950000	0
	<u>1039881861</u>	<u>945638406</u>
<b>Net revenue from operations consists of</b>		
<b>(a) Sale of product</b>		
Sale of yarn	1028931587	938205192
Sale of waste cotton	7641309	7433214
Pollution control equipment	2311560	0
UV chamber and STT treated water pump line	47405	0
	<u>1038931861</u>	<u>945638406</u>
<b>(b) Other operating revenues</b>	0	
Sales commission	950000	0
	950000	0
<b>17) Other income:</b>		
Interest on bank deposit	1635860	0
Miscellaneous income	1161434	2688690
	<u>2797294</u>	<u>2688690</u>
<b>18) Purchase of traded goods</b>		
ETP pump and header fittings	47405	0
Pollution control equipment	1900000	0
	<u>1947405</u>	<u>0</u>

## NOTES FORMING PART OF FINANCIAL STATEMENTS

PARTICULARS	AS AT	
	31.03.2012 Rs	31.03.2011 Rs
<b>19) Cost of materials consumed</b>		
Opening stock	42440715	101744045
Add: Purchases	783077000	686568439
Add: Carriage inward	337955	457900
	<u>825855670</u>	<u>788770384</u>
Less: Sales	15602220	0
Less: Closing stock	177786640	42440413
	<u>632466810</u>	<u>746329971</u>
<b>20) Change in inventories of finished goods and work in progress</b>		
Inventories at the end of the year:	46311410	152740926
Inventories at the beginning of the year:	152740837	97164800
	<u>106429427</u>	<u>55576126</u>
<b>21) Other direct expenses</b>		
Power and fuel	67435455	72809800
Testing charges - cotton	9465	0
	<u>67444920</u>	<u>72809800</u>
<b>22) Employees benefits expenses</b>		
Salaries, wages and bonus (Including compensated absences payable on retirement)	36486936	38948851
Staff welfare expenses	2461331	2333350
	<u>38948267</u>	<u>41282201</u>
<b>23) Finance cost</b>		
Interest expenses	35693000	35956899
Other borrowing costs	16179011	1345698
	<u>51872011</u>	<u>37302597</u>

**SRI ARUMUGA ENTERPRISE LIMITED**

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

PARTICULARS	AS AT	
	31.03.2012	31.03.2011
	Rs	Rs
<b>24) Other expenses:</b>		
Advertisement charges	13666	12865
Audit fees	155665	135000
Taxes & licenses	948777	521888
Repairs & maintenance	5204853	5558437
Professional & consultancy charges	992902	171836
Postage and telephone	543099	609202
Printing and stationery	260018	302313
Travelling expenses	2745308	2162065
Donation	249730	118650
Other expenses	4223452	6393725
	<b>15337470</b>	<b>15985981</b>

- 25) Earnings in foreign currency                      Rs. Nil  
 Expenditure in foreign currency                      Rs. 99989

26) As per the information available with the Company there are no dues outstanding for more than 45 days as on 31st March 2012 to Small & Micro Enterprises as defined under Micro, Small and Medium Enterprise Development (MSMED) Act, 2006

27) The Term loans and Cash credit facility availed from State Bank of Hyderabad and Axis Bank are secured against the Fixed Asesets & Current Assets of the Company and the outstanding as on 31st March 2011 are as detailed below :

Name of the Company	Name of the Bank	Particulars of loan Rs. in lakhs	Security	
Sri Mahasakthi Mills Limited	State Bank of Bikaner And Jaipur	Term Loan	831.00	Hypothecation of Land, Building and Personal guarantee of Director
		Outstanding	181.00	
		Cash Credit	500.00	
		Outstanding	504.00	
	Axis Bank	Mpower Loan	150.00	
		Outstanding	151.00	
Sri Arumuga Cottspin Private Limited	Axis Bank	Term Loan	607.65	Hypothecation of Land, Building and Personal guarantee of Director
		Outstanding	534.49	
		Cash Credit	850.00	
		Outstanding	858.32	

