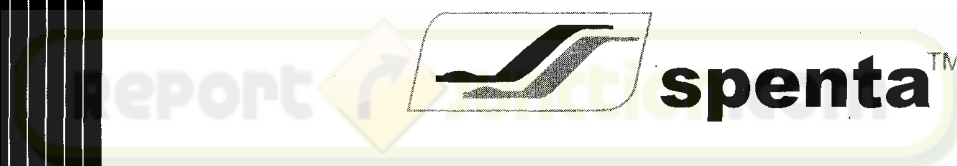
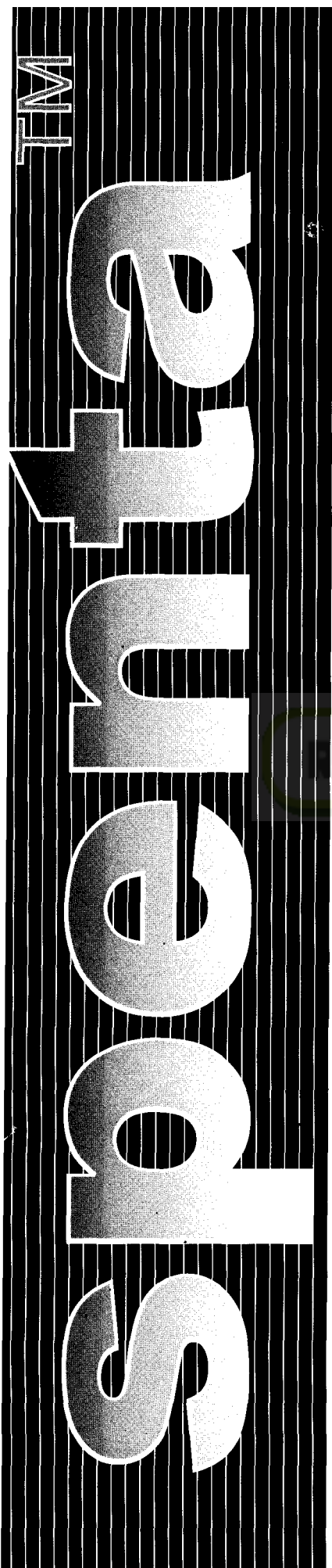


SPENTA INTERNATIONAL LIMITED



**16 Th Annual Report
2002 - 03**



spenta
SPENTA INTERNATIONAL LIMITED

DIRECTORS :

MR. SANJAY S. GADODIA, (Chairman)
MR. SANDEEP S. GADODIA
MR. JAYANT N. FARSWANI
MR. MILIND VINOD
MR. RAJESH S. DESHPANDE
MR. DANNY F. HANSOTIA (Managing Director)

BANKERS :

DENA BANK, SHARE BAZAR BRANCH,
MUMBAI

AUDITORS :

A. R. PARIKH & CO., MUMBAI.

REGISTERED OFFICE & FACTORY :

PLOT NO. 15 & 16
DEWAN INDUSTRIAL ESTATE
VILLAGE NAVALI, PALGHAR.

HEAD OFFICE :

86 & 87, MAHENDRA CHAMBERS,
2ND FLOOR, 134/136, D. N. ROAD,
MUMBAI - 400 001.

SHARE TRANSFER AGENT :

INTIME SPECTRUM REGISTRY LTD.
C-13, PANNALAL SILK - MILLS COMPOUND,
L. B. S. MARG, BHANDUP (W),
MUMBAI - 400 078.

LISTING OF EQUITY SHARES (Listing Fees Paid)

THE STOCK EXCHANGE, MUMBAI
PHIROZE JEEJEEBHOY TOWERS, DALAL STREET,
MUMBAI - 400 001.

THE AHMEDABAD STOCK EXCHANGE

KAMDHENU COMPLEX, PANGARPOLE,
AHMEDABAD 380015.

