

SRI ARUMUGA ENTERPRISE LIMITED

ANNUAL REPORT 2012 - 13

Board of Directors

Sri T Rajkumar

Chairman & Managing Director

Sri K Dhanakumar

Sri S Sanjai

Sri Vaibhav Duvvur

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

Works – Garments Division - I

S.F.No.43/A2, Door No.2/525

Venus Gardens, Mangalam Main Road

Andipalayam Post

Tirupur – 641 687

Statutory Auditors

M/s S Lakshminarayanan Associates

Chartered Accountants

Coimbatore – 641 018

Bankers

Axis Bank Limited

The South Indian Bank Limited

Registrar and Share Transfer Agents

Purva Sharegistry (India) Pvt. Ltd.

9, Shiv Shakti Industrial Estate

J.R. Boricha Marg

Opp. Kasturba Hospital

Lower Parel (E), Mumbai – 400 011

Phone : 022-2301 6761 / 8261

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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 Wednesday, 25th September 2013 at 9.30 a.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 2013, the Statement of Profit and Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To declare Dividend on Equity shares for the year ended 31st March 2013.
3. To appoint a Director in place of Sri K Dhanakumar who retires by rotation and is eligible for reappointment.
4. To appoint Auditors and fix their remuneration. M/s S Lakshminarayanan Associates, Chartered Accountants, Coimbatore retire and are eligible for reappointment.

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies, in order to be effective, must be received at the Company's Registered Office not less than 48 hours before the meeting.
2. The relevant details of the Director seeking reappointment under Item No.3 above, as required by Clause 49 of the Listing Agreements entered into with the Bombay Stock Exchange is annexed.
3. The Register of Members and Share Transfer Books of the Company will be closed from Wednesday, 18th September 2013 to Wednesday, 25th September 2013 (both days inclusive).
4. Dividend, if declared at the Annual General Meeting will be paid within 30 days thereof to those members whose names appear on the Register of Members of the Company, after giving effect to valid transfers in respect of the Shares lodged with the Company on or before the close of business hours on 17th September, 2013. The dividend in respect of Shares held in

electronic form would be payable to the beneficial owners of Shares recorded with the Depositories as of the end of 17th September, 2013 as per details furnished by the Depositories for the purpose.

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 Shareregistry (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. SEBI vide its Circular No.CIR/MRD/DP/10/2013 dated 21st March 2013 has mandated all the listed companies to make cash payments including dividend to the investors through electronic mode of payment. In this regard, the investors holding shares in demat mode are requested to update their bank account details with their Depository Participants and investors holding shares in physical form are requested to furnish the details in the form appended herewith to the Company or our Share Transfer Agent at the earliest.
9. 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 (India) Private Limited.

30th May 2013
Coimbatore

By Order of the Board
N Prabhu Ram
Company Secretary

SRI ARUMUGA ENTERPRISE LIMITED**Item No.3**

Details of Director seeking appointment at the Annual General Meeting as required under Clause 49(iv)(G) of the Listing Agreement

Name of the Director	K Dhanakumar
Director Identification Number	00048730
Date of Birth	11th November 1969
Date of Appointment	30th September 2010
Qualifications	B.Sc., M.B.A.,
Expertise in specific functional areas	Has got rich experience in Production processes
Directorships held in other public companies	Imperial Spirits Ltd Sri Arumuga Sugars Ltd Sri Mahasakthi Mills Ltd
Memberships / Chairmanships of committee across public companies	Sri Arumuga Enterprise Ltd Member - Audit Committee Chairman - Shareholders'/Investors' Grievance Committee
No of equity shares held	204500
Relationship with other directors	Brother of Sri T Rajkumar

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 2013.