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

28) Basic and diluted Earning Per Share (EPS) of Face Value of Rs.10 each is calculated as under:

	As at 31.03.2012 Rs.	As at 31.03.2011 Rs.
Total equity shares outstanding (Nos)	1000000	1000000
Net profit after tax	15979025	38275381
Earning per share (basic)	15.98	38.28
Diluted earning per share	15.98	38.28

29) Disclosure in respect of Related parties pursuant to Accounting Standard 18

Particulars	Key Managerial Persons	Associated Enterprises	Total
1. Purchases	0	4547390	4547390
2. Sales	0	2358965	2358965
3. Sales commission	0	950000	950000
4. Remuneration	120000	0	120000
5. Loans (net)	3115000	25970384	29085384
6. Advance (net)	0	40952438	40952438
Balance as of 31.03.2012	186885000	5986924	192871924

List of related parties

- ★ Key Managerial Persons:  
Sri T.Rajkumar, Chairman & Managing Director  
Sri K.Dhanakumar, Director
- ★ Associated Enterprises  
Imperial Spirits Limited  
Nethravathi Distilleries Private Limited  
Imperial Spirits and Wine Private Limited  
Overseas Beverages Private Limited  
Sri Arumuga Sugars Limited

30) The Revised Schedule VI is effective from 1st April 2011 for the preparation of financial statements. This has seriously impacted the disclosure and presentation of financial statements. Previous year figures have been regrouped / reclassified wherever necessary to correspond with the current year's disclosure / presentation.

<b>T Rajkumar</b> Chairman & Managing Director	<b>K Dhanakumar</b> Director	<b>For M/s S Lakshminarayanan Associates</b> Chartered Accountants Firm Reg No. 06609S
Coimbatore 5th December 2012	<b>N Prabhu Ram</b> Company Secretary	<b>L Kamesh</b> Partner (M.No.209388)

**SRI ARUMUGA ENTERPRISE LIMITED**

<b>Statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies</b>		
		Rs. in Lakhs
1	Name of the Subsidiary	Sri Mahasakthi Mills Ltd. Sri Arumuga Cottspin Pvt. Ltd.
2	Financial period of the subsidiary ended on	31st March 2012 31st March 2012
3	Holding Company's Interest	100% of Equity Share Capital 100% of Equity Share Capital
4	Capital	974.92 1000.00
5	Reserves	904.58 453.93
6	Total assets	4525.69 4360.98
7	Total liabilities	4525.69 4360.98
8	Investments	Nil Nil
9	Turnover	5285.91 5106.02
10	Net aggregate profit / (loss) for the current year - (before taxes)	111.31 100.25
11	Provision for taxation (including deferred taxes)	36.46 33.81
12	Profit after tax	74.85 66.44
13	Proposed dividend	Nil Nil
14	Net aggregate amount of profits/ (losses) of the subsidiary for the above financial year of the subsidiary, so far as they concern members of the Company :	
	a) dealt with in the accounts of the Company for the year ended 31st March, 2012	Nil Nil
	b) not dealt with in the accounts of the Company for the year ended 31st March, 2012	74.75 66.44
15	Net aggregate amount of profits/ (losses) for previous financial years of the subsidiary, since it became a subsidiary so far as they concern members of the Company :	
	a) dealt with in the accounts of the Company for the year ended 31st March, 2012	Nil Nil
	b) not dealt with in the accounts of the Company for the year ended 31st March, 2012	476.14 397.53

**SRI ARUMUGA ENTERPRISE LIMITED**

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 Monday, 31st December 2012 at 4.00 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:**

- 1. Admission restricted to Members / Proxies only.
- 2. A member / proxy attending the meeting must complete this attendance slip 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 Monday, 31st December 2012 at 04.00 p.m. and at any adjournment thereof.

Signed this ..... day of ..... 2012

Affix 1  
Rupee  
Revenue  
Stamp

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

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.