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**spenta****SPENTA INTERNATIONAL LIMITED****NOTICE**

NOTICE is hereby given that the 16th Annual General Meeting of the members of **SPENTA INTERNATIONAL LIMITED** will be held on **Wednesday the 24th September, 2003** at 11.30 a.m. at the Registered Office of the Company situated at Plot No. 15 & 16, Dewan Industrial Estate, Village Navali, Dist. Thane, Palghar to transact the following business:-

ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2003 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint Auditors to hold office from the conclusion of this Annual General Meeting, until the conclusion of the next Annual General Meeting of the Company, and to authorise the Audit Committee to fix their remuneration.

SPECIAL BUSINESS :

3. To consider and if thought fit to pass, with or without modification, the following Resolution as an Ordinary Resolution :
RESOLVED THAT Mr. Jayant Farswani, who was appointed as an additional Director w.e.f. 31st March, 2003 and who holds office upto the date of the 16th Annual General Meeting, but who is eligible for re-appointment and in respect of whom the company has received a notice in writing from a member under section 257 of the Companies Act, 1956 be and is hereby reappointed as a Director.
4. To consider and if thought fit to pass, with or without modification, the following Resolution as an Ordinary Resolution:
RESOLVED THAT Mr. Rajesh Deshpande, who was appointed as an additional Director w.e.f. 31st March, 2003 and who holds office upto the date of the 16th Annual General Meeting, but who is eligible for re-appointment and in respect of whom the company has received a notice in writing from a member under section 257 of the Companies Act, 1956 be and is hereby reappointed as a Director.
5. To consider and if thought fit to pass, with or without modification, the following Resolution as an Ordinary Resolution:
RESOLVED THAT Mr. Milind Vinod, who was appointed as an additional Director w.e.f. 31st March 2003 and who holds office upto the date of the 16th Annual General Meeting, but who is eligible for re-appointment and in respect of whom the company has received a notice in writing from a member under section 257 of the Companies Act, 1956 be and is hereby reappointed as a Director.
6. To consider and if thought fit to pass, with or without modification, the following Resolution as an Ordinary Resolution:
RESOLVED THAT pursuant to section 293 (1) (d) and other applicable provisions of the Companies Act, 1956, consent of the company by and is hereby accorded to the Board of Directors of the Company for borrowing from time to time any sum or sums of moneys on such terms and conditions and with or without security as the Board of Directors may think fit which, together with the moneys already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business), may exceed the aggregate for the time being of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose provided that the total amount of money/moneys so borrowed by the Board shall not at any time exceed the limit of Rs. 25,00,00,000/- (Rupees Twenty Five Crores Only).
7. To consider and if thought fit to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:
RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 and other applicable provisions, if any, of the Companies Act 1956, the Company hereby accords its approval to the revision of remuneration of Danny F. Hansotia Managing Director of the Company effective 1st July, 2003 on the terms, conditions and stipulations as contained in the draft Agreement, a copy whereof initialled by a Director for the purpose of identification is placed before the meeting, and the Board of Directors be and is hereby authorised to alter and vary such terms of appointment and remuneration so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 or any statutory modifications thereof, as may be agreed to by the Board of Director and Mr. Danny F. Hansotia.

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

RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its approval to the re-appointment of Mr. Sanjay Gadodia as the Wholetime Director of the Company for a further period of 5 years effective 1st July 2003 on the terms, conditions and stipulations of re-appointment and remuneration as contained in the Draft Agreement, a copy where of initialled by a Director for the purpose of identification is placed before the meeting, and the Board of Directors be and is hereby authorised to alter and vary such terms of re-appointment and remuneration so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 or any statutory modifications thereof, as may be agreed to by the Board of Directors and Mr. Sanjay Gadodia.

By order of the Board
FOR SPENTA INTERNATIONAL LIMITED

PLACE : MUMBAI
DATE : 30/06/2003.