FINANCIAL PERFORMANCE

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

Particulars	2012-13	2011-12
Income from Operations	141.62	102.33
Other Income	0.49	0.00
Total Income	142.11	102.33
Profit before Tax	28.80	27.83
Provision for Current Tax	9.00	10.00
Provision for Deferred Tax	0.00	-0.77
Profit after Tax	19.80	18.60
Add : Opening balance in Profit and Loss account	64.61	46.01
Balance available for appropriations	84.41	64.61
Proposed Dividend	6.00	0.00
Dividend Tax	1.02	0.00
Transfer to General Reserve	1.00	0.00
Profit carried to Balance Sheet	76.39	0.00
Total appropriations	8.02	0.00

DIVIDEND

Your Directors are glad to recommend for your approval, a dividend of 6% (₹ 0.60 per share), (Previous year - Nil) for the year ended 31st March 2013, involving an outgo of ₹ 6.00 lakhs. Additionally, the dividend distribution tax will involve an outlay of ₹ 1.02 lakhs.

OPERATIONS

During the year, the Company reported a Profit after Tax (PAT) of ₹ 19.80 lakhs as against ₹ 18.60 lakhs for the previous year. During the year under review, the sales and other income were at ₹ 141.62 as against ₹ 102.33 lakhs for the previous year.

GARMENTS UNIT

Your Company has entered into manufacturing of garments which has huge potential given the export target of textiles set for the fiscal year 2013-14 by

SRI ARUMUGA ENTERPRISE LIMITED

the Government of India, which is pegged at US\$50 billion including garments. The management is confident of the sector as the order books surge with new and unprecedented export orders due to persistent improvement in factory capacity and compliance of social, welfare and labour laws.

During the year, the Company has taken a Garments manufacturing unit under lease at Tirupur, Tamilnadu. The unit has commenced its business from the month of February 2013 and is mainly focusing on Export of Ready Made Garments to US and European markets.

DEPOSITORY SYSTEM

As the members are aware, the Company's shares are compulsorily tradable in electronic form. As on 31st March 2013, 84.43% of the Company's total paid-up Capital representing 8,44,390 Shares are 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 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 2013.

SUBSIDIARY COMPANIES

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Statement of Profit and Loss and other documents of the subsidiary companies, Sri Mahasakthi Mills Limited and Sri Arumuga Cottspin Private Limited are not being attached with the Balance Sheet of the Company. The summary of the key financials of the Company's Subsidiaries are 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 shareholder at Registered Office of the holding company.

DISCLOSURE OF PARTICULARS

The particulars required to be included in terms of 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, with regard to energy, absorption, foreign exchange earnings and outgo is furnished in Annexure – I and forms part of this report.

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.

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 2013 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.

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DIRECTORS

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 BSE Limited is 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 the 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 employees, members and other stakeholders.

30th May 2013
Coimbatore

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

ANNEXURE 'A' TO THE DIRECTORS' REPORT**Conservation of Energy**

Conservation of energy continues to receive increased emphasis. Since the Company has commenced its manufacturing activity at the end of the year, there is no much activity on conservation of energy. The company has introduced slew of measures like use of CFL lights and TFT monitors.

Research & Development

The Company does not carry any research and development activity on its own. However, as a member of Apparel Export Promotion Council, the Company adopts the tested and proven technology recommended by the Council.

Technology Absorption

Wherever applicable, the Company adopts the technology recommended by Council. Also, in order to gain updated knowledge, the technicians of the Company are frequently undergoing various developmental programmes conducted by the Council and Trade bodies.

Form A
Conservation of Energy

A. Power and Fuel Consumption **31.03.2013** **31.03.2012**

1. Electricity

a) Purchased		
Units	4564	Nil
Amount – ₹	29665	Nil
Rate per Unit – ₹	6.50	Nil

2. Own Generation

a) Through Diesel Generator		
Amount	79952	Nil
Units per liter of Diesel Oil	3.52	Nil
Cost per Unit – ₹	17.60	Nil

3. Other Fuels **Not Used**

B. Consumption per unit

Production at actual no. of garments (unit)	11986	Nil
Electricity (KWH)	6.02	Nil

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, and to 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 a 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 functions vest with the Board. The Board has constituted four Committees, namely, Audit Committee, Nomination and Remuneration Committee, Share Allotment 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 15th May 2012, 14th August 2012, 10th November 2012 and 5th December 2012, 14th February 2013 and 28th March 2013 and the gap between two meetings did not exceed four months. 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