SANJAY GADODIA
CHAIRMAN

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE 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.
2. The proxies, in order to be effective should be deposited with the company not less than 48 hours before the time fixed for the commencement of the meeting.
3. The Register of Members and Share Transfer Register shall remain closed from **Wednesday the 17th September, 2003 to Wednesday the 24th September, 2003 (both days inclusive).**
4. Explanatory statement under section 173(2) of the Companies Act, 1956 in respect of the Special Business set above is annexed.
5. As a measure of economy, copies of the Annual Reports and Accounts will not be distributed at the Meeting. Members are therefore requested to bring their own copy to the meeting.
6. Members are requested to produce the attendance slip duly signed, sent along with the Annual Report and Accounts, for admission to the meeting hall.
7. Members who are holding shares in identical order or names in more than one folio are requested to write to the company to enable the company to consolidation their holdings in one folio.

EXPLANATORY STATEMENT

AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 3 :

Mr. Jayant Farswani, was appointed as Additional Director w.e.f. 31st March, 2003, under Section 260 of the Companies Act, 1956. Mr. Farswani will hold office upto the date of the Annual General Meeting. The company has received a notice in writing from a member proposing the candidature of Mr. Farswani for the office of the Director under section 257 of the Companies Act, 1956. Mr. Farswani is a businessman having more than 15 years experience in the Socks Industry. His relevant business experience will immensely help the company in the years to come. He is not on the Board of any other Companies.

The Board of Directors recommends the resolution for approval of the members.

None of the Directors, except Mr. Farswani is concerned or interested in the said Resolution.

**spenta****SPENTA INTERNATIONAL LIMITED****ITEM NO. 4 :**

Mr. Rajesh Deshpande, was appointed as Additional Director w.e.f. 31st March 2003, under Section 260 of the Companies Act 1956. Mr. Deshpande will hold office upto the date of the Annual General Meeting. The company has received a notice in writing from a member proposing the candidature of Mr. Deshpande for the office of the Director under section 257 of the Companies Act, 1956.

Mr. Deshpande is a Management Graduate from U.K. & a Chartered Accountant, having rich experience in the field of Finance & Information Technology. His experience in the corporate sector will help the Company in strategic planning & structuring of its affairs. He is not on the Board of any other Companies.

The Board of Directors recommends the resolution for approval of the members.

None of the Directors, except Mr. Rajesh Deshpande is concerned or interested in the said Resolution.

ITEM NO. 5

Mr. Milind Vinod, was appointed as Additional Director w.e.f. 31st March, 2003, under Section 260 of the Companies Act, 1956. Mr. Vinod will hold office upto the date of the Annual General Meeting. The company has received a notice in writing from a member proposing the candidature of Mr. Vinod for the office of the Director under section 257 of the Companies Act, 1956.

Mr. Milind Vinod is a Chartered Accountant by profession having rich experience in the field of Finance, Taxation & Audit. His expertise in the finance sector will help the company in complying with Accounting Standards, Accounting policies & practices. He is not on the Board of any other Companies.

The Board of Directors recommends the resolution for approval of the members.

None of the Directors, except Mr. Milind Vinod is concerned or interested in the said Resolution.

ITEM NO. 6

Section 293(1) (d) of the Companies Act, 1956, requires the consent of the Members in the Annual General Meeting for authorising the Board of Directors to borrow monies (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) in excess of the aggregate of the paid-up Capital and free reserves.

In view of the ongoing expansion project of 33 Socks Knitting machines and its growing operations, the company requires additional funds as Term Loans & Working Capital. It is therefore recommended to increase the borrowing powers of the Board of Directors to Rs. 25,00,00,000/- (Rupees Twenty Five Crores only).

The Board of Directors recommends the resolution for approval of the members.

ITEM NO. 7

Mr. Danny Hansotia & Mr. Sanjay Gadodia are chief promoters of the company. Due to their sustained efforts, the company has been posting improved financial performance since the past four years.

The approval of the members is being sought to the terms, conditions and stipulations for the revision of remuneration of Mr. Hansotia as the Managing Director, of the company. The terms and conditions (fixed by the Board of Directors at their meeting held on 30th June 2003) are keeping in line with the remuneration package that is necessary to encourage good professional managers with a sound career record to occupy important position such as occupied by Mr. Hansotia.

The material terms and conditions as contained in the draft Agreement are given below :

1. Salary and Commission (hereinafter referred to as "Remuneration") :

- a) Salary : At the rate of Rs. 40000/- per month with increments effective 1st July each year, as may be decided by the Board of Directors, subject to a ceiling of 30% per annum, commencing from 1st July, 2004.
- b) Commission/ Performance linked incentive : On net profits of the Company determined in accordance with relevant provisions of the Companies Act, 1956 at a rate to be determined by the Board of Directors from time to time, but not exceeding an amount equivalent to 30% of the Annual Salary for the relevant period. The payment may be made on a pro rata basis every month or an annual basis or partly monthly and partly on an annual basis at the discretion of the Board of Directors.
- c) House Rent Allowance : 20% of the Annual Salary. In case, Company accommodation is provided, no House Rent Allowance will be paid.
- d) Leave Travel Allowance : Upto 10% of the annual salary.
- e) Other Perquisites and Allowance :
 - (i) Mr. Hansotia shall be entitled to perquisites and allowances like bonus, reimbursement of expenses or allowance for utilities such as gas, electricity, water, soft furnishing, hard furnishings and repairs, allowances for children, helper allowance, medical reimbursement or allowance, club fees, medical insurance and

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such other perquisites and allowances in accordance with the rules of the Company, applicable from time to time, or as may be agreed to by the Board of Directors, the value of which shall not in the aggregate exceed 20% of the annual Salary.

- (ii) For the purposes of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income Tax Rules, wherever applicable. In the absence of any such Rules, perquisites and allowances shall be evaluated at actual cost. Provisions for use of the Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.
- (iii) Company's contribution to Provident Fund, Superannuation Fund and Pension Fund, to the extent these either singly or together are not taxable under the Income-tax Act, Gratuity payable as per the Rules of the Company and the encashment of leave at the end of the tenure, shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

2. **Minimum Remuneration :** Notwithstanding anything herein contained, where in any financial year during the period of office of Mr. Hansotia as Managing Director, the Company has no profits or its profits are inadequate, the Company may pay him remuneration by way of salary, allowances and perquisites in accordance with the limits laid down in Schedule XIII to the Companies Act, 1956, or any statutory modifications therein, substitutions or re-enactment thereof, as may be agreed to by the Board of Director and Mr. Hansotia.
3. **Other Terms :** Mr. Hansotia shall, subject to the superintendence, control and direction of the Board of Directors, manage and conduct the business and affairs of the Company. He shall not be paid any sitting fees for attending meetings of the Board of Directors or Committee thereof. Mr. Hansotia shall be entitled to reimbursement of all actual expenses, including on entertainment and travelling, incurred in the course of the company's business.

In view of the provisions of Section 309 of the Companies Act, 1956, an Ordinary Resolution in terms as set out in the accompanying Notice is placed before the members for their consideration.

A copy of the draft Agreement referred to in the Resolution would be available for inspection by the members at the Registered Office of the Company during business hours on any working day, excluding Saturday, upto and including the day of this meeting.

This Explanatory Statement together with the accompanying Notice may also be regarded as an abstract and memorandum under Section 302 of the Companies Act, 1956.

None of the Directors, except Mr. Hansotia is interested or concerned in the Resolution at Item No. 7.

ITEM NO. 8

The Board of Directors at their meeting appointed Mr. Sanjay Gadodia as a Wholetime Director, for a period of 5 years with effect from 1st-April 1997, subject to necessary approvals.

The approval of members is being sought to the terms and conditions of reappointment of Mr. Sanjay Gadodia as the Wholetime Director. The terms and conditions (fixed by the Board of Directors at their meeting held on 30th June 2003) are keeping in line with the remuneration package that is necessary to encourage good professional managers with a sound career record to occupy important position such as that occupied by Mr. Gadodia.

The material terms and conditions as contained in the draft Agreement are given below:

1. **Salary and Commission (hereinafter referred to as "Remuneration") :**
 - a) Salary : At the rate of Rs. 40000/- per month with increments effective 1st July each year, as may be decided by the Board of Directors, subject to a ceiling of 30% per annum, commencing from 1st July, 2004.
 - b) Commission/ Performance linked incentive : On net profits of the Company determined in accordance with relevant provisions of the Companies Act, 1956 at a rate to be determined by the Board of Directors from time to time, but not exceeding an amount equivalent to 30% of the Annual Salary for the relevant period. The payment may be made on a pro rata basis every month or an annual basis or partly monthly and partly on an annual basis at the discretion of the Board of Directors.
 - c) House Rent Allowance : 20% of the Annual Salary. In case, Company accomodation is provided, no House Rent Allowance will be paid.
 - d) Leave Travel Allowance : Upto 10% of the annual salary.
 - e) Other Perquisites and Allowance :

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- (i) Mr. Gadodia shall be entitled to perquisites and allowances like bonus, reimbursement of expenses or allowance for utilities such as gas, electricity, water, soft furnishing, hard furnishings and repairs, allowances for children, helper allowance, medical reimbursement or allowance, club fees, medical insurance and such other perquisites and allowances in accordance with the rules of the Company, applicable from time to time, or as may be agreed to by the Board of Directors, the value of which shall not in the aggregate exceed 20% of the annual Salary.
- (ii) For the purposes of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income Tax Rules, wherever applicable. In the absence of any such Rules, perquisites and allowances shall be evaluated at actual cost. Provisions for use of the Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.
- (iii) Company's contribution to Provident Fund, Superannuation Fund and Pension Fund, to the extent these either singly or together are not taxable under the Income-tax Act, Gratuity payable as per the Rules of the Company and the encashment of leave at the end of the tenure, shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

2. **Minimum Remuneration :** Notwithstanding anything herein contained, where in any financial year during the period of office of Mr. Gadodia as Chairman, the Company has no profits or its profits are inadequate, the Company may pay him remuneration by way of salary, allowances and perquisites in accordance with the limits laid down in Schedule XIII to the Companies Act, 1956, or any statutory modifications therein, substitutions or re-enactment thereof, as may be agreed to by the Board of Director and Mr. Gadodia.
3. **Other Terms :** Mr. Gadodia shall, subject to the superintendence, control and direction of the Board of Directors, manage and conduct the business and affairs of the Company. He shall not be paid any sitting fees for attending meetings of the Board of Directors or Committee thereof. Mr. Gadodia shall be entitled to reimbursement of all actual expenses, including on entertainment and travelling, incurred in the course of the company's business.

In view of the provisions of Section 309 of the Companies Act, 1956, an Ordinary Resolution in terms as set out in the accompanying Notice is placed before the members for their consideration.

A copy of the draft Agreement referred to in the Resolution would be available for inspection by the members at the Registered Office of the Company during business hours on any working day, excluding Saturday, upto and including the day of this meeting.

This Explanatory Statement together with the accompanying Notice may also be regarded as an abstract and memorandum under Section 302 of the Companies Act, 1956.

None of the Directors, except Mr. Sanjay Gododia & Mr. Sandeep Goadodia are interested or concerned in the Resolution at Item No. 8.

By order of the board
Spenta International Limited

PLACE : MUMBAI

DATE : 30th June, 2003.

SANJAY GADODIA
(Chairman)

DIRECTORS REPORT

To,
 The Members,
SPENTA INTERNATIONAL LIMITED

Your Directors submit their Report and the Audited Accounts of the Company for the year ended 31st March, 2003.

1. FINANCIAL RESULTS:

The financial Results are briefly indicated below :

	(Rs. In lacs)	
	<u>YEAR ENDED</u> <u>31.03.2003</u>	<u>YEAR ENDED</u> <u>31.03.2002</u>
Sales	471.72	465.33
Profit before Interest, Depreciation and Tax	134.84	117.01
Less : Interest & finance charges.	9.23	7.85
Profit after Interest but before Depreciation	125.61	109.16
Less : Depreciation	45.89	37.63
Profit Before Tax	79.71	71.53
Less : Provision for Taxation - Current	5.12	3.50
- Deferred	28.47	3.54
Profit After Tax	46.12	64.49
Balance Brought forward	66.23	1.74
Profit carried to Balance sheet	112.35	66.23

2. FINANCIAL OPERATIONS:-

During the year the company has done well to maintain its previous level of sales and profits in spite of uncertain market conditions and weak consumer confidence with drought like conditions and failing monsoons in many parts of the country. Your Company's focus on the leading Indian and Multinational brands coupled with product innovation and renovation, concerted efforts to maintain the price of products, continuous improvement of factory activities and a professional work environment sustained the performance during the year. Impact of the adverse market environment on the Company was mitigated by continued efforts to better understand and anticipate consumer needs to facilitate development of product that provide complete VFM (Value for money).

The Company's overall sales and profit progression during the year can be considered extremely satisfactory and is a reconfirmation of the focused efforts of a team capable of taking on challenges and the strength of its customers and their brands.

3. FUTURE PROSPECTS:

During the year under review the focus on obtaining actionable consumer insights and affordability, value for money and availability of product, remained thrust areas. The Company introduced various new or improved product styles that provide convenience to the consumer. The domestic market responded with significant volume growth in most of the brands catered.

The current year has commenced as per plan. During the year 2002-03, the Company has successfully implemented its expansion project of 9 machines which has resulted in an increase in the annual production capacity by around 25%. The Company has embarked on a further expansion programme by adding 1997 model 24 LONATI-make Italian Socks Knitting Machines. These machines along with the other Ancillary Machines like Steam Boarding machine, Steam Injected Dryer, and Vacuum Turning Device imported from U.S.A. will result in a better product finishing and a further increase in the annual production capacity by around 60%. As of date, the machinery have arrived on site and the installation is under progress. The Company is confident of starting trial production by around 1st October 2003 and commercial production by end of the month. This will result in boosting our sales and profit in coming years for a sustainable and profitable growth.

4. DIVIDEND:

The Directors, do not recommend any dividend for the year in order to utilize the accruals for funding the expansion project of the company.



spenta **SPENTA INTERNATIONAL LIMITED**

5. FIXED DEPOSITS:

The company has accepted fixed deposits within the meaning of section 58-A of the Companies Act, 1956 and rules framed there under are complied with. There are no deposits which have not been claimed by depositors or paid by the company after the date on which the deposit became due for repayment or renewal, as the case may be, according to the contract with the depositors & there are no total amounts due to the depositors & remaining unclaimed or unpaid.

6. SUBSIDIARIES:

The Company has no subsidiaries, within the meaning of section 212 of the Companies Act, 1956.

7. DIRECTORS:

During the year Mr. Jayant Farswani, Mr. Milind Vinod and MR. Rajesh Deshpande were appointed as Additional Directors pursuant to Section 260 of the Companies Act, 1956, w.e.f. 31st March, 2003.

Your Directors have re-appointed Mr. Sanjay Gadodia as the Chairman and Whole Time Director for a further period of 5 years from 1st July, 2003, after the expiry of his existing term on 30th June, 2003.

Your Directors have revised the remuneration of Mr. Danny Hansotia, Managing Director of the Company w.e.f. 1st July, 2003. Mr. Hansotia, was appointed as Managing Director of the Company from 1st November, 1996 and his able leadership is best reflected in the sustained good performance of the Company.

8. DIRECTORS RESPONSIBILITY STATEMENT:

The Directors confirm :

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the Profit of the Company for that period;
- (iii) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of the Company Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that they have prepared the Annual accounts on a going concern basis.

9. CORPORATE GOVERNANCE CODE:

Your Directors are pleased to advise you that your Company has implemented the requirements of the Code of Corporate Governance formulated by the Securities and Exchange Board of India (SEBI) and incorporated as Clause 49 in the Listing Agreement of the BSE, where the shares of your Company are listed, in the manner as detailed in a Report on Corporate Governance included as a part of the Annual Report.

A certificate from the Auditors of the Company regarding compliance of the code of Corporate Governance is annexed thereto.

10. STOCK EXCHANGE REQUIREMENT:

Being listed at Mumbai & Ahmedabad Stock Exchanges, your company has paid listing fees till March, 2004.

11. AUDITORS

The Company's Auditors, M/s A.R. PARIKH & CO., retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

12. ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE:

Statement giving the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is as follows :